EVALUATION

USAID/Dominican Republic
Tri-Project Performance Evaluation

Rural Economic Diversification (USAID/RED) Project

August 31, 2011

This publication was produced by Amex International and its Subcontractor, DevTech Systems, Inc., for the United States Agency for International Development. It was prepared Robert Flick and Luis Cirito, AMEX International under Contract No. RAN-I-00-09-00008-00.

USAID/DOMINICAN REPUBLIC TRI-PROJECT PERFORMANCE EVALUATION

RURAL ECONOMIC DIVERSIFICATION (USAID/RED) PROJECT

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USAID/DR TRI-PROJECT EVALUATION

Volume II: Rural Economic Diversification (USAID/RED) Project

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ACRONYMS

ADEMI Bank	Bank formed by Microenterprise Association
ADEPE	Asociación para el Desarrollo de la Provincia Espaillat
BMP	Best Management Practices
CEDAF	Centro para el Desarrollo Agropecuario y Forestal
CEI-RD	Centro de Exportación e Inversión de la República Dominicana
CHC	Clúster Hortícola de Constanza
CIMPA	Center for Investigation and Improvement of Animal Products
CNC	Consejo Nacional de Competitividad
CONACADO	Confederación Nacional de Cacaocultores Dominicanos
COTR	Contracting Officer's Technical Representative
DCA	Development Credit Authority
DR	Dominican Republic
DR-CAFTA	The implementation project to assist GODR prepare for the Central American Free Trade Agreement commitments and impact
DSTA	Dominican Sustainable Tourism Activity
FECADESJ	Federation of Coffee Producers and Farmers for the Development of San Juan
FEDEGANO	Federation of Ranchers in the Northwest
FIPA	Investment Fund for Environmental Protection
GAP	Good Agricultural Practices – also EUR-GAP for the good practices demanded from producers shipping to Europe after 1/1/2012
GMP	Good Manufacturing Practices
GODR	Government of the Dominican Republic
GTZ	German International Development Agency
IDB	Inter American Development Bank
IDEAC	Economic Development Institute for Associations (Instituto de Desarrollo de la Economía Asociativa)
IDIAF	Instituto Dominicano de Investigaciones Agropecuarias y Forestales
IIBI	Institute for Innovation in Biotechnology
IICA	Instituto Interamericano de Cooperación para la Agricultura
IPM	Integrated Pest Management
IQC	Indefinite Quantity Contract
ISA	Instituto Superior de Agricultura
JAD	Junta Agroempresarial Dominicana
JCC	Jarabacoa Coffee Cluster
KAP	Knowledge, Attitude and Practices

LAC	Latin America and the Caribbean
MC	Mango Cluster
MIS	Market Information System
MOA	Ministry of Agriculture
M&E	Monitoring and Evaluation
MOU	Memorandum of Understanding
MSMEs	Micro, Small, and Medium Enterprises
NGO	Non-Governmental Organization
NRECA	National Rural Electric Cooperative Association
NRM	Natural Resource Management
OD	Organizational Development
OPIC	Overseas Private Investment Corporation
PATCA	Proyecto Agrícola de Transición a la Competitividad, Transition to a Competitive Agriculture Project
PBMS	Performance Based Management System
PERSUAP	Pesticide Evaluation Report and Safe Use Action Plan
PIP	Parameters Identification Paper (1st step to prepare CDCS)
PMA	Produce Marketing Association
PSA	Purchased Service Agreement
REDDOM	Rural Economic Diversification NGO, an outgrowth from the USAID/RED project
RIG	Regional Inspector General
SPS	Sanitary and Phytosanitary Standards
STTA	Short term technical assistance
SWOT	Strengths, Weaknesses, Opportunities and Threats – an internal analysis used when preparing a strategic plan
USAID	United States Agency for International Development
USAID/DR	United States Agency for International Development Mission in the Dominican Republic
USAID/RED	USAID Rural Economic Diversification Project
USDA	United States Department of Agriculture
USG	United States Government

EXECUTIVE SUMMARY

This report presents the major findings from a mid-term evaluation of the Rural Economic Diversification (RED) project and recommendations to assist USAID and the implementing partner in making mid-course adjustments as required (see scope of work in Annex A). The project is one of three projects that together contribute to USAID's Strategic Objective: “Increased sustainable economic opportunities for the poor.” The RED project is being implemented by Abt Associates under a cost reimbursable plus fixed fee task order under the RAISE Plus Indefinite Quantity (IQC) contracts.

PROJECT BACKGROUND

The USAID/RED project was designed to include two purposes under Strategic Objective No. 1: a) ameliorate the possible impacts of the DR-CAFTA on the value chains of certain “sensitive” crops and livestock products; and b) help the rural sector of the Dominican Republic take advantage of the opportunities presented by the agreement to compete in the United States and Central American region. The funding for the effort came from an “earmark” proposed by Senator Bingaman,[1] who sought to partially ameliorate the effects of the treaty by diversification of the rural economy.[2] Efforts made toward an agreement (DR-CAFTA) and then taking steps so the Dominican Government and private sector could organize themselves to meet the challenges of free trade and also maximize the opportunities that could come from free trade with North and Central America gave impetus to the USAID/RED project.

The project works with clusters[3] started under earlier USAID/DR and Inter-American Development Bank (IDB) efforts to broaden the value chain concept. Through grants, short-term technical assistance (STTA), training and coordination with government departments and several national-level non-governmental organizations (NGOs) and associations, clusters were to be further developed and strengthened in some 15 commodities or products. It is expected that these strengthened clusters would create new jobs through increased sales, better prices, linkages with the market, and increased productivity and sanitary procedures. A key element of the recent project implementation strategy is the agreement signed between Abt Associates and REDDOM Foundation (a legally incorporated Dominican organization).

EVALUATION METHODOLOGY

The methodology employed by the evaluators consisted of document study, open discussions with USAID/DR, Abt and REDDOM staff, and field trips to 10 clusters or groups of producers that represented approximately 34% of all direct beneficiaries and eight of 15 clusters supported by the project. Key Informants from JAD, CEDAF, Partners of the Americas, and Agroforestal MACAPI S.A., were interviewed as well. The Agribusiness/Lead Evaluator attended the Mango Fair in Bani, where he was able to dialogue with mango growers, and members of the Bani Chapter of the Dominican Association of Architects, a potential for RED-DSTA synergism.

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[1] Letter between Rob Portman (Executive Office of the President) and Senator Jeff Bingaman, 20 JUN 2005.

[2] According to USAID document: LAC Bureau's Equitable Growth Best Practices Project: Indicators for Tracking the Impact of Portman-Bingaman “Earmark” for the Dominican Republic (2008, 1), the earmark was designated to “provide funding to assist the rural sectors of the Dominican Republic and Guatemala to adjust to a more competitive agricultural sector under the treaty, so that once the terms of the [DR-CAFTA] agreement are in full force, the risk to poor, small-scale producers of basic grains or other sensitive commodities will have been significantly reduced or eliminated.”

[3] A “cluster” in the USAID/RED project is an expanded value chain that includes the immediate and direct value chain participants **and** peripheral groups and organizations that together result in a synergistic group that provides space for development of business relationships between members of the cluster.

PRINCIPAL FINDINGS AND CONCLUSIONS

In general, the evaluators found that the RED implementers are achieving the majority of the objectives established by USAID in the initial stages of the project. The evaluators also found that following an audit, the grants under contract tool became an important component of the project‘s strategy and gained greater importance during the third year. Marketing has been the project‘s weakest component overall, with a noted absence of marketing expertise on the implementation team at the time of the evaluation.

Key Project Strengths. Training and technical assistance assignments were completed according to the targets. The project awarded and/or approved 64 small grants (as of 3/31/2011) totaling $2.9 million to consolidate the clusters and accomplish other specific tasks. In addition, the project mobilized more than $4.0 million of non-Federal resources. The project also successfully sponsored study visits within the country and abroad. Farmers have been trained and certified in Best Agricultural Practices that will facilitate market entry into the USA and Europe, which will require such certification starting in January 2012. The project participated in two international class trade fairs sponsored by the JAD with participation by several of the clusters that resulted in potential deals for exports of mangos, avocados, bell peppers and interest in other vegetables that might be successfully grown in the DR.

At the national institutional level, the project has successfully supported the legal formalization of the REDDOM foundation. The staff transition to the REDDOM Foundation seems to be going smoothly and the leadership of the foundation is both dynamic and competent. The Abt Associates project monitoring and evaluation system, its quarterly progress reports, annual reports, periodic success stories and other special reports requested by the USAID Mission document progress toward all project objectives. The cluster mechanism is working well in one location while it is on the verge of being consolidated in three to four other sites. Although impact measurement was not a mandate of this evaluation, evaluators noted increased incomes for dairy farmers and women weavers.

Key Project Weaknesses. In spite of the statement in the Abt contract that ―We will employ a buyer-driven approach to focus project resources on key bottlenecks and opportunities to unleash the growth potential of nontraditional DR agriculture," this has not occurred. Instead, the project is a supply-push effort rather than a demand-pull effort. This conclusion was reached even though USAID/RED has been responsive to the demand generated by the various clusters/productive groups. However, linkage to buyers in the Dominican market did not occur through this approach. The evaluators conducted a cluster/group by cluster/group analysis about market requirements and have presented this information to the implementer for consideration.

The USAID/RED has not worked as closely with the *Junta Agroempresarial Dominicana* (JAD), *Centro para el Desarrollo Agropecuario y Forestal* (CEDAF) and the Ministry of Agriculture (MAG) and its appendages as could have been possible to benefit from this institutional capacity supported by USAID in the past. During the first three plus years of the project, USAID/RED only collaborated on three activities with JAD, the premier agribusiness organization in the DR. While USAID/RED assured the evaluators that the project worked closely with the CEDAF, there have been some missed opportunities. For example, there could have been more coordination with the Greenhouse Cluster sponsored by CEDAF in order to control inside temperatures. Likewise, there were lost opportunities with the MAG.

In its implementation, the RED project demonstrated a bias towards a non-profit, do-gooder attitude for the delivery of services versus a market-oriented, competitive, and even governmental support as part of the solution. The clusters and productive groups sampled as part of the evaluation were all non-profit. The clusters/groups did purchases from companies organized as businesses, but for the most part partners were non-profit organizations.

PRINCIPAL RECOMMENDATIONS

The existing agricultural projects are not directly integrated into the USAID/DR Mission strategy (currently the RED project is operating under a strategic plan that has been extended de facto). As the Mission prepares for its Country Development Cooperation Strategy (CDCS), a focused inclusion of agriculture into the development objectives would increase the impact of the RED project and subsequent agricultural follow-on projects. This is manifested particularly in the field where USAID/RED and DSTA coordination opportunities exist in several cluster/group locations. It is within this context that recommendations are offered as part of the evaluation report.

Short-term (present until January 2012): The current contract with Abt Associates ends in early 2012 (end of first of two, one-year options). USAID/DR should take steps immediately to amend the existing contract, extending the PACD for the optional fifth year until early 2013 so that over the course of the next six months key personnel is stabilized, gains with REDDOM and the existing clusters can be further consolidated, activities in the South and border areas can be initiated and efforts to redirect the project toward the market-pull approach can happen. In the next six months the Mission can start planning for a new follow-on project primarily focused on the South and border areas.

Medium-term (February 1012 until January 2013 – optional 5th year): In the optional fifth year, the redirection of the current project to the South and to the border areas accessible from the South can be completed and a number of initiatives started. There should be a business development specialist with specific tasks to complete within specified timetables (e.g., one investment/project in each quarter). His/her compensation plan should include a reward or bonus if targets are met. The period from Feb 2012 - Jan 2013 would be the pilot year and, in reality, be the laboratory for a follow-on five-year project. Depending on experience during the period from now until the end of the optional 5th year of the current Abt contract, adjustments should be made in the approach: compensation packages for the business development specialists should be able to take advantage of a bonus fund in order to provide incentives, staffing, role of REDDOM, a possible new for-profit contractor, etc. The next 18 months provide the USAID Mission the opportunity to assess best practices and identify innovations for the future.

Mission Strategic Planning (next five years): USAID/RED project achievements lay the groundwork for future Mission programs in the rural sector in general and in support of new Agency initiatives such as Feed the Future (FtF) and global climate change in particular. Food security – through improved access to food via increased rural incomes – is an important FtF component. Similar to the FtF Initiative, increased incomes, lower producer risks through diversified rural commodity production and employment have been key USAID/RED objectives. Although not an FtF focus country, the Dominican Republic has regional pockets of poverty and at-risk populations every bit as vulnerable as FtF countries. Directing USAID/DR resources, say, through future support to REDDOM and/or through a follow-on project to USAID/RED on the the DR's Southern and Haitian regions would contribute directly to FtF objectives in these still at-risk hunger-prone regions where incomes are low, unemployment high and purchasing power too limited to buy even the most basic ‗market basket‘ of food and necessities.

Lessons Learned. A key lesson that emerges from this evaluation that can be applied to future Mission staffing and programming is that agricultural and/or livestock projects require USAID missions to include experienced agricultural officers with marketing-project knowhow as part of their direct hire teams.

A second lesson is that market-oriented ―demand pull,” as an impetus for agricultural projects, must constantly be reinforced since it is too easy to revert to traditional supply-push approaches. The cluster mechanism is a valid approach in the more sophisticated areas of the country (Cibao, for example) but in less developed areas of the South it is not well understood and the "anchor firm" approach may be more appropriate. The anchor firm approach involves identifying an exporter, a processor, or a large grower (the "anchor firm") and working closely with this person/organization as a program of assistance is developed on a cost-sharing basis with the USAID-funded project. Technicians from the anchor firm and project personnel select communities where small farmers are willing and able to produce what the firm needs, in accord with market specifications (variety, timing, use of chemicals, grading and packing specifications, etc.), and under the technical direction of the lead or anchor firm. Since this is a public-private partnership, it must be successful for both growers and the anchor firm.

A third lesson: in order to assure maximum achievements by contractors and implementing partners, monetary incentives – as found throughout the private sector in the form of commissions and bonuses – should be used wherever possible and small fixed price contracts may give greater leverage to awardees than grants to assure reaching targets.

I. INTRODUCTION

Abt Associates is implementing the USAID/RED project in accordance with a cost reimbursable, cost plus fixed fee term form task order under the RAISE+ IQC. It is a three-year contract with two, optional one-year extensions. Currently the contract is half way through its first extension year with an optional fifth year that, if approved, would commence in early 2012. AMEX International, Inc., under the USAID Evaluation Services IQC, was contracted to perform a mid-term evaluation of the USAID/RED project. The field work for the evaluation was undertaken during June and July 2011 in the Dominican Republic by Robert Flick as Specialist Agribusiness/Lead Evaluator and Luis Cirito as an Evaluation Assistant. The RED evaluation is one component of the USAID/DR TRI-PROJECT EVALUATION, Contract RAN-I-00-09-00008, with Amex International, Inc. and the USAID/RED evaluators were one part of the Tri-Project evaluation team led by Kris Merschrod, PhD.

The USAID/RED project is designed to ameliorate the possible impacts of the DR-CAFTA on the value chains of certain ―sensitive" crops and livestock products. The impetus for the effort came from a concern of Senator Bingaman[4] that in order to partially ameliorate the effects of the treaty, diversification of the rural economy would be necessary. This was part of the efforts made to reach an agreement (CAFTA-DR) and then prepare the Dominican Government and private sector to organize themselves to meet the challenges of free trade and maximize the opportunities that could come from free trade with North and Central America.

The USAID/RED project involves working with existing clusters[5] started under earlier USAID/DR and IDB efforts to broaden the value chain concept. Through grants, STTA, training and coordination with government departments and several national-level NGOs and associations, clusters were to be further developed and strengthened in some 15 commodities or products. These strengthened clusters would create new jobs through increased sales, better prices, linkages with the market, and increased productivity and sanitary procedures.

The RED project is also expected to work in tandem with the ongoing and planned USAID/DR development activities, particularly the DR-CAFTA Implementation Project and the Dominican Sustainable Tourism Alliance Project (DSTA), as well as all other rural economic diversification projects financed by the GODR and other donors especially, the SEA-IDB PATCA[6] Project and the CNC-IDB Competitiveness Project. [7]

Purpose and uses of the evaluation as related to the development hypothesis. The development hypothesis of the USAID/RED project is *"…that risk to rural-based agricultural producers (and other enterprises along the value change between producers and consumers) can be reduced by helping rural-based farms and firms to diversify their land and labor resources into higher-value crops and enterprises where they can be competitive—and that*

[4] Letter between Rob Portman (Executive Office of the President) and Senator Jeff Bingaman, June 20, 2005.
[5] A ―cluster" in the USAID/RED project is an expanded value chain in that it includes not only the immediate and direct value chain but also peripheral groups and organizations that together result in a synergistic group that provides space for development of business relationships between members of the cluster.
[6] This project will be funded through the Foreign Assistance Objective Economic Growth under the Program Area of Agriculture. The subsequent Program Element that will be addressed is Agricultural Productivity. The Foreign Assistance Framework can be found online at: http://www.state.gov/documents/organization/79748.pdf. More information regarding the Foreign Assistance Reform, Framework and Objective, Program Areas, Program Elements and Sub Element definitions can be found at: http://www.state.gov/f/reform/
[7] USAID Request for Task Order Proposal Number: 517-07-007 SEP 2007, p.2, 3

trade (the market) can serve as an engine to drive rural economic growth with a positive impact on job creation, income generation, and poverty reduction in the rural sector and beyond." This mid-term performance evaluation helps the Mission decide whether to approve a fifth year, to provide recommendations for a possible follow-on project, and to provide a document that can be of use in the Mission's future strategic planning. Since it is not the final evaluation of the USAID/RED project, this report does not attempt to prove or disprove the development hypothesis. The reader is referred to the evaluation SOW (See Annex A) for the one general and ten (10) key questions addressed in this report.

Short-run perspective for year five USAID/RED implementation. As the Abt contract is a three-year base contract with two possible one-year extensions, and is midway through its fourth year, the evaluators looked at whether the project should be extended for a fifth and final year, i.e., to end in early 2013. A discussion of findings and recommendations is contained in this report.

Long-term perspective for the Mission strategic planning process. The Mission does not have an approved strategic plan and is using a continuing operations plan. Recently, the Mission prepared a draft of its Parameters Identification Paper (PIP) as a first step in preparing a new Country Development Cooperation Strategy (CDCS). The PIP was provided to the evaluation team and this report will include comments on this document and provide recommendations to assist the Mission in its planning process as well as in designing new projects to carry out its CDCS.

II. EVALUATION METHODOLOGY/APPROACH

The team consisted of two persons, Luis Cirito and Robert Flick. Mr. Cirito is a Dominican specialist with a background in small and medium enterprise (SME), management of socio-economic development projects, and conflict resolution. Mr. Cirito's degrees are in government and public administration (MA – Chile) and international business and strategic information (MA -Université de Provence Aix Marseille, France) along with a bachelor's degree in marketing from Santo Domingo Autonomous University. Robert Flick is a development specialist since his Peace Corps days in 1962-64. Mr. Flick has two undergraduate degrees, one in Wood Products Engineering from the State University College of Environmental Science and Forestry in Syracuse and the other a Bachelors of Forestry from Syracuse University. Since 2005, Mr. Flick has been a recognized agricultural leader and avocado farmer in Ecuador.

A. SAMPLE

The methodology employed by the RED evaluators consisted of document study, open discussions with USAID/DR, Abt and REDDOM staff, and field trips to 10 clusters or groups of producers during which further discussions were held with direct beneficiaries, participants, project staff and others. Key Informants from JAD, CEDAF, Partners of the Americas, Agroforestal MACAPI S.A., were interviewed as well. The Specialist Agribusiness/Lead Evaluator attended the Mango Fair in Bani, where he was able to talk with mango growers and members of the Bani Chapter of the Dominican Association of Architects. Initially, eight clusters or groups were selected after reviewing the universe of 15 clusters and groups with which the project is working. The following table illustrates the clusters and/or groups for which field visits were planned. As can be seen, the groups/clusters selected represented approximately 34% of all reported direct beneficiaries.

Table 1 - Sample of Clusters/Groups Visited:

Cluster/group	Production	Strategy	Location	Beneficiaries
Wood and Furniture Cluster of Santiago	Agricultural Fiber, Wood & Furniture	Diversification & value added	Santiago	794
Greenhouse Cluster	Horticulture	New Technology Diversification & value added	Jarabacoa	94
Vegetable	Horticulture	Diversification & value added	Constanza	18
FEDEGANO*	Milk and Cheese	Diversification & value added	Santiago Rodriguez	292
Banana (North)	Bananas	Value Added	Mao, Valverde	421
Chocal & Fundalosa/Asoprocon**	Chocolate & Cocoa	Value Added, New Technology	Palmar Grande, Altamira, Puerto Plata	81
Avocado Cluster	Avocados	Value Added	San Cristóbal	320
FECADESJ*	Grains to Coffee	Diversification Value added	San Juan	195
GPAE – MC*	Grains to Vegetables	Diversification Value added	San Juan	72
			Totals	2,287 of 6,644

*These groups or clusters were/are producing products that are considered sensitive to the expected open market – milk, beans, rice.
** These two groups (Chocal and the Fundalosa/Asoprocon) are ―bonus" groups in that they were not selected originally.

After selecting the groups, it was brought to our attention that an inauguration was planned in Mao, Valverde Province of a banana cableway, so we substituted that group for the Azua, Peravia banana cluster and decided to attend the inauguration. Also, a second inauguration of a cocoa fermenting and drying buying center in Altamira, Puerto Plata was planned for the following day, so we decided to accompany USAID and RED staff to Puerto Plata. However, we managed to visit the cocoa group the day before the inauguration and discovered a women's group of chocolate makers (Chocal) at the same location, which had also received project assistance through a local development foundation.

Other than those attending group cluster meetings at cluster centers, we interviewed:

- three furniture manufacturers in Santiago,
- the leadership of a cooperative saw mill in San Ramon,
- a group of 12 female weavers near the San Ramon saw mill,
- a banana farmer who benefitted from the new cable way in Laguna Salada,
- three women chocolate makers in Altamira,
- five dairy farmers in Lomas de Cabrera, Dajabon and Monticristi,

- managers and staff at three local milk collection stations in Dajabon, Lomas de Cabrera and Monticristi plus one cheese-making group in Monticristi,
- one greenhouse producer and a packing house owner in Jarabacoa
- a group of approximately 13 GODR agronomists that formed their association to be able to receive USAID/RED grants to assist greenhouse vegetable farmers in Jarabacoa and surrounding areas,
- one diversified vegetable farmer in Constanza,
- one green skin avocado farmer in Cambita,
- several members of two greenhouse collectives in Arroyo Cano and Palmar del Yaqui, San Juan
- two greenhouse collectives in El Capacito, El Cercado, Las Matas de Farfan that included a dozen or so farmers plus one farm which planted over 100 avocado trees

B. QUESTIONS

Feedback during our meetings and one-on-one discussions provided insight to the evaluators so as to document and examine the:

- implementation of tasks,
- accomplishments vs. targets and deliverables,
- the measurement of impact,
- strengths and weaknesses,
- risks and uncertainties,
- lessons learned, and
- best practices

Based on the assessment of these aspects, findings in relation to the first seven evaluation questions (See Annex A for Evaluation SOW) are presented below:

- project achievements vs. PMP targets (question # 1);[8]
- strengths and weaknesses of the design and implementation (questions # 2 and 3);
- needs for and actions taken for mid-project correction (questions # 4 and 5); and
- lessons learned and best practices (questions # 6 and 7)

Based on these findings, the conclusions and recommendations are presented for the USAID/RED project.

C. LIMITATIONS

This mid-term performance evaluation is limited to a review of the progress to date, and identification of outputs and outcomes. Due to the lack of sufficient baseline data and control groups, the evaluation does not include an assessment of impact. A primary tool for data collection was the application of a focus group approach. As such, responses and data are reported without attribution. Due to limitations of time, the focus group results cannot be used to generalize to the entire population either served by the project or the Dominican population of small farmers.

III. FINDINGS

The RED project five primary results,[9] with accompanying indicators related to changing risks

[8] Question 1 refers to the 10 evaluation questions contained in the AMEX contract – See Annex A.

and diversifying opportunities:

1. Public-private partnerships, i.e., clusters in the Agricultural Sector strengthened;
2. Environmentally sustainable, cost-effective techniques to produce and process agricultural and wood products adopted;
3. Organic production techniques for agricultural and wood producers adopted;
4. Post-harvest management practices improved; and
5. Producers, processors, buyers, and sellers trained in marketing management techniques.

Related to the primary objectives, the Project is designed to contribute to the following higher-level goals:

1. Increased productivity, reducing costs, and maximizing profits;
2. Diversified products sold in local and export markets;
3. Increased revenues from product sales;
4. Mitigated/reduced risk and negative impacts of external shocks;
5. New jobs created and incomes raised; and
6. Reduced poverty in the rural sector.

When visiting the clusters and groups selected, the evaluators sought answers to the following questions:

1. What did each project achieve?
2. What were the strengths and weaknesses of the design and implementation, including which factors constrained implementation, and what were the views of implementers and beneficiaries with respect to weaknesses, etc.?
3. What were the needs and actions taken for mid-project correction? What course corrections needed to be made to accelerate progress? What implementation course corrections were made?
4. What new best practices were identified and what were the major lessons learned?

With the above 11 primary and general objectives plus the four questions to be answered in mind, the field work was undertaken, discussions and interviews held, and observations made that resulted in the principal or general findings (see Tables 3 and 4).

In this section the general findings of the USAID/RED evaluation team are presented to address questions 1, 2, and 3 listed above. In addition, the evaluation team prepared detailed findings by cluster or group visited that answer the questions about achievements by cluster. The findings by cluster in English are presented in Annex E.[10]

A. PROJECT ACHIEVEMENTS

FINDINGS (PROJECT STRENGTHS)

In general, the evaluators are satisfied that the USAID/RED implementation project is reaching the majority of the objectives established by USAID. Training and technical assistance assignments completed according to the targets. The project awarded and/or approved 64 small grants (as of 3/31/2011) totaling $2.9 million to consolidate the clusters and accomplish other

[9] These are summarized based on the available documents.
[10] Field notes (in Spanish) are available upon request.

specific tasks. In addition the project mobilized more than $4.0 million of non-Federal resources.[11] In addition, the project successfully sponsored study visits within the country and abroad. Farmers have been trained and certified in Best Agricultural Practices that will facilitate market entry into the USA and Europe, which will require such certification starting in January 2012. The project participated in two international class trade fairs sponsored by the JAD with participation by several of the clusters that resulted in potential deals for exports of mangos, avocados, bell peppers and interest in other vegetables that might be successfully grown in the DR.

The project sought opportunities to expand the participation and increase the incomes of women in the clusters through regular sales from furniture marketing. Specifically, the USAID/RED project integrated these women, who had been isolated since they began the handicraft several years ago, into the cluster and as a result they improved the technology and the design. The evaluators interviewed and observed 12 women weavers making new straw/fiber items for furniture manufacturers in Santiago, whereas before integrating into the furniture cluster, they were making simple handicraft items without a regular market. There was enthusiasm within the group as they talked of new products, like a possible contract to make thousands of brooms for the school system which was being sought after by the Cluster NGO. Their incomes have increased as a result of project intervention, however, by how much and over what period of time could not be determined and merits additional evaluation.

Milk Production Improved and Value-Added

During field visits we observed that milk production per cow had increased as a result of better pastures and were told that with the milking parlors and improved hygiene, the buyer, due to sanitary problems, had returned only one tank truck of spoiled milk so far this year whereas last year six or eight trucks were returned due to excessive bacterial counts caused by unhygienic conditions, or in some cases presence of antibiotics. This is **impact** as it results in increased incomes for the farmers who didn‘t have to dump milk. Also, with the installation of a simple cheese-making facility, and through training offered by the project, these farmers can now recover spoiled milk and turn it into white farmer cheese.[12] Also, during the rainy season, buyers establish quotas since production spikes dramatically during that time. With project-supported cheese-making capability, the extra milk can now be converted to cheese rather than dumped or sold door-to-door from the back of a pick-up. This is **impact** as it improves farmer and association income.

The evaluation team – through site visits, document study, data base reviews and interviews with key informants – encountered a project with an impressive array of activities. This section highlights the major project strengths and achievements in four major categories:

- Output and Outcome Results of Specific Clusters Observed
- Organizational Development
- Application of the Cluster-approach
- Project Design and Management

Output and Outcome Results: Based on the document review, as well as observations and

[11] USAID/RED, Quarterly Progress Report, January – March 2011, covering project performance through 2nd quarter of FY 2011, Abt. Associates, Inc.

[12] The process of white, fresh farmer cheese manufacture eliminates the bacteria and reduces any impact that might be caused by antibiotics in the milk, according to a prominent dairy farmer here in Ecuador (fact checked after departing from the DR). The process of white, fresh farmer cheese manufacture eliminates the bacteria and reduces any impact that might be caused by antibiotics in the milk, according to a prominent dairy farmer here in Ecuador (fact checked after departing from the DR).

discussions in the field, several output and outcome results were observed (see Table 2). The outputs were generally the result of funding provided and include the installation of new equipment or adoption of new production capabilities. Outcomes reflect increased sales, new market opportunities, or better margins for members. These gains are important, but may be short-lived unless additional marketing efforts are made.

Table 2: Cluster Outputs/Outcomes Verified by Evaluators

Type	Item	Output/Outcome	Region
Construction, Installation, and New operations	Avocado packing facility	Output	Cambita
	Low-cost greenhouses (10-15)	Output	Areas around San Juan
	Cheese making facility	Output	Monticristi
	Cocoa fermentation and drying facilities has improved quality	Outcome (quality-improved)	Altamira, Puerto Planta
Equipment	Two lumber dry kilns	Output	San Ramon and Santiago (furniture cluster)
	Banana cable way has lowered costs and decreases spoilage	Outcome (decreased costs)	Laguna Salaldo
Improved production facilities/capabilities	Milking parlors and pastures to cut/chop for cattle feed in dry months have led to increased milk production (see Box A)	Outcome (productivity increases)	Lomas de Cabrera
	Digging of Irrigation and ponds for cattle	Output	Lomas and Dajabon regions
	Four packing houses have been certified as ―Eco-friendly” by USAID/RED sponsored inspectors and are poised to export to Europe and will continue to export to the U.S.market	Outcome	
Improved production facilities/capabilities	Plantlet production greenhouse is providing plantlets to members at reasonable costs with assured quality. Facility is already producing plantlets for next growing season	Outcome	Jarabacoa
	Dining and bathing facilities	Output	Private farms in Constanza
Technical Assistance/Training	Furniture manufacturer (at least one) made significant changes to his production line regarding applying the wood finishes that resulted in cost savings and improved finishes free of dust generated in the sawing and sanding operations nearby.	Outcome	
	A lumbering ban imposed by the	Outcome	National

Type	Item	Output/Outcome	Region
	Minister of Environment was successfully lifted (with USAID/RED assistance) for those organizations with an approved Forestry Management Plan which are participating in the project.		

Source: Evaluators observation of project results. This is not intended to be an exhaustive list.

ORGANIZATIONAL STRENGTHENING

USAID/RED has had two main achievements in the area of organizational strengthening and development. These have been focused at the national/institutional level and also at the cluster level (in support of the cluster approach as outlined in the next section).

National/Institutional

REDDOM is legally incorporated and is receiving funding through a contract with Abt, has professional staff, and is in effect implementing the USAID/RED project. The project has supported the development of the following: administrative and financial systems for the foundation, manuals and internal rules, switching of all but five of the USAID/RED staff to the foundation and positioning the foundation to seek its own sources of income from writing proposals for implementation of USAID and/or other development projects. The staff transition to the REDDOM Foundation seems to be going smoothly and the leadership of the foundation is both dynamic and competent.

The REDDOM Foundation has a chance to become a force in Dominican private sector and rural development <u>provided sufficient time and funds can be allocated to creating the organization and later strengthening it</u>. Key to success of these types of organizations are entrepreneurial leadership, <u>income streams</u> independent from USAID or other foreign grants and contracts, a quality professional staff with private sector experience and a favorable environment for private investment and trade-led growth. REDDOM has a chance if the above conditions can be met.

The USAID/RED project has as its highest priority the strengthening of REDDOM to the point of self-sustainability. The project has prepared a Proposal Writing Manual tailored to meet REDDOM‘s needs, and will train and provide assistance to REDDOM on fundraising techniques.

Cluster-Level

The project has assisted five clusters (dairy, furniture, field vegetables, greenhouses, and avocados) in the identification and hiring process of executive directors who are working as paid managers of the mentioned clusters to ensure they reach sustainability by the end of the project.

Application of the Cluster-Approach

The ―cluster concept" has become a well-recognized concept in the DR and producers are willing to form a cluster integrating all actors in the commodity value chain. Based on the evaluators‘ field trips it also appears that by and large the cluster mechanism is working, (although in the less developed South and Northwest Haiti border area the concept is less well developed) as there are clear signs of its institutionalization in at least five groups, i.e., wood furniture in Santiago, banana in the Northwest corridor and dairy, also in the Northwest region. The greenhouse and vegetable clusters in Jarabacoa and Constanza also have nearly reached an advanced development stage and in another year or two may reach the takeoff point. But whether the cluster institutions – legally formed associations/NGOs[13] – are sustainable without substantial continued support after the current project has been concluded is another question.

Universally, the evaluators found that the cluster was working and in several instances they stated outright that they learned that by working together they gained strength and traction. We also observed that the small grant program to support executive directors in several of the clusters made an important difference in pulling diverse groups together into a cluster. This was universally thought to be very important, as groups do not form alone without a full-time catalyst (see Table 3).

At least one cluster has developed regular sources of income through a commercial activity that also assists cluster members. The banana cluster sells reject fruit on commission plus recycles the plastic used in the banana groves. Neither of these activities apparently requires ―heavy" assets and is appropriate for a cluster structured as an NGO. We did not see other clusters with a similar source of regular income, although the horticulture and greenhouse clusters have thought of trying to find a destination for reject fruit as well. These types of innovative sources of regular income are excellent examples of cluster sustainability.

Project Structure and Management: The Abt Associates project monitoring and evaluation system, its quarterly progress reports, annual reports, periodic success stories and other special reports requested by the USAID Mission document progress toward all project objectives. The monitoring system was found to be complete; all of these activities are carefully recorded in impressive Excel spreadsheets with sorting mechanisms to facilitate access and to sort (filter) in any number of ways. Most of the activities contained in the spreadsheets were contained in detailed work plans approved by USAID yearly and reported quarterly.

FINDINGS (PROJECT WEAKNESSES)

1. *Levels of Implementation and Policy Coordination are Low:* The evaluators observed that the USAID/RED implementation project distanced itself from other previous USAID efforts such as JAD, CEDAF and the Ministry of Agriculture and its appendages (Megaleche, for example). Mission and USAID/RED pointed to the JAD ―39% share," referring to the overhead rate of the JAD if subcontracted or grant funded for specific aspects of its program. USAID and REDDOM officials referred to the ‗excessive overheads and fees' charged by for-profit contractors in more than one discussion.

   Clusters and their members, NGOs, farmers and related entrepreneurs interface with government every day and have knowledge of regulations, laws and difficulties they encounter trying to do business. The cluster mechanism is an excellent channel through which issues can be brought to the attention of appropriate trade associations (a cluster is not a lobby) and organizations such as REDDOM, JAD, CEDAF and others.

   Unfortunately, the USAID/RED project has done very little to identify policy issues and to take steps to address them. Some of these issues are affecting cluster or future cluster

[13] Apparently it is the same law under which associations and NGOs are incorporated and there is little difference in the law between these two types of organizations in the DR.

members. An example is that the problems encountered by clusters dealing with cooperative legislation and its application, and with the Dominican cooperative regulatory agency IDECOOP.

2. *Extent to which Project is Reducing Poverty (Unknown)*: The project was not designed to collect impact data on poverty reduction. As such, data does not exist that can answer the question of whether this project is reducing poverty. The default approach taken to reduce poverty was to target farmers designated in accordance with Dominican law (Law 488-08, Article 2) that defines a micro, small and medium enterprise. However, evidence from the field visits suggests that many of the targeted beneficiaries were not resource poor.[14]

   During field visits the evaluators focused on the clusters and the organizations within the cluster. Time did not permit visits to many individual farmers, but those few that were visited did not seem to be the poorest other than in the area around San Juan de la Maguana. The Northwest dairy farmers are not resource-poor small producers but middle-class small farmers living in cities with Haitian refugees taking care of the dairy cows and in many cases even delivering the milk. The greenhouse farmer visited in Jarabacoa, while only having 4,800 square meters under plastic,[15] was by no means a resource-poor small farmer, and the open field vegetable farmers visited in Constanza owned three separate farms of 25, 150 and 66 *tareas*. While these farmers may technically meet the GODR's definition of a MSME, they are not resource-poor farmers. Avocado farmers around Cambita are more akin to ―gatherers" rather than real farmers, although we were assured that there were some green skin avocado growers who actually farmed avocados rather than harvesting and selling the fruit without real husbandry. The farmers interviewed in the South were small subsistence rural dwellers who primarily had small coffee plots which, if the greenhouses provided by the project ever take off, could diversify with horticultural crops. However, reliance on sweet (yellow, red and green) Bell peppers increases risk, as everybody with a greenhouse seems to be producing these peppers.

3. *Extent of market opportunity expansion is mixed and for some clusters (avocados) insignificant*: The evaluators did not observe or hear of systematic searches or studies looking for new agricultural crops that might be grown successfully in the DR for its privileged access to U.S.or European markets. There were no trials going on nor did we see greenhouses with anything other than sweet green, yellow or red Bell peppers. Without a marketing specialist on the project team who would identify targets of possible new opportunity (the product, the market and possible buyers), obtain seeds or planting material, initiate trials in different regions under controlled conditions, evaluate results, identify farmers willing to grow the new product, and launch commercial production for a specific market/buyer, project beneficiaries will simply continue planting what their neighbors plant. In reference to avocados specifically, the project is supporting green skin fruit which has limited long-term marketing opportunities, mostly for ethnic markets in several East Coast cities. The project has not investigated the possibility of growing

[14] The term ―resource poor" is selected to differentiate types of farmers. According to the World Bank's website, poverty is defined as ―whether households or individuals have enough resources or abilities today to meet their needs."
[15] Compare this with the 800 square meter greenhouses installed in 8 to 12 sites in the San Juan and Matas de Farfan areas of southern DR.

Hass avocados, which is the preferred variety the world-over with unlimited (and still growing) markets worldwide. Yet Hass is being successfully grown and exported from the Dominican Republic by commercial growers principally in the South and Southwest regions and can also be grown in other areas of the country.[16] But to our knowledge, the project has not identified the Hass avocado for support.

4. *Leadership and Entrepreneurship Capabilities are weak for most clusters:* The executive director of the avocado cluster, introduced to the evaluators as such in the presence of the cluster coordinator, is an employee of the GODR agricultural research service and only works part-time in the cluster. During visits to other clusters we did not observe a similar situation, but did observe that at least two (furniture and cattle) more cluster managers (except in Constanza and Jarabacoa) are new and didn't seem to have the entrepreneurial spirit one would expect for such a position. Furthermore, we find that the title ―executive director" is better suited to an NGO and not a business.

5. *Commercial viability of some clusters is still weak:* In several instances clusters or a linked business (the pack house in Cambita, for example, and the FECADESJ in San Juan) are seeking a loan for working capital and are experiencing difficulty. In one or two instances it may be because the organization is an NGO and not considered a business so banks ask for personal board guarantees of real property. In the case of the pack house in Cambita, reportedly the directors of the C x A have also been asked for personal real property guarantees.

6. *Organizational Development of REDDOM is still weak:* USAID/RED (now REDDOM) has too few field and technical staff. Cluster coordinators are overworked and compensated as though they were in a donor-funded NGO. There is no incentive for achievement (sales) or bonus plan that could give these coordinators additional income for achievement. There are too few technical staff with up-to-date knowledge and/or contacts in the market, so technology being introduced is more often old technology (cocoa fermenting and drying systems - see Annex E). The program has not sought to provide in-service training to its staff and this could have contributed to the installation of old technology (Example: old cocoa fermenting and drying technology). The project staff responded to this finding by stating that only low-level technology can be applied. While this is often true, there are technologies to solve important problems that do not require electricity. For example, as related to the greenhouses, there are ways to control the temperatures that are low-tech (sides that roll up).

[16] The Constanza horticulture cluster reported that one farmer near Constanze was growing Hass avocados and reportedly several other growers in the region were also considering planting that fruit.

Table 3 – Knowledge and Attitudes Observed Results by Cluster

Cluster/group	Basic Planning Structures In Place	Demonstrated an Understanding of Clusters**	Demonstrated Marketing Success**	Cluster Development Plan in Place
Avocado Cluster, San Cristóbal	Yes	No	No[1]	No
Wood and Furniture Cluster of Santiago	Yes	Yes	Yes	No
Banana (North), Mao, Valverde	Yes	Yes	Yes	No
Chocal & Fundalosa/Asoprocon, Palmar Grande, Altamira, Puerto Plata	Yes	No	Chocal – Yes Asoprocon - ? (unknown)	No
FEDEGANO, Santiago Rodriguez (Livestock/Milk)	Yes	No	No	No
Greenhouse Cluster, Jarabacoa	Yes	Yes	?	No
Vegetable, Constanza	Yes	Yes	?	No
FECADESJ, San Juan (Coffee)*	Yes	No	Yes	No
GPAE – MC, San Juan*	No	No	No	No

*These are not clusters. They are NGOs that have been successful obtaining funds from various sources and were awarded competitive grants.
** Coded according using discourse analysis of the interviews conducted by the evaluators at each cluster. There was not a specific threshold provided.
[1] The cluster did not market any fruit, but instead leased their pack house to an exporter from the Cibao who packed and shipped thousands of boxes of fruit from other reasons of the DR as the fruit from CAMBITA had already been harvested before the plant was finished. To date the cluster has not marketed any avocados produced by the cluster member.

Table 4 – Findings Observed by Objective and by Cluster or Productive Group

Cluster/group	Increasing productivity	Diversifying	Increased Revenues	Mitigating Risks	Creating Jobs	Reducing Poverty
Avocado Cluster, San Cristóbal	Yes	No	Not yet, maybe in future	Yes, in future	Yes – during harvest	No evidence
Wood and Furniture Cluster of Santiago	Yes	No	Yes	N/A	?	No evidence
Banana (North), Mao, Valverde	Yes	No	Yes	No	No	No evidence
Chocal & Fundalosa/Asoprocon, Palmar Grande, Altamira, Puerto Plata	No	No	Chocal-Yes[1]	No	?	No evidence
FEDEGANO, Santiago Rodriguez (Livestock/Milk)	Yes	No	Yes	Yes	No	No evidence
Greenhouse Cluster, Jarabacoa	Yes	No	No data	Yes	No	No evidence
Vegetable, Constanza	Yes	No	Yes	Yes	No	No evidence
FECADESJ, San Juan (Coffee)	?	Yes[2]	No data	They tried but failed	No	No evidence
GPAE – MC, San Juan	?	Yes[3]	No data	They tried but failed	No	No evidence

[1] The Chocal group is an old pre-RED group and they have increased member incomes through sale of chocolate candy and other products (e.g., wine), The Fundalosa/Asoprocon group just received the fermentation boxes and solar drying installations at the conclusion of the season and to date they have not used the assets built with USAID/RED assistance.
[2] The NGO attempted to get coffee farmers to grow vegetables under plastic.
[3] The NGO attempted to get subsistence farmers to grow vegetables under plastic and to plan avocado trees. However, due to poor technology the vegetable growing failed.

B. STRENGTHS AND WEAKNESSES IN DESIGN AND IMPLEMENTATION

The evaluators examined the project design and implementation to assess any factors in project successes and to identify constraints that might be removed during the remaining period of the project to include the likelihood of success.

USAID

The USAID/DR Mission does not have a current five-year strategic plan and is working from an operating plan. The USAID Mission is taking the first steps to prepare a new strategic plan and has recently shared the Parameters Identification Paper (PIP) with the evaluation team for comment. Currently, the document does not place a priority on agricultural development, nor does it discuss why agricultural development is not part of the strategic direction.[17]

USAID does not currently have on staff individuals with strong agricultural production or marketing experience. As noted below in the conclusions, this type of experience is important for a project such as RED in order to be able to identify marketing opportunities based on production capabilities. To date, market-driven development expertise at USAID/DR has not been systematically applied to the RED contract activity.

Before the RED project was implemented, a comprehensive needs assessment was not conducted that would identify strategies to ameliorate the possible impact of DR-CAFTA on producers of sensitive crops. Working with one sensitive crop (dairy) and 13 to 14 non-sensitive crops in areas where farmers generally do not grow sensitive crops or raise livestock that will be impacted by DR-CAFTA will not ameliorate its negative impact on producers of sensitive crops. The importance of this finding is confirmed by the fact that such an analysis is being completed more than three years into the project, and will be followed by an in-depth case study of how to mitigate negative impacts of the DR-CAFTA on these crops. Based on USAID Mission and implementing partner comments received as part of the review of this evaluation report, it appears that, given that protections are not immediately being lifted, this did not need to be a focus of USAID/RED. The weakness in this element of the design is that upgrading productivity is a slow process. There are often no silver bullets and a significant amount of time is required.

USAID/RED

USAID/RED, by design, utilizes training and grants to stimulate change in the effectiveness of the clusters. In addition, based on comments during the review of the draft evaluation report, the implementer indicated that the project provided technical assistance. Yet, critical to the sustainability of the clusters are their ability to successfully produce and market their agricultural projection. As highlighted above, the progress to date has been limited due to the project design which has not included this marketing expertise on the team.

Overall, the training and grants programs have delivered important assistance to farmers, stakeholders, and in particular the various clusters supported by the project. Unfortunately, the performance monitoring plan tracks the number of persons trained and does not measure changes in practices as a result of the training, i.e., whether those trained have been able to put the lessons from the training into practice in their fields and orchards.

TRAINING

There appears to be a general awareness and appreciation among participants of the relevance of their training. Several farmers whom we interviewed recognized the importance of the training received by USAID/RED to help them understand the Best Agricultural Practices requirement of the markets. All the persons interviewed regarding implementation of the recognized best practices attested to their importance. In one visit to a grower in Constanza we observed a bathroom and small dining hall, which had been built in part (50%) with project resources. This is one of the BAPs required to hopefully control possible infection of *e-coli* in vegetable crops sent to foreign markets. Reportedly, other open field vegetable growers in the Constanza Cluster also built dining rooms and worker bathrooms to obtain certification.

Unfortunately, there is not a systematic assessment tool utilized by the contractor to measure the effectiveness of the training (See recommendations). There are total numbers of persons

[17] The words ―agriculture" or ―agricultural" were used less than six times.

trained, but not a qualitative or quantitative assessment of the training, i.e. pre- and post-test, etc. Large numbers of persons have been trained, but whether or not these persons are applying what they supposedly learned is unknown. Furthermore, it is unknown if what was taught will have practical application and impact in farmers' fields or orchards.

In addition, it is the opinion of the evaluators that the topic of corporate governance should be included in the curricula (See section V below). One of the key issues for success of business-oriented organizations (corporations, cooperatives, associations, NGOs) is knowledge of how they should operate.

GRANTS

The USAID/RED implementer (Abt Associates) was required to implement a substantial grant program. The grant program appears to have been impeccably administered, following all of the rules required of such programs. However, the grant process drove the entire RED project, which reinforced the supply-push orientation the evaluators observed. Grants focused on fixed assets such as coffee processing plants, milking parlors, cheese-making equipment, plastic greenhouses, cocoa fermenting and drying installations, etc. All of these are production-related grants that did not, to our knowledge, involve the market or were built under the specific specifications of a buyer or broker who would handle the products resulting from the investments – or who might even have invested some of his resources as well.

The grant mechanism initially implemented by USAID/RED was extremely time-consuming and unrelated to the main purpose of the contract, which was rural economic diversification to ameliorate the potential impact of DR-CAFTA on -sensitive" crops. The process was not oriented toward supporting the cluster concept within sensitive commodities, or, for high priority areas, such as the South. Furthermore, it did not support a market-driven approach. Project staff referred to the grant process as -demand pull" in that potential project implementers requested assistance to help further their efforts.

Instead of focusing grants towards sensitive crops producer groups and cluster-related activities to diversify their commodity enterprises and sales, Abt did at least two general solicitations in which scores of applications were received, many of which were outside the cluster and the demand-pull market-driven approach of the USAID/RED contract. The theory applied by the Project was that grants illustrated the demand-pull approach as groups; existing legal clusters and others submitted proposals that supposedly examined the problematic aspects of their sector and, based on this analysis, requested assistance (the demand) in line with the solicitation notice and training offered in preparation of concept papers and later complete proposals. But the solicitation notice did not specify a focus on sensitive crops, we were told, so attention to sensitive crops is still missing, and demand-driven efforts linking the market to the producers still need to be emphasized.

The USAID/RED approach was not focused on the sensitive crops, and until the USAID RIG[18] report, the project began focusing more on the clusters and creative use of the discretionary grants. These changes adopted as a result of the RIG report facilitated grant making, so Abt was able to use multiple small discretionary grants to help build the clusters and finance many appropriate activities. But attention to the so-called *sensitive* crops is still missing, and, so are the demand-driven efforts, linking the market to the producers.

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[18] Ibid.

Based on the information available, no sector studies were undertaken regarding sensitive commodities to provide the basis for a grant program that took into account competitive or comparative advantages Dominican producers might have, strengths and weaknesses of the sector, whether the commodity could ever hope to compete with subsidized U.S. agricultural products, and whether there was a path to follow to either assist the sector (e.g., dairy), or to assist producers to diversify into other crops where comparative advantage does exist in favor of the Dominicans (e.g. bitter orange or other fruit trees instead of cows, bananas instead of rice, turkeys instead of broilers, Hass avocados instead of green skins, or endive instead of Bell peppers).

The methodology USAID/RED used to issue the approximate $1.0 million in grants each year facilitated the supply-push approach as the resulting projects focused on physical infrastructure and not on making the connection with the market (pack houses, cooling tanks, cheese-making equipment, greenhouses, etc.). A request for assistance to connect to the market is not evident in any of the grants the team observed in the field.

In addition to the scope of the grants as they relate to sensitive crops, the grant program has not always been timely for the recipients. For example:

- The coffee mill/processing plant in Arroyo Cano was completed and inaugurated in March 2011, after the coffee harvesting season ended. The plant, a modern facility with appropriate machinery for de-pulping, fermenting and washing beans plus two large coffee drying plastic structures, sits empty, awaiting the new season, which should begin in October.
- The cocoa fermentation and drying facility inaugurated on June 22, 2011 will remain unused until the next harvest season begins, apparently also in October.
- Due to delays in construction, the avocado packing and cooling facility in Cambita, San Cristobal was inaugurated in March. This was at the end of the season, and has affected momentum. The new season begins in mid- to late-August, so the facility sits empty except for an individual guarding it who is also selling organic matter to growers.

C. MID-COURSE CORRECTIONS NEEDED

There are two sets of findings related to the need for mid-course corrections. They include the need to transform the project into a marketing-demand-pull emphasis in order to build a strategy to address sensitive crops and to incorporate corporate governance into the project.

MARKETS AND MARKETING – DEMAND PULL

USAID/RED should emphasize market demand in the remaining period of the Project. As discussed above, this lack of market-driven focus has hindered performance to date. For example, in the two vegetable groups visited (Constanza and Jarabacoa), there was concern about the apparent need of additional pack house facilities to be owned and operated by the cluster but no discussion or worry about where they might market their products. In the Constanza area, vegetables grown are for the Santo Domingo market and several cluster directors (farmers) reported that the Santo Domingo Wholesale Market is a disaster and that they have difficulty selling through that market.

Within the furniture cluster the evaluators found a good example of demand pull and of doing business within the cluster. The example cited is that of women weavers (cluster members) who sell their products to other cluster members as raw materials for their wood furniture. Still, in the other clusters the evaluators found that this market synergism is not as pronounced. Also, developing new technology such as greenhouses without linkages with the buyers from the design stage are perfect examples of supply push.

There are virtually no experienced and entrepreneurial marketing specialists on the Abt/RED-REDDOM teams. When the CARANA-provided marketing person resigned, another similarly qualified marketing specialist was not provided. The impact of this lapse in the project direction has been substantial. The grants were supply-push oriented (although RED staff used the term demand pull to describe their response to the demands of the grant proposals), so marketing took a backseat to the other aspects of the project.

The avocados cultivated by members of the avocado cluster have green skins while there is worldwide demand for the Hass variety. The recent Feria Agroalimentaria held in early April in Sto Domingo brought buyers from Europe and the US, but not a single avocado buyer was interested in green skins. In a recent visit by the president of the cluster to Taiwan, sponsored by the GODR, the demand was entirely for the Hass variety. This further illustrates the supply-push approach of the project since, if it had gone to the market first, USAID/RED would likely have found that the demand is for the Hass variety.

Whether the understanding of demand pull in terms of demand for grants originated from the Mission or another outside source, this concept has resulted in RED staff losing sight of demand pull for the products grown by beneficiary farmers or livestock producers

SENSITIVE CROPS

The USAID/RED approach is not sufficiently focused on sensitive crops if taking into account the earmark documentation.[19] After the USAID/RIG report the project began focusing more on the clusters and using the grant mechanism to facilitate small ―discretionary" grants and other slightly larger ―matching investments," the project euphemism for matching grants, on the clusters themselves. These changes adopted as a result of the RIG report facilitated grant making but did not increase work with sensitive crops. The implementer used multiple small discretionary grants to help build the clusters and finance many appropriate activities. However, attention on the so-called *sensitive* commodities is still missing and demand-driven efforts linking the market to the producers still need to be emphasized. This is important so as to have time for producers of sensitive crops to be able to diversity.

With respect to the sensitive crops, the project adopted the strategy that, by working with existing clusters or by forming new clusters in areas where clusters had heretofore not existed, the potential impact of DR-CAFTA would be ameliorated through the creation of new employment opportunities. Therefore, the project did not make any concerted effort to work with producers of most sensitive crops. But based on what the evaluators saw, the only sensitive commodity with which the project has engaged is the dairy sector based in Santiago Rodriguez extending up the so-called *Linea nor-occidental* to the Haitian border.

Instead of sensitive commodities, the project chose **wood furniture** (not an export item), **cocoa** (well established and stands only to benefit from DR-CAFTA), **coffee** (well established and stands only to benefit from DR-CAFTA), **greenhouse agriculture** that primarily grows green, red, and yellow bell peppers (not a sensitive commodity), **support to several local NGOs**

[19] Audit of USAID/DR's Rural Economic Diversification Project, Audit Report No. 1-517-10-005-P, March 16, 2010, San Salvador, El Salvador.

(FECADESJ, GPAE-MC, and possibly others), **bananas** (well established, not a sensitive crop), **avocados** (not a sensitive crop), **fresh vegetables** (not a sensitive crop), y**uca and casabe, mango, pineapple** (none of which are sensitive crops), and the Mission of the sisters Dominicas de Monteils for **watermelon production** (also not a sensitive crop).

But, the RIG audit did not focus on the direction of RED efforts regarding sensitive crops. In this evaluator‘s view, and based on observations during field visits, we find this may have been an oversight that allowed the implementation team and Mission to continue assisting non-sensitive crops such as mangoes, coffee, cocoa, etc., which are mostly not even non-traditional crops. For example, on page nine of the RIG report[20] it states: ―Furthermore, the mission did not provide sufficient technical guidance and direction to ensure that the contractor retained its primary focus on diversification, cluster development, and the sustainability of individual clusters.” I would add that this lack of technical guidance also contributed to the emphasis on non-sensitive crops, as the Mission simply wasn‘t focusing on this overall aspect of the ―earmark.”

CORPORATE STRUCTURE AND APPROPRIATENESS

USAID/RED has not dedicated sufficient attention to corporate structure and appropriateness to accomplish the desired outcome. In several instances cluster members interviewed thought that a cooperative would be the preferred corporate structure for businesses undertaken within the cluster (dry kiln operated by the furniture cluster, a packing house needed in Jarabacoa, avocados en Cambita, etc.). For the cluster itself, an association or NGO appears to be correct so long as it does not become too involved in *business* activities requiring ―heavy” or ―productive” assets. USAID/RED and now REDDOM staff seems to have given little thought or effort to this issue, which can be important to achieving cluster sustainability.

During the field visits at the clusters the evaluators did not find general cluster development plans or cluster strategic plans in place and under implementation.[21] There were business plans for some of the physical assets built with project funds, such as for the avocado pack plant in Cambita, but in the majority of the clusters there was no overall plan specifically tailored to cluster development, and evolution, acquisition of new members, cash flow projections to document break-even point, and use of grant funds were not available.

The following section outlines the evaluation‘s conclusions and recommendations.

IV. CONCLUSIONS

Based on the findings developed utilizing the methodology outlined above, this section divides the conclusions into three main sections:

1. Conclusions relevant to the USAID Mission and its role in project implementation and beyond;
2. Conclusions relevant to Abt-USAID/RED-REDDOM,
    a. General
    b. Corporate structure: Staffing
    c. Corporate structure: Business Development

[20] Ibid. Pg. 9.
[21] USAID/RED has developed work plans, and the executive directors updated these reports. However, none of the cluster executive directors referred to these plans.

    d. Marketing–Demand Pull
3. Conclusions relevant to the groups visited, the clusters, farmers, and NGOs.

The conclusions are based on analysis derived from what the evaluators read, were told, and observed. There are also field trips in which evaluators are shown what the project may have (or have not) accomplished as a result of its efforts over, in this case, slightly more than three years of activities. There are, however, several limitations to the evaluation study. There are scores of project documents (pre- and post-award) of the Abt Prime Contract. Given the time allotted to this evaluation, not every document could be reviewed. Furthermore, key informants always try to convey the best experiences, activities and results to outsiders, particularly to evaluators who may hold the key to future assistance efforts and project jobs.

A. USAID/DR
Based on observations from the clusters sampled (representing 34 percent of the total beneficiaries), documents read and discussions, this evaluator concludes the following as relates to the USAID Mission itself.

Conclusion 1: *The project, as designed, was well-intentioned and stood a chance to make an impact on producers of sensitive commodities if it had been directed to focus on these commodities. However, sensitive commodities have not been the focus to date. Of the sample, the only sensitive commodity with which the project has engaged is the dairy sector from Santiago Rodriguez extending up the so-called Linea nor-occidental to the Haitian border.* Instead of sensitive crops, the project chose wood furniture, cocoa and coffee, greenhouse agriculture, support to several local NGOs, banana, avocados, fresh vegetables, yuca and casabe, mango, pineapple, and the Mission of the sisters Dominicas de Monteils for watermelon production (none of which are sensitive crops). Apparently, the Mission believes that working on the crops chosen, diversifying production, and economic growth in the clusters will create additional income and jobs, which will be filled by persons who no longer can grow sensitive crops because of the full impact of DR-CAFTA. The evaluators do not agree with this approach as those Dominicans facing difficulties and who determine that they can no longer stay on their land in the sensitive crop areas are likely to migrate to Santo Domingo or the U.S., but not to Jarabacoa, Constanza, San Juan, or the Northwest Frontier areas. We do not see how the Mission plans to ameliorate the possible impact of DR-CAFTA on producers of sensitive crops working with one sensitive crop (dairy) and 13 to 14 non-sensitive crops.

Conclusion 2: *Although the development hypothesis is valid, the evaluators conclude that it is not applicable to the RED project because it neither diversifies farm production (in either sensitive or non-sensitive crops) nor is a market demand-driven effort.* The development hypothesis of the RED project is that ~~if~~ risk to rural-based agricultural producers (and other enterprises along the value change between producers and consumers) can be reduced by helping rural-based farms and firms diversify their land and labor resources into higher-value crops and enterprises where they can be competitive—and that trade (the market) can serve as an engine to drive rural economic growth, there will be a positive impact on job creation, income generation, and poverty reduction in the rural sector and beyond."

Rural-to-urban migration, possible illegal migration en mass to the U.S., and economic recession in areas where sensitive crops are grown is unlikely to be resolved either by the USAID/RED project or through work in the geographic areas where USAID/RED is working. Work to help farmers that produce sensitive crops diversify (whether by moving from one crop to another or introducing varietal changes) and become more competitive and efficient (through more market demand varieties, packing and marketing improvements) has to happen in areas where they live and work. Creating off-farm employment through the establishment of rural-based industries will also help ameliorate the eventual impact of DR-CAFTA.

Conclusion 3: *The RED project is about agricultural development; however, this is not expressly and directly part of a focused strategy by the Mission based on the existing strategy documents.* Despite the potential that has been demonstrated in this project, and the need to organize better for the full impact of CAFTA-DR, agriculture does not appear to be a strategic direction for the Mission. The recently prepared Parameters Identification Paper (PIP) uses the words “agriculture” or “agricultural” less than six times and does not discuss agriculture and agricultural development significantly. The evaluators could not determine the causes of this, but it merits additional consideration. Furthermore, there is no mention of tourism or the DR-CAFTA effort in the PIP either.

Conclusion 4: *There are lost synergies and linkages with the distancing of USAID/RED from other previous USAID efforts such as JAD, CEDAF and the Ministry of Agriculture and its appendages (Megaleche, for example).* The evaluators could not determine the cause of this, but it could be a hinder to sustainability of the project activities.

Conclusion 5: *The focus on the line-items in a particular budget instead of what is being achieved is harming project implementation.* The market rewards competitiveness and innovation. Particularly in the area of sensitive commodities there is a question of risk; therefore, incentives need to be put in place that reward quality and innovation rather than the lowest cost.

The evaluators observed that there has been significant emphasis placed on overhead rates instead of results. Cost-benefit analysis should focus on the return on the investment rather than specific line-items. This is perhaps most relevant to agricultural development, which is about changing attitudes and strengthening market linkage and competitiveness.

The evaluators observed a “penny wise, pound foolish” attitude. There is no free lunch and if the Agency wants to have top-notch expertise to implement projects, it will have to pay what it takes (If you are going to play in Texas, gotta have a fiddle in the band).[22] This is not to say that USAID/RED did not have qualified staff and consultants, but rather that USAID must be prepared to invest in the talent and staffing structure to produce results.

While the short-term cost for highly qualified specialists can be substantial, by not going down that road, Missions are sending signals that they don‘t need superb specialists or that the country doesn‘t deserve the best. Using innovative contract types that tie fee to a series of predetermined benchmarks such as “Sales,” “Jobs Created,” “Increased Incomes,” “$ in investments mobilized,” and several others, there is likely to be a higher probability of real change. This transforms the incentive structure for project personnel.

Conclusion 6: *Guidance to the RED staff has not focused on helping sensitive crops producers diversify (a key strategy for risk-reduction).* As a result of the grant “demand pull,” RED staff took off in directions unrelated to diversification to the greatest extent and far away from the sensitive commodities the earmark specified. One potential cause of this could be the lack of agricultural expertise on the USAID/DR country team. Creative use of the grant process and

[22] The title of a popular Country and Western song heard on many radio stations during the 1980s and 90s. Both the author and vocalist are unknown.

more focus on clusters did not begin until after the RIG Audit[23] some two years after project initiation. But, the RIG audit did not focus on the absence of any direction or thrust of USAID/RED efforts in sensitive commodities. In this evaluator's view, this lack of attention allowed the implementation team and Mission to continue assisting non-sensitive crops such as mangoes, coffee, cocoa, etc., mostly not even non-traditional crops.

B. ABT-USAID/RED-REDDOM

Based on observations, documents read and discussions, this evaluator has concluded the following regarding the USAID Abt team-USAID/RED and the recently created REDDOM foundation.

GENERAL

Conclusion 7: *REDDOM's legal incorporation and involvement in the project provides the opportunity for the Foundation to become a force in Dominican private sector and rural development, provided sufficient time and funds can be allocated to creating the organization and later strengthening it.* In spite of many USAID failures in creating foundations or other local development organizations, the concept is solid. The first hurdle has been crossed, i.e. REDDOM is legally incorporated, is receiving funding through a contract with Abt, has professional staff (although some adjustments need to be made – see below), and is in effect implementing the USAID/RED project. As noted, the REDDOM Foundation has a chance for success. Key to the success of these types of organizations is entrepreneurial leadership, income streams independent from USAID or other foreign grants and contracts, a quality professional staff with private sector experience and a favorable environment for private investment and trade-led growth.

Conclusion 8: *There are other types of approaches (instead of the cluster approach) that might work better in the South and the Haitian border areas, such as the Anchor Firm approach.* RED/USAID is committed to making the cluster approach work. However, there are other approaches that may be more appropriate in the less developed areas of the Republic (the South and Haiti border areas). The Anchor Firm approach, for example, can be useful for linking producers to the market and may also be the grain of sand around which a cluster can form once the anchor-firm concept is working. For example, developing project activities in conjunction with an anchor firm such as Maguana Tropical can lead to interesting accomplishments, and later by adding new groups and members to the arrangement, a cluster can be born.

CORPORATE STRUCTURE: STAFFING

Cluster Executive Director Program. The cluster executive director program seems to have made the difference with regard to cluster formation/consolidation. However, it is not sufficient just to fill the spot. Preferably, paid cluster staff should have a business orientation with sales/marketing expertise and should use a dynamic title such as ―*gestor de negocios*" (business development specialist). The term ―executive director" is too NGO-ish.

Conclusion 9: *It is too easy to drift from one executive director donation to another without forcing the issue of sustainability for the cluster.* As long as cluster personnel believe that USAID will continue doling out funds to support the executive director's salary because it is in its strategic interest to have operating clusters, cluster viability will likely lag. We concluded that unless there is a title change for the position and unless at least half the person's salary is

[23] Ibid.

contingent upon monetary incentives related to accomplishments (like business deals, marketing, etc.), the viability of the clusters will be delayed.

Technical Staff. There are too few technical staff in REDDOM with up-to-date knowledge and/or contacts in the market or knowledge of business structure and development. Therefore, determining whether to form a business or association/NGO doesn‘t seem to be an issue, and in some cases the technology being introduced may not be cutting-edge technology (e.g., cocoa fermenting and drying systems – see Annex E, the new cocoa technology). The program has not sought to provide in-service training or given opportunities for study visits to its staff, which may have resulted in installation of old technology (cocoa fermenting/drying, greenhouses without temperature control mechanisms, etc.).

Conclusion 10: *USAID/RED (now REDDOM) has too many field and technical staff with backgrounds that do not foster business development, sales, deals, and the run-run atmosphere of a dynamic group of motivated leaders. This limits their ability to organize deals, connect with the market, bring in the newest technology and demonstrate the aggressiveness of the private sector. Without this esprit de corps, the RED project will be limited in its accomplishments.* The evaluators observed only one cluster coordinator with these characteristics. While the cluster coordinator/director receives good marks for his KAP, he is trying to oversee four coordinators and more than 15 organizations, and he is in Santiago while his ―assistants” are in Santo Domingo. We also concluded that cluster coordinators are overworked and compensated as if they were in a donor-funded NGO (which they are of course, but the issue is one of attitude). Our conclusion is that tying compensation to performance through incentives for achievement (sales) will significantly contribute to attitude changes that will translate to the clusters themselves. Furthermore, we conclude that some sort of achievement-linked bonus plan will likely make a difference in project outcome.

CORPORATE STRUCTURE: BUSINESS DEVELOPMENT

Insufficient attention has been placed on corporate structure and its appropriateness to accomplish the desired outcome. Notwithstanding the complicated history of cooperatives in the Dominican Republic, in several instances cooperatives would seem to be the preferred corporate structure while for the cluster itself an association or NGO appears to be correct so long as it does not become too involved in *business* activities requiring ―heavy” or ―productive” assets. Abt/REDDOM staff seems to have given little attention to this issue, which can be important to achieving cluster sustainability.

Conclusion 11: *Gains in improving farmer income may be short-lived unless additional efforts are made in business development and marketing.* Elements of the project are having a positive impact on farmer incomes through achievements in productivity increases (dairy), lowering costs and reducing damage (banana cable way), and improving quality (greenhouses, cocoa fermentation and drying installations, coffee mills and similar drying facilities). However, these gains may be short-lived unless additional efforts are made on business development and marketing.

MARKETING

Conclusion 12: *The lack of marketing expertise within USAID/RED and REDDOM, plus the grant processes as implemented by the project, seem to be the principal reasons for the supply-push approach.* The grant process was all-consuming and staff spent most of their time training interested parties in preparing proposals, visiting organizations requesting grant assistance, reading scores of proposals and finally following up with monitoring and supervisory visits. The grants issued were supply-push oriented (although RED staff used the term demand pull to describe their response to demands in the grant proposals). In this way marketing took a backseat to the other aspects of the project even from the beginning. Whether the understanding of demand pull in terms of demand for grants came from the required grants-making process (solicitations and other USAID grants program regulations and requirements), the Mission or another outside source, this concept has resulted in RED staff losing sight of linking the products grown by beneficiary farmers or livestock producers to the market.

Conclusion 13: *The impact of the lapse in having a marketing specialist on the project direction has been substantial.* When the team‘s CARANA-provided marketing person dropped out, another similarly qualified marketing specialist was not provided. The evaluators did not find evidence of systematic searches or studies looking for new agricultural crops that might be grown successfully in the DR for its privileged access to U.S. or European markets. No trials were taking place and we did not see greenhouses with anything other than bell peppers. This would be the responsibility of the non-existent agricultural marketing specialist or the work of a product research and development specialist, who would identify such targets of possible opportunity, identify the market and possible buyer, obtain seeds or planting material with assistance from the potential buyer, initiate trials in different regions under controlled conditions supervised by an agronomist. Then, if technically the crop or variety can be grown profitably, farmers can plant for the existing markets. The evaluators concluded that, due to the lack of the marketing function/person, this activity is a missing element in USAID/RED. Hopefully, REDDOM will have a department, group or an entrepreneurial individual to look after product research and development.

Conclusion 14: *It seems that if buyers are integrated into the clusters, linkage to the market can be built into the process, which can facilitate introduction of new technology, and deals can be worked out to ensure that what is produced is in accord with market demands*. When this market synergism is not present, cluster members have to find a place to sell their products, which may or may not be what is demanded by the market. An example of the introduction of new cocoa fermentation and drying technology developed by a cocoa buyer can be seen on page xliii in Annex E. The buyer, a fine chocolate maker, developed this technology to improve their product.

C. CONCLUSIONS RELEVANT TO THE GROUPS VISITED, THE CLUSTERS, FARMERS, AND NGOS

Conclusion 15: *The cluster idea has caught on among groups of relatively sophisticated producers of furniture and forestry products as well as agricultural producers in the Cibao and vegetable-growing areas in Constanza and Jarabacoa.* The cluster mechanism is a valid approach in the more sophisticated areas of the country (Cibao, for example), but in less developed areas of the South it is not well understood and the "anchor firm" approach may be more appropriate (see recommendations). In less developed areas such as the Northwest area and the South, the cluster concept is still apparently not well understood. But with successful models (furniture and greenhouses in Jarabacoa) that can be visited and studied by other groups on study visits, perhaps the cluster approach can also be implanted in the South.

Conclusion 16: *The evaluators believe it is important, as a part of cluster, general business, cooperative or association development, to understand the subject of corporate governance.* Topics such as the role of the manager versus that of the board of directors, and the rights of members, shareholders and non-member suppliers are important to consolidate any business, cooperative, association, NGO or cluster, whatever its legal structure may be, and are vital to its long-term survival.

Conclusion 17: *There are few linkages with DSTA.* None of the groups visited were aware of the DSTA IP, so our conclusion is that RED didn't seek opportunities to collaborate with the DSTA IP. However, there are a number of possible sites where tourism could play a part in developing the area.

Conclusion 18: *Use of Haitian labor plays an important role in the cost structure of most Dominican farming operations, and without that cheap labor the DR agricultural sector would possibly be less competitive.* The evaluators found Haitian farm field labor in different farming operations throughout the areas visited. Traditionally, Haitian labor was used only to do the worst jobs and laborers were paid less than the minimum wage.

Based on the above findings and conclusions, the evaluators' recommendations are presented to USAID/REDDOM and to the Mission in the next section.

V. RECOMMENDATIONS

In accordance with the approved evaluation plan and report format, the recommendations have been organized under three headings: short-run for possible project extensions; medium-term actions, and Mission Strategic Plan for the next Five Years – Agriculture. The reader is referred to Annex E for the cluster-specific recommendations.

A. SHORT-TERM

- ✓ In terms of the remaining six months in the current contract, adjustments should also be made, and perhaps these might be viewed as a trial period before launching the remaining fifth year (a medium-term action). Also, the evaluators suggest specific work and activities be undertaken during the remainder of the current Abt contract (the next six months). These adjustments and suggested activities are listed below:

First: If the intent is a long-term and strategic-plan objective, while not abandoning the existing clusters, an effort should be made to establish a real footprint in the South with an office (one person working from an existing **business**, not from an NGO or a GODR/municipal office) staffed by a business development person with some kind of performance-based compensation plan. This person would need a vehicle (possibly his/her own under a rental agreement) and funding to blanket the South with his/her presence, looking for promising demand-pull deals and business opportunities to develop Anchor Firm models of development. The objective would be to give a professional a real challenge that, if successful, he/she could turn into a one-year extension (Feb 2012 – Jan 2013, the 5th optional year) and then possibly into a longer extension on the follow-on project (the new 5 year project that will be designed between now and Jan 2013). We would not burden this new specialist with old and ongoing activities like FECADESJ or other similar groups. These can continue to be covered from Santo Domingo.

Second: The current cluster coordinator title should be changed to something more business-like, for example: *gestor de negocios* (business development specialist) and their employment contracts should be changed to a performance-based arrangement. This may present some challenges under Dominican labor law, but something should be able to be worked out that is satisfactory to all parties. REDDOM will likely need legal counsel from a good labor lawyer to make this change. The change in title and a new compensation plan should provide a boost to activities.

Third: The fifth year extension should be put through immediately to remove staff uncertainty, boost morale and enable work to proceed along the new directions outlined below.

Fourth: Much of the current work is in the Cibao, the Jarabacoa-Constanza highlands, and the *Linea Nor-occidente* (Northwest border area with Haiti). Perhaps two of the *gestores de negocios* should be transferred to the region and work out of the Santiago office. They would be closer to their current supervisor and to the clusters/groups they are helping. One or perhaps two *gestors* could remain in Santo Domingo to attend to existing groups in the South and around the Capital.

Fifth: REDDOM and Abt should join forces with those cooperative organizations seeking to change the Cooperative Law and accompanying regulations. A new or amended law and flexible regulations are needed. USAID/RED could also contact the DR-CAFTA Implementation Project to seek assistance and a plan so that on the ground needs will be reflected in new policy and implementing law and regulations. If necessary, STTA should be contracted to assist this process. What is needed is to establish a dialogue that will result in an improved new law. If this is not advisable or doable because of upcoming elections, some of the background work can be accomplished, including the development of drafts from the technical perspective while the campaign is taking place and the politicians are preoccupied.

Sixth: Assuming some kind of continuation of the DSTA-IP, an effort should be made to develop synergistic linkages relating to tourism development in areas where USAID/RED is working. There are several: The cocoa trail in the North Coast, the San Ramon forest area, the Jarabacoa Tourism Cluster and the Greenhouse Cluster. The Bani Architects Association could also possibly be tied into the DSTA-IP and the mango cluster so as to offer a “tour” package involving both the cluster and the DSTA-IP project and community-based tourism.

Seventh: REDDOM should perform (possibly by contracting an outside independent auditor) a simple financial and institutional audit in the Avocado Cluster and the Agroindustria Benemérita (C x A) AGROBENCA, the owner of the avocado packing plant in which the cluster reportedly owns a 5% interest. REDDOM should have a clear understanding of the ownership arrangements, their accounting systems, and the destination of the slightly more than RS$ 1.0 million in reported proceeds from the rental of the pack house earlier this year.

Eighth: In the six-month time period between now and the end of the 4th optional year in January 2012, REDDOM should do its homework to ensure it is possible to undertake such investments given its legal status as an NGO.

This recommendation is supported by the findings outlined in this report related to REDDOM and the need to take an equity position in certain business or cluster investments to serve as a catalyst to help mobilize other investors. The ability of REDDOM to make such investments will be key to the shift in focus towards the South and Haitian border areas (in the recommended new follow-on project), and these next six months can be used to make a determination regarding how this might be accomplished. In the meantime, REDDOM would continue to make the small concessionary grants it has been making up to now.

Ninth: Working with mini-sub-contracts instead of grants can give the grant-making organization much more leverage, allow funding to flow to for-profit companies (you are buying goods or services) and speed up the entire assistance effort. REDDOM should consider using the fixed price contract in instances where it makes sense and structure payments to coincide with real accomplishments, a type of reward-fee mechanism.

B. MEDIUM-TERM ACTIONS (FEBRUARY 2012 – JAN 2013, FIFTH AND FINAL YEAR OF THE CURRENT PROJECT)

- ✓ The fifth year of the Portman-Bingaman “earmark” begins on October 1, 2011 (FY 2012). These and other resources should be used to continue the USAID-Abt Associates contract until January 2013. The fifth year extension should be executed IMMEDIATELY to remove staff uncertainty, boost morale and enable work to proceed along the new directions outlined below. The many accomplishments to justify this recommendation were described in Section III Findings. It would be unwise to abandon the existing clusters and groups with which the project is working at the end of January 2012. However, some adjustments should be made to both the approach and the Abt and REDDOM contracts as described herein. This will provide an 18-month window to work out the problems with the new approach/methodology and for USAID to design a follow-on project, which we view as critical and necessary to further consolidate achievements to date, create jobs, increase incomes and ensure the REDDOM Foundation is on solid footing for the future. Recommendations for the follow-on project appear below.

- ✓ Currently, the majority of the USAID/RED employees are actually employees of REDDOM, having made the transition earlier this year.[24] This offers two alternatives for the short and medium term:

    1. Continue the current structure with Abt Associates holding the overall Mission contract and issuing a fixed price sub-contract to REDDOM to implement the SOW in the Abt contract, or
    2. The Mission could sign a fixed price contract with REDDOM to implement the SOW that requires a cost-reimbursable sub-contract with Abt for oversight, grants management and overall monitoring and evaluation.

The idea is to seek maximum achievement in the shortest timeframe while further strengthening REDDOM.

Under the first option, incentives need to be built into the Abt-REDDOM sub-contract so that REDDOM is compensated for achievement in such a manner that it receives monetary incentives and includes monetary incentives to staff for exceeding work-plan targets. Care should be taken, however, to ensure that REDDOM executives do not see this as a way to accumulate corporate-foundation reserves rather than issuing bonuses for performance. There needs to be a balance. In the first option, the “incentive” system would be implemented by REDDOM within the terms of its contract with Abt and Abt would monitor it.

Under the second option, the same reward fee-type arrangement could be structured into the main USAID-REDDOM contract and Abt could be charged with monitoring this facility to ensure it is justly implemented and results in a new approach that attracts and keeps top-notch business-oriented staff, particularly the *gestores de negocios* recommended herein, and results in meeting and exceeding work plan targets. Using this option (if resources are available), an endowment could also be considered.

[24] In its response to this evaluation report, the implementing partner (contractor) indicated that REDDOM is not presently capable of receiving funds directly from USAID.

Fixed price contractual arrangements provide flexibility, avoid the issue of establishing a corporate overhead rate for REDDOM and, if structured correctly, could result in net margin for the foundation that will strengthen its balance sheet and allow it to pursue new business while working on an AID-funded project. Working on a cost-reimbursable basis will cover all costs, direct and indirect, but does not allow accumulation of net margin and would limit REDDOM's ability to seek additional USAID funding competitively or otherwise.

- ✓ From now until a new follow-on project is in place gives the Mission approximately 18 months to design, tender and begin the USAID/RED follow-on project. This amount of time is barely enough to accomplish this goal but is doable. The Mission should seek assistance from agricultural and agribusiness specialists from within the Agency (other Missions or AID/W) or STTA experienced at designing USAID-funded projects using all the new methodology and terminology now used within the USAID field. As part of this new design effort, an experienced institutional development specialist should carefully examine REDDOM to properly structure the follow-on project so the foundation plays an important role that will result in a fortified foundation well on its way toward sustainability by the end of the project. This assumes that the new Mission Strategic Plan includes agriculture and can line up the funding, perhaps, from the Feed the Future initiative.

- ✓ The re-direction started in the short-term should continue in the last 12 months of the USAID/RED project – the fifth year extension. Activities started or in process during the short-term would be transitioned into the fifth year. See the short-term recommendations for the next six months above. This recommendation assumes that there will be Mission funding through the fifth and final year AND that funding will be authorized to support a new long-term agricultural development project in the South and Haiti border areas.

First: Emphasis should be directed towards the South and Haiti border area (started immediately – short-term activities) using the anchor firm approach initially with investment from REDDOM. Nevertheless, existing clusters and groups would not be cut off completely during the last year of the existing project but continue to receive training and technical assistance from the REDDOM team and through the Farmer to Farmer program, but perhaps on a declining basis as resource needs expand in the South. As part of this shift in geographic emphasis, the project will build on the experience gained during the first six months with the sub-office in San Juan de la Maguana that would be opened in September-October 2011.

Second: During the last full year of project activities, more effort should be directed towards the sensitive commodities to begin to build capabilities to either become competitive with expected U.S. commodity imports or to diversify ahead of the expected impact. This will require good studies to learn and understand all aspects of farming sensitive crops and/or livestock and would include looking at technology, costs of production, productivity, markets, and understanding issues and problems being faced by producers of these crops/livestock. The reviews should also include studying any GODR subsidies currently in place or planned and understand how they work and whether or not these will have to be eliminated as a requirement of CAFTA-DR. Lastly, the institutions having jurisdiction and/or that are producer-owned need to be understood and assessments need to be made regarding their current state and what role they might play in the future.

Third: The emphasis of the entire effort should shift to a demand-pull approach and a dynamic, entrepreneurial agricultural marketing and agribusiness specialist should be brought onboard ASAP. This specialist should be recruited in the next four months so that s/he has been hired and can begin work prior to the new year. We recommend that Abt get the best possible specialist, whether expatriate or Dominican. In the change from a supply-push to a demand-pull philosophy the project personnel titles and job descriptions need to change. For example, the current cluster coordinators require changing; starting with their titles, i.e., “*gestor de negocios*” or something similar should be adopted. Their role should not just be to coordinate but to make business deals happen with connections to the market, investors, etc. Serious consideration should be given to having the current cluster coordinators report to the suggested marketing/agribusiness specialist.

The effort in the South should be 100% demand pull even though only one year is a short time for such an effort. Linking of exporters or local intermediaries/processors to willing farmers, promotion of a basket of crops and livestock activities so as to truly diversify production in the region and identify investors – both local and foreign – who take concrete steps to initiate investments in the region, would be the gist of the effort. REDDOM could have a role using small fixed price contracts, grants, and investments.

Fourth: The current contract with Abt should be extended, but discrete benchmarks should be included that would be developed by Mission and Abt principal associates and incorporated into the contract, if possible.[25] As part of this methodology, and in recognition that the in-country team is responsible for reaching the targets on time, some sort of bonus should be available to the entire in-country team for achieving the contracted benchmarks. Higher percentages should go to those directly responsible for the accomplishments, while a lesser percentage should be assigned to office staff in recognition of their efforts to support “front-line” achievers.

Fifth: REDDOM, in pursuit of its own sustainability, should begin to make investments (not grants, but equity positions in new or existing ventures) in the South and Haiti border regions consequent to the market-led developments in the South as a result of the office and *gestor de negocios* stationed in San Juan since the Fall of 2011. Presumably, the problems will have been straightened out prior to the end of 2011, so starting in the fifth optional year, REDDOM could begin investing if it already hasn‘t. REDDOM would also continue to make small concessionary grants as it has been up to now.

Sixth: REDDOM should assume the policy dialogue role within the effort, surfacing policy issues from project participants, researching and documenting the issue, identifying the best Dominican policy dialogue group to take up the issue, and making a strategic alliance with the identified group so as to attack the issue. This might include funding to assist the strategic partner, undertaking research, the drafting of amendments or entirely new legislation and/or rules and pushing them through in the most expeditious manner possible. This may mean working much more closely with JAD, CEDAF, the Chamber of Commerce, a cooperative trade association or confederation, or whomever. The idea is to be proactive in policy dialogue over the next 18 months, identifying bottlenecks and issues, and then to feed these into existing channels.

Seventh: The real key to the sustainability of REDDOM will be to establish regular and sustainable sources of income. Several efforts should be made to accomplish the sustainability

[25] This change/amendment to the current contract might be too complicated. An option would be to let the current contract expire at the end of the 4th optional year and negotiate a new award-fee-type contract for the fifth year only.

goal through the identification and implementation of such mechanisms during the next 18 months. For example, an import and export check-off might be applied to all agricultural products imported or exported under DR-CAFTA. This is similar to the marketing order concept in the United States and if made reasonable, RD$/ 1.00 for every RD$/ 1,000 in exports and imports under DR-CAFTA, individual importers or exporters wouldn't feel the contribution but, in the aggregate, the totals might give REDDOM a ―living" income base that could be augmented through the award of grants and contracts from donor agencies as well as outright donations from foundations such as the Gates Foundation, Ford and Rockefeller Foundations, etc.

- ✓ With the extension of USAID/RED to January 2013, the 18-month window should permit the Mission to complete due diligence, design the new effort, obtain necessary approvals, and tender and sign a new contract so that REDDOM, for example, could continue the USAID/DR program that meets the new strategic plan of the Mission.

Summary: The following is a recap of the suggestions made above. During the first six months (until 2/12) the pilot office would be established and staffed by a new business promotion specialist. The office would consist of a computer with Internet, a desk/chair, and a person with his/her own vehicle. This shouldn't require more than two months to be operational if action is taken immediately. If in the period from the moment the office is established and staffed until the end of the present optional year (late January 2012) the business development specialist hasn't started at least one new anchor-firm or cluster-type investment, consideration should be given to terminating the contract and seeking another person immediately. In the optional fifth year (ensuing 12 months), the southern REDDOM representative and business development specialist would be given tasks to complete with different timetables, e.g., one investment/project in each quarter starting with the first quarter (Jan 2012-March 2012). The bonus could be 5% of the counterpart cash contribution/investment, for example.[26] The second quarter would be the same. The period from January 2012 - January 2013 would be the pilot year and in reality be the laboratory for the follow-on five-year project. Depending on what occurs between now and the end of the optional fifth year of the current Abt contract, adjustments should be made in the approach, compensation packages for the business development specialists, staffing, role of REDDOM, possibly taking on a new for-profit contractor, etc.

C. MISSION STRATEGIC PLAN FOR NEXT FIVE YEARS - AGRICULTURE

USAID/RED project achievements lay the groundwork for future Mission programs in the rural sector in general and in support of new Agency initiatives such as Feed the Future (FtF) and global climate change in particular. Food security – via improved access to food through increased rural incomes – is an important FtF component. Similar to the FtF Initiative, increased incomes, lower producer risks through diversified rural commodity production and employment have been key USAID/RED objectives. Although not an FtF focus country, the Dominican Republic has regional pockets of poverty and at-risk populations every bit as vulnerable as FtF countries. Directing USAID/DR resources, say, through future support to REDDOM and/or through a follow-on project to USAID/RED on the DR's southern and Haitian regions would contribute directly to FtF objectives in these still at-risk, hunger-prone regions where incomes are low, unemployment high and purchasing power too limited to buy even the most basic ‗market basket' of food and necessities.

[26] A project of $100,000 that includes an investment in cash by the investor of $60,000 plus a REDDOM investment of $30,000 and a community or municipal contribution (say in land, utility hook-up, water, waste water connection, phone hook-up) of $10,000 would entitle the *gestor de negocios* a bonus of $3,000 once the deal is up and running.

- ✓ The Mission's long-term agricultural strategy should give priority to promoting investments and development in the South and Haitian border regions through a USAID for-profit contractor with a proven track record in similar programs. A reward fee-type contract should be awarded after full and open competition to ensure the contractor brings the best of the best to the table. The assumption here is that with a strong for-profit incentive, a contractor is more likely to make certain its top people are assigned to the project.
- ✓ The strategic agricultural and agribusiness program content should include but not be limited to the following:

First: Agricultural development should be focused on market-oriented farmers with potential to become competitive producers. The small subsistence-type farmers, while not neglected, should not be the principal focus of USAID efforts; they should be included in the cluster or anchor strategies. Sensitive crops should be the focus, but only after carefully studying each to decide which, if any, can be competitive and if so under what conditions. Anchor firms, clusters and any other strategy that connects the producers to the market should be fair game. The idea is to help make farmers competitive and productive, to increase incomes, provide jobs through investments in industries willing to establish their footprint in the area, and help build farmer organizations to consolidate gains.

The cluster mechanism is a valid approach in the more sophisticated areas of the country (Cibao, for example), but in less developed areas of the South it is not well understood and the anchor firm approach may be more appropriate.

The anchor firm approach involves identifying an exporter, a processor, or a large grower (the "anchor firm") and working closely with that person/organization as a program of assistance is developed on a cost-sharing basis with the USAID-funded project. Technicians from the anchor firm and project personnel select communities where small farmers are willing and able to produce what the firm needs in accordance with market specifications (variety, timing, use of chemicals, grading and packing specifications, etc.), and under the technical direction of the lead or anchor firm. Usually, the community groups are organized by the project into an association, cooperative or other legal entity. The anchor firm typically provides credit in the form of fertilizer, pesticides, or fungicides, which is later deducted from sales proceeds. If the production is organic, the anchor firm provides the expertise and necessary products to meet certification requirements. In some cases, the anchor firm may assist to ensure growers are certified – trained in best management practices. Since this is a public-private partnership, it must be successful for both the growers and the anchor firm. Good communication, transparency, and farmer training and orientation (so s/he understands how prices are established, how the company operates, what its organizational structure is, etc.) are key to this relationship.

Later, as the relationship evolves, more growers can become involved, and in some cases this may evolve into a cluster-type organization that includes more members of the specific value chain. The critical issue is how growers are selected. Growers should be a step or two up from the poorest families and able to accept direction from anchor firm technicians. Furthermore, anchor firm technicians need to receive training and orientation on establishing and maintaining relationships with small farmers. Relationships need to be built on trust and mutual respect; this must evolve over time through exemplary treatment of the growers as arrangements can easily come apart through a simple misunderstanding. Frequently, the anchor firm will employ a person responsible for grower relations who has training and experience in this type of relationship.

Second: Livestock development should include commercial hogs, goats for meat and milk, cattle for meat and milk, aquaculture, and poultry operations, but, again, only after carefully studying each to decide which, if any, are competitive and, if so, under what conditions. To the extent possible, anchor investments should make ample use of contract producers with anchor-contractor relations facilitated by the program. Placing these investments in the South and Border areas can take advantage of GODR incentives.

Third: Agro-forestry development should include Hass avocados, mangos, citrus and possibly other tree crops – nuts, for example. But, as in previous recommendations, studies need to be undertaken to understand the parameters of each crop to be developed. If traditional agriculture is no longer profitable growing onions or garlic, for example, it will be necessary to determine whether there is any way to be competitive, and if so, under what cost, yield and price basis. It is unproductive to promote a specific crop, vegetable, fruit, etc., only to find that supported farmers lose money because they are not competitive using their levels of technology. Risk can be significantly reduced if producers are using productive, up-to-date technologies.

Fourth: Reforestation should occur with timber and local species and support to wood-using industries based on local forest resources. Use of carbon credits to the extent possible might enhance the return on investment.

Fifth: As a new tool, and as a means to self-sustainability, a venture capital-like component should be established in REDDOM in which REDDOM could take an equity position as an incentive to encourage local or international investors to do a deal in the South or Border regions. These investments could later be sold – hopefully with capital gains – and the resources channeled back into REDDOM. Equity investments should also be combined with matching grant funds to ensure local producers have a stake in the various projects. Where practicable, the REDDOM equity might also be sold or donated to the local producers who would have received corporate governance training to ensure their participation on the boards of directors of these investments is meaningful. REDDOM would also continue to make small grants as it has been doing, but this would be a smaller portion of its portfolio used to break very specific bottlenecks that local business producers cannot.

Sixth: The new effort should also include, to the extent possible, loan guarantees through DCA and possibly participation by OPIC. This should help provide incentives for local and international banks to loosen their purse strings and finance local farmers and livestock producers as well as provide key bridge financing to help solidify offshore and/or local investments in which REDDOM might also participate.

ANNEXES

ANNEX A – SCOPE OF WORK

SECTION C - DESCRIPTION/SPECIFICATIONS

C.1 EXECUTIVE SUMMARY

The team includes evaluation experts with strong technical skills and understanding of the context for the proposed evaluations. We have proposed a robust methodological approach for evaluating the program; an aggressive implementation plan that will complete the evaluations in a timely and effective manner; and a proposal that is responsive to Administrator Shah's renewed emphasis on rigorous program and project evaluations.

The team will conduct evaluations of the DR-CAFTA Implementation Project (DR-CAFTA IP), the Rural Economic Diversification (RED) project and the Dominican Sustainable Tourism Alliance (DSTA) program. The team will also prepare a Final Integrated Evaluation. The evaluations will allow the Mission and implementers to make mid-course corrections. Additionally, the evaluations will aid the Mission to assess how its support to the Dominican economy has contributed to the Mission's Strategic Objective (SO-1) of "Increased sustainable economic opportunities for the poor" by achieving - Per its IR 1.1 - "Improved conditions for a more competitive Dominican Economy." Finally, the findings, conclusions and recommendations from these evaluations will support the Mission as inputs for learning and future planning.

To conduct these evaluations, the team will use a mixed-method approach that draws on the following evaluation methods:

- Qualitative Measures of Organizational Development (Capacity Building)
- Qualitative Knowledge, Attitudes and Practices (KAP) Analysis
- Quantitative Quasi-Experimental Design Comparisons
- Cost-Effectiveness Analysis

The team will work in consultation with the Mission to finalize the methods given priorities identified during the orientation and data available. The newly released USAID Evaluation Policy and updated ACS Chapter 203 "TIPS" for impact evaluations will serve as guiding principles for the application of these methods.

The team will also ensure that the evaluations include sex disaggregated data when relevant and possible; a focus on GODR counterpart, local stakeholder and beneficiary engagement; and will ensure reporting quality and evaluation best practices.

It is included a comprehensive and practical implementation plan that incorporates USAID, DR-CAFTA IP, USAID/RED, and DSTA implementing partners and stakeholders, and includes time for document review, data collection, key site visits, briefings and ample time for sharing findings and recommendations with USAID and implementing partners.

The team will begin with three weeks of primary and secondary data collection that will include extensive interaction with USAID, projects/program implementers, and beneficiaries. The fourth and fifth weeks of the evaluation will be devoted to analysis and presentation of initial findings. During weeks six and seven, USAID will review the draft evaluations, and during weeks eight and nine, the team will revise these drafts and submit the final Project Specific Evaluation Reports and the Final Integrated Evaluation. The team will consult with USAID and project implementers throughout the entire process.

ACRONYMS

AMAP	Accelerated Micro-enterprise Advancement Project
AMEX	AMEX International, Inc.
CAFTA-DR	Central American Free Trade Agreement (including the Dominican Republic)
CNC	National Competitiveness Council (Acronym for Spanish title)
CODOPYME	Dominican Confederation of Small and Medium Enterprises (Spanish acronym)
CONEP	National Council of Private Business (Acronym for Spanish title)
COP	Chief of Party
DICOEX	Directorate of Foreign Trade (Acronym for the Spanish title)
DSTA	Dominican Sustainable Tourism Alliance program
FTF	Feed the Future initiative of the US President
GODR	Government of the Dominican Republic
IQC	Indefinite Quantity Contract
IR	Intermediate Result
KAP	Knowledge, Attitudes and Practices
M&E	Monitoring and Evaluation
PC	Participación Ciudadana
PID	Democratic Initiative Project
PPL/LER	Policy, Planning and Learning office of Learning, Evaluation and Research
RED	Rural Economic Diversification project
SEA	State Secretariat for Agriculture
SET	State Secretariat for Labor
SME	Small and Medium Enterprises
SO	Strategic Objective
SOW	Scope of Work
US DOL	US Department of Labor
USAID	United States Agency for International Development
USG	United States Government
USTR	United States Trade Representative
WTO	World Trade Organizatio

C.2 BACKGROUND

It has been four years since the Government of the Dominican Republic (GODR) ratified the Free Trade Agreement for Central America and the Dominican Republic (DR-CAFTA). This time period provides an excellent opportunity to identify and examine institutional changes, particularly those related to the three areas supported by the Mission: DR-CAFTA agreement compliance, rural economic diversification and sustainable tourism.

The team understands that the evaluations will allow the Mission to make mid-course corrections in the on-going projects and programs, as well as to design new strategic initiatives for the next planning cycle. Above all, implementing the Statement of Work (SOW) will enable the Mission to be fully responsive to the USAID Administrator's renewed emphasis on rigorous program and project evaluations both to document impact attributed to Agency interventions, as well as to learn from past experiences about what works well and why.

Learning from project performance. The Mission has allocated significant resources to improve the GODR's capacity to cultivate, in the context of CAFTA-DR incentives and rules-based trade, reforms that foster export-led diversification of its economy. The Mission's operating hypothesis is that effective implementation of trade reforms can improve the competitiveness, reduce the risks and increase the income earning potential of small and micro entrepreneurs in the agriculture and tourism sectors as part of the Mission's overall strategy to alleviate poverty.

The evaluations will help the Mission assess how its support to the Dominican economy - through DR-CAFTA implementation, rural enterprise development and sustainable tourism - has contributed to the Mission's Strategic Objective (SO-1) of "Increased sustainable economic opportunities for the poor" by achieving - Per its IR 1.1 - "Improved conditions for a more competitive Dominican Economy."

The team will evaluate contributions of the three Mission projects/program to achieve the Mission's strategic objective outcomes. The team will examine how these outcomes are manifested and measure the extent to which they have increased economic opportunities, particularly for the poor. The DR-CAFTA Implementation Project (DR-CAFTA IP), the Rural Economic Diversification (RED) project and the Dominican Sustainable Tourism Alliance (DSTA) program each contribute to the core concern of 'sustainability' by focusing on 'economic competitiveness' which is a common pre-requisite of sustainability. It is economic competitiveness and opportunity - central to all three of these projects - which the team will use as focus of its evaluation's findings, conclusions and recommendations.

Looking ahead to new strategic interventions and initiatives.

The team will also work with the Mission to focus its findings and conclusions to look forward toward the implications for future strategy and projects/programs. For example, will explore how the projects/program lay the groundwork and provide opportunities for the Mission to implement new Presidential initiatives including Food Security (Feed the Future) and Global Climate Change mitigation. Creating jobs, as well as increasing and diversifying the country's rural economic base - and with it increased production, employment, trade and incomes - contributes directly to the capacity and security of Dominicans in having the capacity to meet the food needs of their households. The fashion with which production takes place can be environmentally positive, as well as enhance Dominican competitiveness (e.g., by cultivating organic crops, conserving water, and sustainably harvesting and using forest products).

In summary, the evaluation findings, conclusions and recommendations from team's evaluation will be presented in a format that provides the Mission with inputs for its next strategic planning cycle. In that context, the team will examine the extent to which the three projects/program have contributed not only to the Mission's current strategic objective of sustainable competitiveness and economic opportunity, particularly for the country's poorest households, but also the degree to which these projects/program have laid the groundwork for food security and environmentally sustainable production. Based on those findings, the evaluation will provide conclusions and recommendations to assist the Mission in designing new programs to implement the two presidential initiatives.

While each of the projects/program evaluation reports will emphasize respective contributions to future USAID programming, the Final Integrated Evaluation will emphasize how these three projects can best mutually reinforce each other. It will also lay foundations for new interventions to address new Presidential Initiatives and achieving the overall objective of competitive and (environmentally) sustainable economic opportunities and livelihoods for poverty eradication in the Dominican Republic. The Final Integrated Evaluation will also highlight over-arching lessons learned and best practices that can be mutually shared among the three projects/program implementers and counterparts - as well as implementers and counterparts in other parts of the
USAID/DR assistance portfolio - to best conduct their interventions.

C.3 METHODOLOGY AND TECHNICAL APPROACH

C.3.1 Evaluation Objective

Mission management is an important 'first client' for the evaluation findings, conclusions and recommendations but the team believes that the evaluations can serve a broader audience of users as well.

The evaluations provide the opportunity to hold the three implementing partners and their staffs accountable in terms of how well they have achieved tangible results and substantive impact. In turn, the Mission is responsible for disclosing findings to a broad range of stakeholders. The team will conduct the evaluation as a learning and motivating tool for program implementers to benefit as well help them to understand what is working and why.

The evaluation also sends signals to GODR agencies and private sector firms and organizations that USAID is concerned about making lasting changes in the capacity - and competiveness - to move the Dominican Republic onto a new economic growth trajectory consistent with the country's revealed comparative advantage in domestic and international markets, particularly in the context of DR-CAFTA. Where, for example, are the emerging niche markets for Dominican agricultural produce abroad? For Dominican tourism services nationally? The evaluation can serve as a useful tool for advancing the GODR's agenda for economic growth, employment creation and poverty alleviation.

C.3.2 Evaluation Methodology

The team is aware that the Agency has issued a new "USAID Evaluation Policy" in the course of the solicitation that resulted in this evaluation. That policy includes explicit criteria for ensuring the quality of evaluation reporting. Further, USAID has released, on its expanded evaluation web-pages, updates of several of its M&E "TIPS" for implementing Directive 203 evaluation procedures.

The three projects to be evaluated were designed and launched before the new USAID Evaluation Policy and TIPS guidelines, and do not always include baseline and periodic update data that would support the new evaluation rigor that the Agency seeks. Still, the team will apply the new USAID evaluation guidance to available project indicator data in combination with data generated by the team as a basis for quantifiable or qualitative measures of project/program impact that meet the new USAID evaluation standards and lay the ground work for future program assessments.

For example, the team proposed conducting small survey interviews – within budget and time constraints – that go beyond just verifying the number of DR-CAFTA IP, RED, and DSTA beneficiaries reported to be "trained" to include more substantive measures of the quality of that training, resulting changes in beneficiary practices, and job and income levels; measures that describe projects/program outcomes and well as outputs.

The team will employ a "mixed-methods" evaluation approach to examining the three USAID/DR Projects and for addressing the range of questions in the solicitation SOW. Application of these tools will vary among the three projects as appropriate for each and in function to where they are – at this mid-term evaluation point -- in achieving their stated results and objectives. Also, the team will apply evaluation methodologies that correspond to two levels of performance and impact to address:

- **Indirect beneficiary agencies and organizations targeted** for enhancing their capacity to delivery services or implement policies to enhance the competitiveness and sustainability of…
- **Direct beneficiary firms and households** targeted for assistance in increasing sales, investments, incomes and employment.

The approach also includes application of cross-cutting concerns that will apply to all three of the separate projects/program evaluations as well as the integrated evaluation report. Specifically,

- **Sex Disaggregated (and other beneficiary) Data and Gender Analysis.** Through-out, the team will disaggregate evaluation findings to examine projects/program performance and impact among target populations of particular concern to USAID development assistance: women and youth, the disabled, those individuals and households below the poverty line, those small enterprises with capital and technology limitations and constraints.

- **GODR Counterpart, Local Stakeholder and Beneficiary Engagement.** The team believes the evaluations should emphasize feedback from each project's direct and indirect beneficiaries about the impacts that these projects/program have had on their abilities to provide services and support and to take advantage of new economic opportunities and to achieve sustainable and respectable livelihoods.

- **Evaluation Best Practices and Reporting Quality.** The new Bureau for Policy, Planning, and Learning's Office of Learning, Evaluation, and Research (PPL/LER) "USAID Evaluation Policy" lists ten important criteria to apply to Agency evaluations in the future. (A copy of the USAID Evaluation Policy may be found at www.usaid.gov/evaluation/). While issued after the RFTOP solicitation was released, the Policy will provide the guidance for Team AMEX evaluation activities and reporting for the USAID/DR Projects/Programs. In its evaluation reports, for example, the team will fully document through technical annexes all the data collection instruments and procedures followed so as to provide documentation for the soundness of the findings, conclusions and recommendations made.

Below are descriptions of the principal evaluation methods and some illustrative applications for each that the team will use. The team will make its final determination of the most appropriate evaluation tools and their application in consultation with the USAID Mission after contract signing and during development of the Evaluation Work Plan.

1. *Qualitative Measures of Organizational Development (Capacity Building)*

The DR-CAFTA IP and to a lesser extent the RED project and DSTA program are directed toward building institutional capacity and introducing reforms aimed at improving competitive conditions and increasing economic opportunities particularly for small enterprises and low-income workers. DR-CAFTA in particular sets guidelines for establishing regulatory and monitoring agencies to track compliance with the Agreement's terms and conditions. Introducing reforms and building institutions to implement them is a process involving several steps along a continuum toward full DR-CAFTA compliance or effective support for rural enterprise diversification or sustainable tourism.

The team will introduce as part of its evaluation process a ranking or scoring of where target GODR agencies and private entities (CODOPYME, CONEP and their affiliate industry and commerce trade organizations) are located along this policy reform and organizational development continuum as a means for validating progress made as well as for recommendations regarding needs for further capacity building effort and support. Typically, and by way of illustration, such scores take the following form:

Score	Organizational Development Status
0	= No reform measure/policy exists or has been proposed
1	= Reform measure/policy drafted but not approved
2	= Reform measure/policy approved/legislated but implementing agency/office not selected/established
3	= Implementing agency/office selected/established but not funded or staffed
4	= Implementing agency/office funded but not staffed
5	= Implementing agency/office funded and staffed
6	= Implementing agency/office functioning effectively for at least one year

Of these status scores, a 0 through 5 ranking will be verified by documentation such as approved legislations, budgets and staffing levels. A status score 6 will be verified through beneficiary feedback by applying KAP Analysis described below. Of course, many GODR agencies existed before CAFTA-DR; still, to achieve DR-CAFTA compliance these agencies often need added mandates, budgets and staff to implement their new mandates.

Similar scores can be generated for private sector organizations. The evaluations will consider such scoring as a vehicle for ranking GODR reforms and implementing agencies as a mechanism for establishing status scores at project outset and at the time of the evaluation. The status scores can then quickly identify progress made by any particular agency in improving the status of its implementation capacity as well as suggest by comparison with other agencies which agencies would warrant added resources and effort to improve their capacity (status) for implementing their mandates as laid out in each of the three USAID projects/programs being evaluated.

2. *Qualitative "Knowledge, Attitudes and Practices" (KAP) Analysis*

A major evaluation method the team will employ to gather beneficiary level impact is "Knowledge, Attitudes and Practices" (KAP) Analysis. Through direct individual structured interviews with randomly selected sample of direct beneficiaries of the RED project and the DSTA program, KAP Analysis will capture the extent to which they are knowledgeable about new economic opportunities, are motivated to seek out these opportunities and are in fact engaging in such opportunities through new practices that RED and DSTA make possible. The KAP analysis will also include, through focus groups and key-informant gatherings, an assessment of what constraints beneficiaries and potential beneficiaries face in engaging in new RED and DSTA sponsored economic opportunities. What are the comparable characteristics of beneficiary and non-beneficiary participants? What determined participation and non-participation and why?

The evaluation's timeframe and funding realities dictate the sample size, statistical rigor and the extent of interview data that can be collected in the field. Nevertheless, the team is serious in its proposal to include, to the extent possible, the ultimate beneficiary 'clients' of these programs and to learn from them directly about what has worked well and why, what should be dropped, and what should be adjusted or expanded in these three on-going projects/programs and in future initiatives implemented by USAID/DR.

The team proposed to apply KAP analysis to assessing what is essentially an 'intent to treat" approach to examining how cost-effectively RED and DSTA are delivering technical advisory and other services to target beneficiary populations. "Intent to treat" analysis is a rigorous evaluation tool used most frequently in the health field to examine not the effect of, for example, a new vaccine, but rather how comprehensive, targeted and cost-effective was the delivery of vaccination services to the potential beneficiary population.

A comparable application for the DR evaluations will be a measure of the cost-effectiveness with which technical advice, production credits, market price information or production inputs was provided to target SME producer beneficiaries.

Determining where beneficiaries are along the 'knowledge, attitudes and practices' continuum will address questions about what are the best - cost-effective approaches for delivery, say, of know-how, credit, or market price information to potential new entrepreneurs whether they are emerging small rural enterprise owners seeking to improve their competitiveness in the country's high value agricultural product production (value) chains or larger established firms seeking to expand their investments and hire more Dominicans to produce for international markets - within DR- CAFTA or beyond.

i. Quantitative Quasi-experimental Design Comparisons

There does not appear to exist for any of the three projects available randomized trials baseline data that could be updated by the evaluation in order to compare performance of 'beneficiary' groups - e.g., rural enterprises, small tourism operators, etc. - with any control group of 'non-participants'. Still, a quasi-experimental design approach can be applied to measuring USAID project beneficiaries' current conditions with, say, those of comparable national or international population averages.

> For example, is there evidence in RED project areas of less unemployment now than at project start-up? Less unemployment compared to national averages or to other regions of the country? That small and medium enterprises (SMEs) are gaining 'market share' in sectors and for commodities where the greatest growth in markets and trade is anticipated? In selecting which variables to use for analytical comparisons the AMEX Team will look at the SO Results Frameworks and quantifiable performance indicators for baseline data on each firm against which participant and non-participant comparisons can be made.

ii. Cost-effectiveness Analysis

The team will approach the questions in the Solicitation by utilizing available data, particularly for the RED and DSTA projects, to compare the benefits - for example, investments made, production increased and jobs generated - of selected project/program interventions to their respective costs. These ratios can then be compared internally among each project's activities and then between the projects themselves.

> For example, what is the relative cost-effective among selected DSTA interventions at generating sustainable jobs? Among RED interventions and specific commodities and rural enterprises? Between the DSTA program and RED project? Of course, there are many "externalities" that may influence the outcomes of these comparisons and many comparisons may lead to 'close calls' not sufficiently different to draw conclusions. Still the evaluation will seek to identify where there may indeed be some clearly

visible distinctions in cost-effectiveness comparisons to give the Mission sufficient confidence in determining interventions to expand, discontinue or maintain and current levels.

3. Illustrative Application of Mixed-Method Evaluation Approaches

Table 1 illustrates which evaluation methods will be applied to gather input for addressing the 10 questions in the Solicitation.

As part of its first deliverable to the Mission, the team will include in its detailed evaluation design and work plan when each of these methods would be employed and for which project/program examined and evaluation question addressed.

During work plan preparation and document review the team will consult with the Mission on the most appropriate methods to use for these 10 questions and for any others identified to be covered in the evaluation.

Table 1: Illustrative Application of Methods to Respond to Evaluation Questions

Evaluation Questions to be Addressed*	Qualitative Measures of Organization Development	KAP Analysis	Quasi-experimental Comparison	Cost-Benefit Analysis
1. What did each project achieve?	x	x	x	x
2. What factors constrained implementation?	x	x		
3. What are views of implementers, beneficiaries with respect to weaknesses etc.		x		
4. What course corrections need to be made to accelerate progress	x			x
5. What implementation course corrections were made?	x			
6. What new best practices were identified?		x	x	x
7. What major lessons learned emerged?		x	x	x
8. What have been the strengths/weaknesses of the projects/programs?	x			
9. In what areas is USAID assistance most urgently needed?	x	x		

10. What opportunities are there for increased coordination of activities, etc?	x			
* As listed in the Solicitation				

DR-CAFTA IP. To test the development hypothesis that *increased DR capacity to comply with the 'rules of trade' will improve the country's enabling environment and economic incentives for the private sector to take and manage the risks of expanding investment, production and trade*, the team will review the literature to determine what industry sector data exist that would allow a quasi-experimental design comparison of the extent to which changes in DR domestic production and trade trends and composition can ultimately be attributed to DR-CAFTA agreement compliance fostered and supported by the project.

The team recognizes that it takes time to implement DR-CAFTA provisions and even more time for markets to respond, investments to be made, and production to adjust to new trading realities. In the event that reliable comparable data are available, the evaluation will seek to determine which commodity groups - starting with the list proposed in the RFTOP SOW - hold promise as useful 'barometers' for tracking changes in economic conditions and opportunities that are traceable to DR-CAFTA in the short, medium and longer terms.

Where the introduction and implementation of CAFTA-DR rules of trade are still 'in process' the evaluation will apply a KAP analysis to assess where responsible GODR agencies are along the continuum of organizational development to meet CAFTA-DR compliance requirements, particularly as regards DICOEX monitoring, analysis, communications and public relations capabilities of DICOEX and other GODR agencies engaged in DR-CAFTA compliance and implementation-e.g., ANAPI, SEA, SET.

The team will make use of existing baseline studies of these institutions against which progress has been made to date and relate that progress to the various interventions-workshops, seminars, training, advisory assistance-implemented to date.

RED. To test the RED development hypothesis that *risk for rural-based agricultural producers and other commodity value chain participants can be reduced through diversification into higher-value enterprises and that domestic markets and export trade can be the engines for creating jobs, generating incomes, and reducing poverty*, the team's evaluation method of choice will largely be KAP analysis to determine what changes in beneficiary knowledge, attitudes and practices can be attributed to project interventions - e.g., improved practices in natural resource management, organic farming and sustainable forest product harvesting, post harvest waste reduction and value added processing, marketing through trade fair participation, commercial linkages and conflict resolution. The evaluation would also apply cost-benefit analysis of compare the relative benefits of these interventions with their respective costs for the principle agricultural or processed commodities for which production, employment and sales data exist to help the Mission identify the most promising economic activities to which to provide future project support and eliminate those enterprises with the lowest rates of return for rural enterprises and households.

DSTA. To test the DSTA development hypothesis that *well-designed and appropriately targeted interventions can build capacity of local firms and community organizations to be self-sustaining participants in the highly competitive Dominican tourism industry*, the team will apply qualitative organizational development measures to DSTA development of relevant tourism entities including, community-based tourism organizations and partnerships in tourism service delivery value chains, such as handicraft and tour-guide services with national parks or with international hotel/resort franchises. Since training will be an on-going requirement for reaching new beneficiaries, the evaluation will also apply a qualitative organizational development analysis to assess the degree to which GODR agencies or local NGOs have been equipped and are ready to continue training activities after project termination.

Both the RED and DSTA projects involve a range of training programs as one of the interventions aimed at bringing about changes in knowledge, attitudes and practices among beneficiaries. Through both individual beneficiary interviews and focus group sessions, Team AMEX will examine how this training is manifested among a sample of training participants and the degree to which training has been effective in moving these beneficiaries along the KAP continuum.

The above approaches are illustrative at this point and will be finalized as part of the first deliverable - a Detailed Evaluation Design and Proposed Work Plan - in consultation with the Mission during the first week the team will be in country.

The objective of the team's evaluation methodology is to provide the Mission the most rigorous evaluation findings, conclusions and recommendations possible by applying those statistical tools appropriate for available data and for using the most appropriate evaluation tools from USAID's "Evaluation Toolkit" so that the Mission can:

- Assess accurately where it is in achieving its overall Strategic Objectives;
- Determine what have been the most cost-effective approaches to achieving progress;
- Identify what should be expanded and what should be cut back or eliminated for more effective program execution;
- Design new approaches to implementing new Presidential Initiatives - Food Security (FTF) and Global Climate Change - for the Dominican context.

Table 2 below summarizes the methods that will be used to respond to the project specific evaluation questions and test their development hypothesis.

Table 2: Relationship between Methodology, Development Hypothesis, and Key Questions

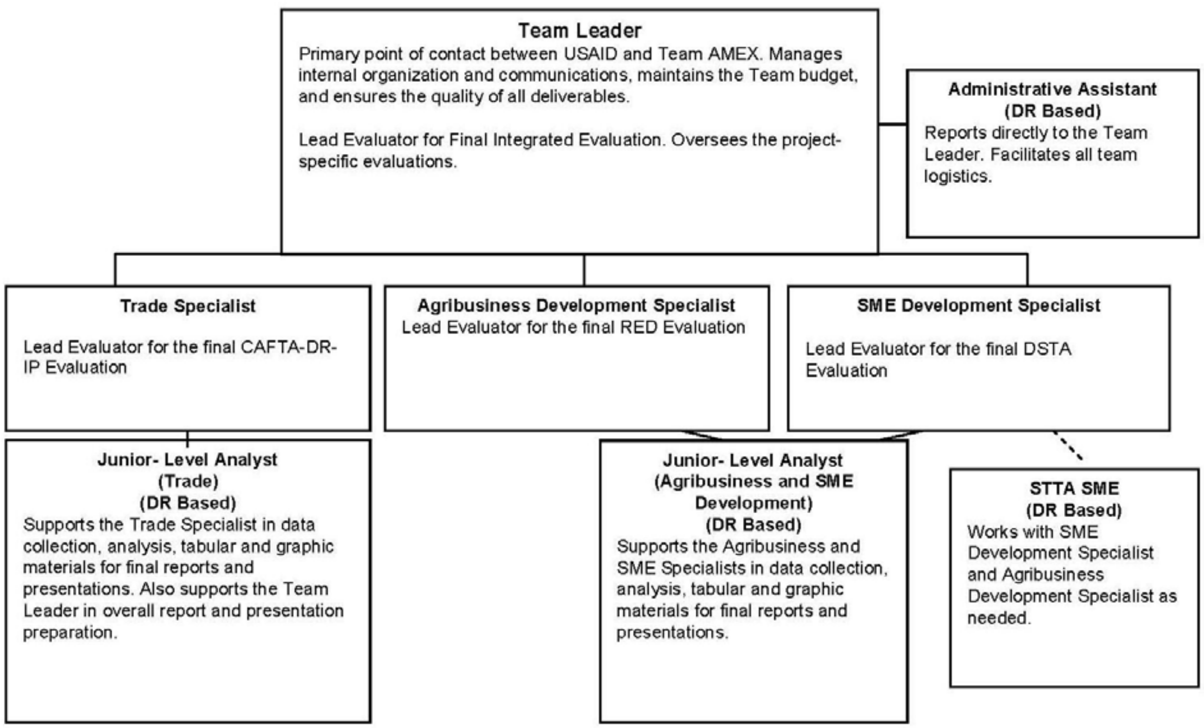
	DR-CAFTA IP	RED	DSTA
Methodology for Evaluation (Illustrative Example)	• Quasi-experimental design comparison • KAP Analysis • Qualitative Measures of Organizational development	• KAP Analysis • Cost-Benefit Analysis	• Qualitative Measures of Organizational development • KAP Analysis
Program Development Hypothesis	*Increased DR capacity to comply with the 'rules of trade' will improve the country's enabling environment and economic incentives for the private sector to take and manage the risks of expanding investment, production and trade.*	*Risk for rural-based agricultural producers and other commodity value chain participants can be reduced through diversification into higher-value enterprises and that domestic markets and export trade can be the engines for creating jobs, generating incomes, and reducing poverty.*	*Well-designed and appropriately targeted interventions can build capacity of local firms and community organizations to be self-sustaining participants in the highly competitive Dominican tourism industry.*
Key Questions for Evaluation	Relative to the goal of effectively implementing all 22 chapters of the CAFTA-DR Free-trade agreement, what results were achieved in strengthening the DICOEX, in advancing treat-specific reforms, and informing the Dominican private sector of the related trade opportunities?	Relative to the goal of assisting small farm producers and processors to diversify their production and become more competitive in the global market for oriental vegetables, specialty coffee, mangoes, organic banana, pineapple, avocado, root crops, cacao, and manufactured wood products, what results were achieved or progress made toward the results in a variety of specific areas as listed in the RFTOP?	Relative to the goal of better equipping and strengthening local small firms, community-based tourism organizations, and relevant tourism entities to become sustainable within the next five years, what results were achieved or progress made toward developing public-private collaboration and outreach to new development partners at the national, regional, and global levels that are subsequently led by stronger, more capable Dominican tourism institutions?

NOTE: The methodology application noted above will serve as a starting point for consultation with USAID. Depending on information available, cost and time constraints, some methods may be used more, less, or differently in evaluating programs.

4. Implementation Plan

The team will work together to complete the three evaluations and the integrated evaluation in the most efficient manner possible. The organization chart below outlines the key positions that make up the team and their respective responsibilities.

Figure 1: Organizational Structure



The team proposes a comprehensive and reasonable work plan that incorporates USAID, DR-CAFTA IP, USAID/RED, and DSTA implementing partners and stakeholders, and includes time for document review, data collection, key site visits, briefings and ample time for sharing findings and recommendations with USAID and implementing partners.

Table 3 below provides a detailed timeline for the evaluation implementation. Following the table a description of the Scope of Work for each period outlined is provided in detail.

Table 3: Draft Work Plan		
Timeline (LOE Days)	Scope of Work	**Deliverables**
Orientation (3 days- US)	• 3 days in U.S. to review background materials. Collect from the Mission and other sources comparative data and review all available data.	
Data Collection: Secondary Sources Week 1 (6 days- DR)	• 1 day for AMEX Team to travel to DR. • 1 day for initial orientation meeting with USAID to consult with USAID and Implementing Partners. • 4 days to complete document review and develop detailed Evaluation Design (including instruments and interview list) and proposed Work Plan.	1. Detailed **Evaluation Design** and proposed **Work Plan**
Data Collection: Primary Sources Week 2 & 3 (12 days- DR)	• ½ day to consult with USAID and collaborate in design of Evaluation Design and proposed Work Plan. • 10 days for primary data collection including in-depth interviews with beneficiaries, implementers, partners and USAID staff. • ½ day to finalize Summary of document review and Outline of Draft Evaluation Report. • 1 day to prepare for Mid-Term Briefing with USAID.	2. **Summary of document review** and proposed **Outline of Draft Evaluation Report**
Draft Reports Week 4 (6 days- DR)	• 1 day to present Mid-Term Briefing to USAID and consult regarding key issues for evaluations. • 5 days to conduct data analysis and begin drafting evaluations.	3. **Mid-term Briefing with USAID**
Final Briefings Week 5 (6 days- DR)	• 2 days to continue conducting data analysis and draft evaluations. • 1 day to prepare for Final Briefing. • 1 day to present Final Briefing to USAID and consult with USAID and project implementers on final drafts of evaluations. • 2 days for wrap-up (integration of USAID and implementers' feedback) and submission of Draft Evaluation Reports and Final Briefing.	4. Draft of **Project Specific Evaluation Reports** (submitted to Implementers) 5. **Final Briefing**
Mission Review Week 6 & 7 (10 days- US)	• 1 day for AMEX Team to travel to US. *During Weeks 6 and 7 USAID reviews the Evaluation Reports and provides written comments.*	
USAID Comments Week 8 & 9 (6 days-US)	• 6 days to revise draft Evaluation Reports and Power Points to address USAID's comments. *Final Integrated Evaluation and Project Specific Reports will be submitted within two weeks of receiving USAID written comments on drafts.*	6. **Final Integrated Evaluation** and **Project Specific Reports**

Data Collection: Secondary Data Sources
(Prep Week and Week 1-- U.S. and DR)

Orientation and Data Collection through Secondary Sources will take place during a three-day preparation period in the U.S. and Week One in the Dominican Republic. Upon contract signature, the Team Leader will work with the Mission to ensure that before traveling to the DR team members will review documents on the background of the three programs as well as overall USAID economic development strategy. To begin document review, the team will review a report provided to USAID/DR on potential indicators to track the impact of Portman-Bingaman funding for rural development (from FY07-FY11) as well as any reporting and/or databases developed to track and report on those rural development indicators. Based on this initial review of indicators, the team will be able to critically review the use of these indicators in the monitoring and evaluation processes and reporting of the CAFTA-DR-IP, RED, and DRSTA programs.

The documents on the background of the three programs, as well as overall USAID economic development strategy will provide historical and contextual background. Review of implementer's documents should include any other relevant performance information sources, such as performance monitoring systems and/or previous evaluation or auditing reports. Document review should occur before meetings with implementer teams at their offices. After understanding each project, the team will be better able to have in-depth discussions with the implementing teams.

During Week One, the team will also meet with USAID for an Orientation Meeting to consult on the overall Work Plan and Evaluation Design. Additionally, the team will also work with the implementing teams to scope out timing for meetings and field work in order to finalize the Work Plan. At conclusion of Week One, the team will provide the following deliverable(s):

1. **Detailed Evaluation Design and proposed Work Plan**

Data Collection: Primary Data Sources
(Weeks Two and Three-- DR)

During Weeks Two and Three, the team will collect data from USAID staff, project implementers, partners, and beneficiaries based on the Evaluation Design noted above. At the conclusion of Week Three (perhaps the start of Week Four depending on availability), the team will have reviewed and collected a significant amount of primary and secondary data and will be prepared to present a Mid-term Briefing at the Mission to share initial progress and preliminary findings related to each project and overall preliminary findings regarding the project's contributions to SO1. Throughout this process, the Team Leader will collaborate with the Specialists to ensure insights are shared across projects, and begin to develop an outline for the Final Integrated Evaluation. The team will seek to include implementer representatives in this meeting as appropriate in order to facilitate coordination. Receiving implementer feedback early and often is essential to effective and accurate evaluations. At the conclusion of Week Three, the team will provide the following deliverable(s):

2. **Summary of Document Review and proposed outline of draft Evaluation Report (Conclusion of Week Two)**

3. Mid-Term Briefing (Conclusion of Week Three)

Draft Reports, Final Briefings and Final Drafts
(Weeks Four through Evaluation Close—DR and US)

During Week Four, the team will draft the Project-Specific Evaluation Reports including tables, graphs, annexes, and executive summaries. At the conclusion of Week Four and the beginning of Week Five, the team will begin to share Project Specific Evaluation Report drafts with implementing partners and USAID, ensuring an accurate and useful evaluation.

Toward the end of Week Five, a Final Briefing will take place at USAID/DR. Team AMEX recommends a round table format for this Briefing and including implementer personnel as appropriate. The Briefing will be used to share program specific findings and explore synergisms and the overall implications for the Mission's SO-1. Following this meeting the AMEX Team will spend an additional two days in country incorporating USAID and implementer feedback into the draft reports. During Week Five, the team will provide the following deliverable(s):

4. Draft Project Specific Evaluation Reports

5. Final Briefing

During Weeks Six and Seven, USAID/DR will review the Project Specific Evaluation Reports and provide written comment. The team will receive USAID written comments on the Reports roughly ten days after the Final Briefing noted above. The team will spend approximately six days to incorporate this feedback into the final reports. Within two weeks of receiving Mission comments on the draft reports, the team will submit the Final Integrated Evaluation and Project Specific Reports. At the end of Week Nine, the team will provide the following deliverable:

6. Final Integrated Evaluation and Project-Specific Reports

C.4 KEY PERSONNEL

In order to complete the proposed SOW, Team AMEX has assembled an evaluation team for the DR Tri-Project Evaluation to reflect both the technical expertise considerations outlined in the RFTOP and the country-specific expertise necessary to carry out this evaluation effectively. The Team will adhere to the following practices:

- Shared understanding of clients interests including background and context, stakeholders, purpose and proposed use of the evaluation results;
- Clarity among team members of the key questions, data sources, and potential methods for data gathering and analysis;
- Clearly defined roles and responsibilities of team members;
- Realistic schedule;

- Regular meetings and communication to ensure agreed upon deliverables; and
- Time management to ensure adequate field work and contingency plans in the event that weather /travel conditions or communications reduce the visits and data collection that can be made during the allotted time.

Team is comprised of the following four senior team members:

- Team Leader/Agribusiness and SME Specialist
- Trade Specialist
- Agribusiness Development Specialist
- SME Development Specialist

F.6 REPORTS AND DELIVERABLES OR OUTPUTS

The Contractor shall submit reports, deliverables or outputs as further described below to the TOCOTR (referenced in Sections F.2 and G.2). All reports and other deliverables shall be in English language, unless otherwise specified by the COTR.

Work plan: Upon completion of background research, the team will provide a work plan that will include lists of primary research questions, planned interviewees, and a logistics plan.

In-briefing and Out-briefing: The team will give an introductory briefing at the start of field work that will include a discussion of the work plan to solicit USAID feedback. The team will give an exit briefing that will highlight an initial presentation of analytical findings and preliminary recommendations.

Draft Final Report: The team will prepare a detailed final report, describing its findings and recommendations. A draft of the report will be submitted approximately 15 days after completion of the field work.

Final Report: **The** final report will be submitted within five business days of receipt of comments from USAID.

[END OF SECTION F]

ANNEX B – REFERENCES

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ANNEX C – FIELD TRIPS ILLUSTRATION MAPS

Illustrates those field trips which were conducted over a two-week period commencing on June 18th – three days after this consultant arrived in the country. (All maps herein courtesy of USAID.)

Map 1: Trip to Avocado Cluster

Trip to Avocado Cluster (Cambita, San Cristobal)

June 18 & July 01

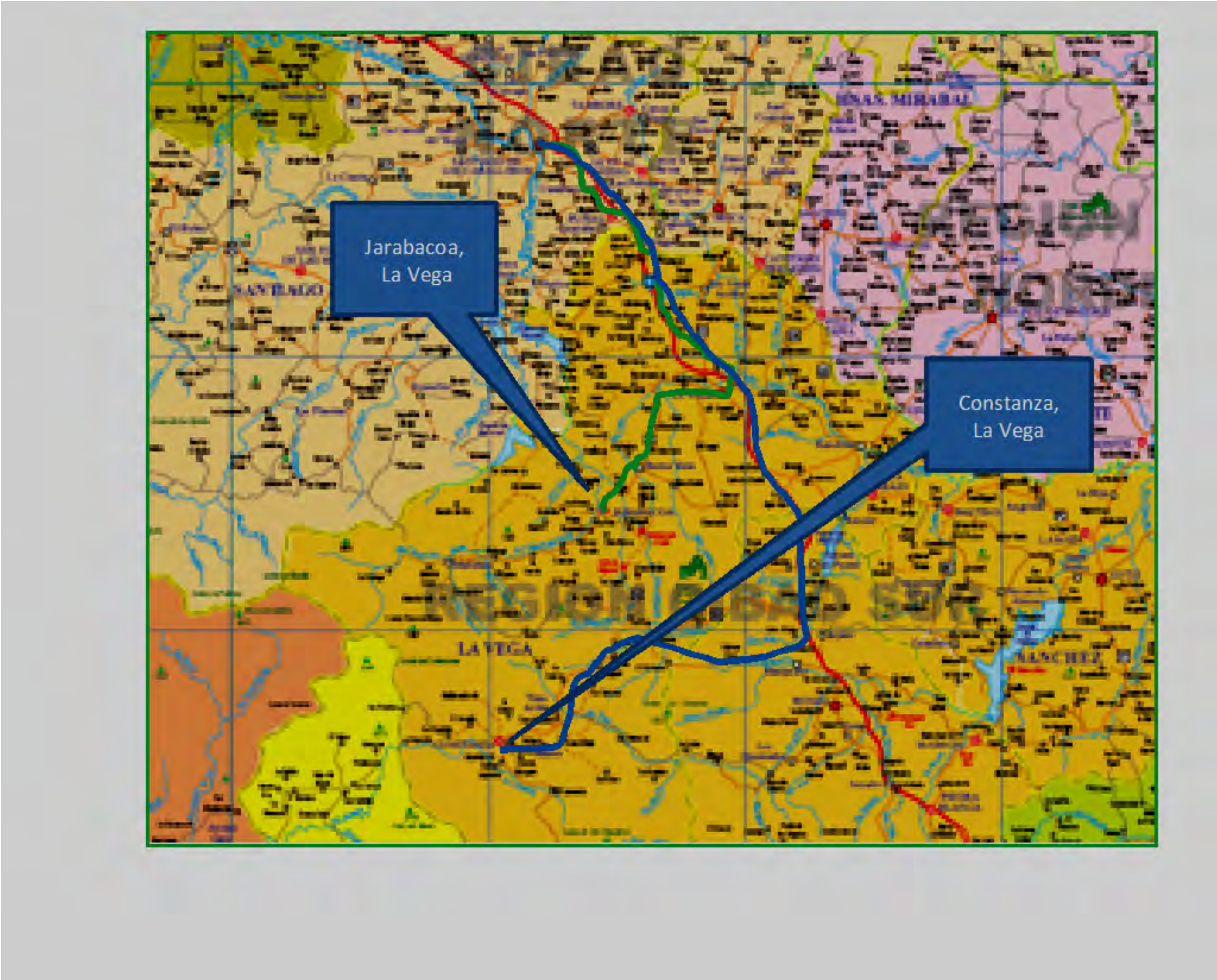
Map 2: Trip to Forestry, Furniture, Bananas and Chocolate

Trip to Forestry, Furniture, Bananas and Chocolate
(Santiago, Valverde and Puerto Plata)
June 20-21-22-23

Map 3: Trip to Dairy Cluster (FEDEGANO)

Map 4: Trip to Greenhouse and Open Field Vegetables

Trip to Greenhouse and Open Field Vegetables: (Constanza-Jarabacoa, La Vega), June 27 - 28

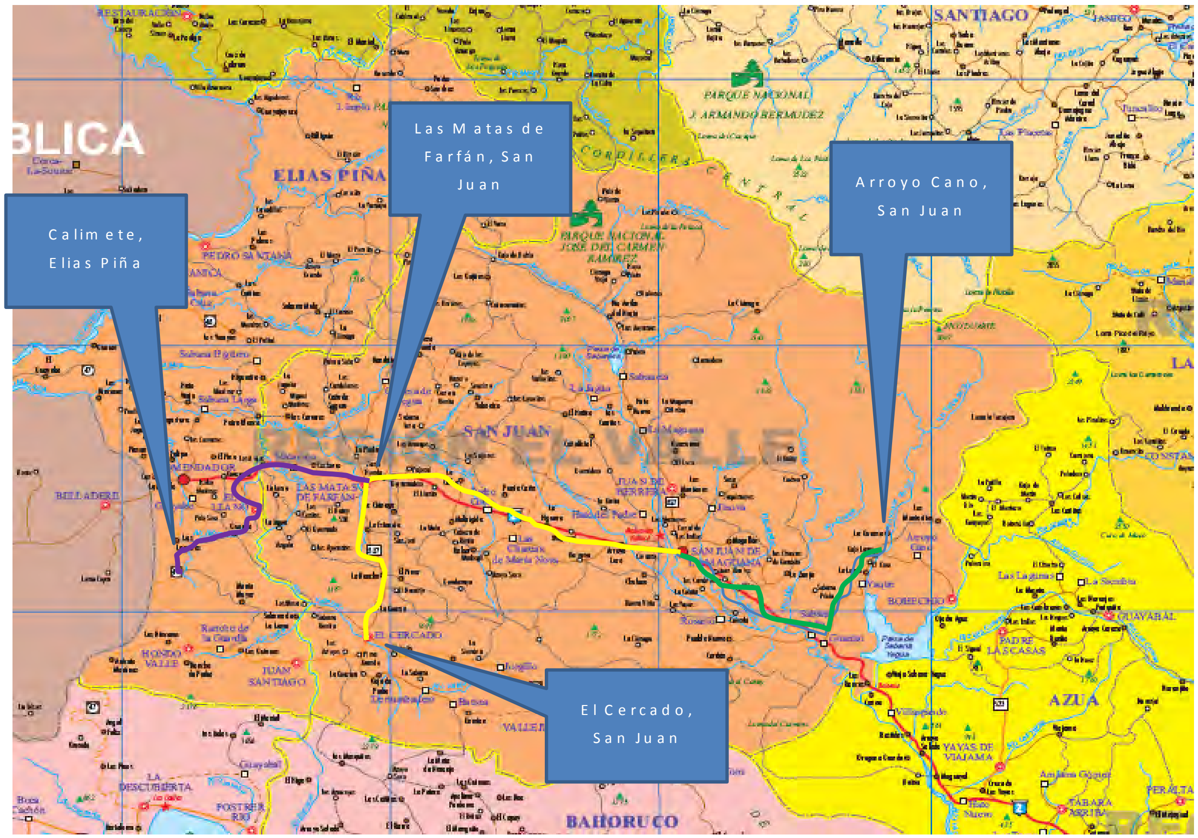


Map 5: Trip to Coffee, Milk Processing, Greenhouse Vegetables, Avocados

Trip to: Coffee, Milk processing, Greenhouse vegetables, Avocados

(San Juan and Elias Piña)

June 29-30



ANNEX D – LIST OF CONTACTS AND KEY INFORMANTS

In Santo Domingo, USAID/RED, USAID & Other organizations

Name	Organization
Duty Green	USAID DR – Economic Policy Advisor
Jesús Rodriguéz	USAID DR – CTO USAID/RED
Josué Ceballo	USAID DR
Jesús de los Santos	Abt Associates – COP USAID/RED
Laura Dillon	Abt Associates, Communications Mgr
Gordon Straub	Abt Associates, Principal Associate
Pilar Ramírez	REDDOM Foundation
Manny Hallal	Abt Associates – Administration & Fin
Josefina Espaillat	Abt Associates – Grants Manager
Zahir Baloum	Abt Associates – Director Operations & Finances
Jeffery Pérez	Abt Associates – Cluster Coordinator
Nidia de loa Santos	Abt Associates – Cluster Coordinator
Yaneris Collado	Abt Associates – Cluster Coordinator
Tomás Montero	Abt Associates – Cluster Coordinator
Osmar Benitez	Executive VP JAD
Rafael Ledesma	Partners of the Americas, National Farmer to Farmer Coordinator
Teófilo Suriel E.	CEDAF – Chief of Planning & Studies
José Miguel de Peña	Leader of CEDAF Greenhouse Cluster
Donato Vásquez	Secretary of Greenhouse Cluster
In the Clusters, During Field Visits	
Avocado Cluster	
Daysi Martich	Directora Ejecutiva
Troy Lorenzo	Tesorero Junta Directiva - Productor
José Rosa	Presidente Junta Directiva – Productor y Presidente AGROBENCA C. X A., La Empacadora
Gabriel García	Vocal – Productor
Florentino Tejeda	Vocal – Productor
Virgilio Pacheco	Vocal – Productor
Félix Ruíz Sánchez	Vocal Principal – Productor
Julio Pula Lorenzo	Miembro del Clúster - Productor
Furniture and Forestry Cluster	
Manuel García	Presidente del clúster y fabricante de muebles y pupitres escolares
Edgar Rojas	Coordinador Financiero del clúster
Rodolfo Rivera	Director Ejecutivo del clúster (nuevo)
Luis Rafael Tejada	Técnico Forestal (San Ramón) y miembro de la asociación/cooperativa
Juan Bienvenido Ascona	Técnico Forestal (San Ramón) y miembro de la asociación/cooperativa

Juan Carlos Rodríguez	Presidente de la asociación
Rubén Fernández	Tesorero de la asociación
Suk-Lang Sang	Tesorera del Clúster/Fabricante muebles Suk Asian Roots
Porfirio Peralta	Miembro/Fabricante Rattan Dominicana
Gerardo Díaz	Miembro/Fabricante Días S.A.
Porfirio Martínez	Miembro/Fabricante
Luis Domínguez	Secretario Clúster
Pedro Jorge	Miembro/Fabricante
Doris Cruz	Tejedora, tesorera del grupo
Marcia Mercedes Rodríguez	Tejedora, presidenta del grupo
Mariana Griselda de Martínez	Tejedora, secretaria del grupo
3 o 4 tejedoras mas cuyos nombres no pudimos captar	Miembros del grupo Eficiencia Colectivo (UTECOPAL) y del Clúster de muebles
Banana Cluster	
José Castillo	Asociación San Isidro y un beneficiario del cable vía
Elso Rafael Jáquez	Presidente
Andrés Fernández	Secretario-sector público, un junta de regantes
Jesús Almonte	Tesorero, exportador de banano
Pedro Espinal	Importador y distribuidor de insumos para el sector bananero
Sra. Manrique de Peña	Gerente Banelino
Group of Chocolate Makers/Cocoa Group (Not Cluster)	
Sra. Milagro Parra	Tesorera del grupo de chocolate
Noemí Crisóstomo	Administradora Chocal
Pascual Silverio	VP ASOPROCON
Félix Sención	Presidente FUNDELOSA
Nicolás Almonte	Presidente Clúster Yuca y Casaba
Sixto Silverio	Presidente ASOPROCON
Lic. Hilda Vera	Vice Alcaldesa, Altamira
Ing. Lisio Nuñez	Presidente (?) FUNDALOSA
Nicolás Almonte Pérez	Presidente Cluster Yuca & Casabe
Cattle and Dairy Cluster	
Daniel Valerio	Presidente del Clúster de Ganado/Leche
Manuela Rodríguez de Shiquelomé	Vice-Alcaldesa Dajabón y Presidente Procesadores de Dajabón
Leuigi Bonafacio G.	Director Ejecutivo del Clúster
Radámes De León	Relaciones Públicas de FEDEGANO
Luis Manuel Espinal	Extensionista en Lomas de Cabrera de Megaleche y coordinador del programa de pastos
Pedro José Santana	Ganadero El Cahuiel, Lomas de Cabrera
Bolívar Corporán	La Hoya, Lomas de Cabrera
Ramón Faña Cruz	Presidente Asociación Ganaderos Lomas de Cabrera

Juan Francisco Gonell	Tesorero Asociación Ganaderos de Calyal, Montecristi
Rafael Garcia	Contador, tesorero de Calyal, Montecristi
Julio Peña	Ventas de insumos ganaderos Calyal, Montecristi
Angel Peña	Presidente fábrica de quesos y ganadero, Calyal, Montecristi
Greenhouse Cluster – Jarabacoa	
Carlos Echevarria	Vicepresidente Clúster, productor pimiento morón
José Veloz	Vocal, productor, Ing. Agrónomo
Telesforo González	Rector de la Universidad Agroforestal Fernando Arturo de Marino
Jaime Paúl Vargas	Presidente Clúster, agricultor, exportador pimiento y pepino
Joselyn García	Directora Ejecutiva del Clúster, tiene un año con el clúster
Juan Pablo Peñalo	Tesorero del clúster y encargado de la pilonera
Jaime Paúl Vargas	Presidente del Clúster y dueño de la empacadora
José Nuñez	Supervisor de los agrónomos estatales asignados al Municipio de Jarabacoa
Horticulture – Constanza	
Bismark Abubd	Secretario del clúster - agrónomo
José Francisco Olalla	Tesorero del clúster, productor y dueño de la finca Horizonte Verde
Sra Yamilka Rodríguez	Directora Ejecutiva del clúster
Auado Abubd	Agricultor
Coffee Group Pre-Cluster, Greenhouses, San Juan de la Maguana & Las Matas de Farfan	
Florentino Valenzuela	Secretario del directorio del clúster
Sra. Santa Roa	Socio de un invernadero y presidenta de un Centro de Madres
Sra. Merari Sánchez	Presidenta de FECADESJ, productora de café
Juan Fragos Sánchez	Técnico agrícola, ayuda obtener personería jurídica de los grupos
José Manuel Cordero	Técnico agrícola, encargado del área del café
Rafael Encarnación	Director FECADESJ y encargado sector del café, productor
Julio Montero	Director administrativo FECADESJ
Manuel Disla	Técnico, encargado sección de invernaderos
Grupo de 7 personas en Arroyo Cano	Agricultores, miembros de una asociación con un invernadero

Grupo de 5 a 6 agricultores en Loma del Yaque	Agricultores, miembros de una asociación con un invernadero y un vivero produciendo plantas de aguacate (verde) y café
Grupo de 10 a 12 agricultores en Capacito, El Cercado, Las Matas de Farfan – Adelina Montás, Salomón Vallejo, Mateo Antonio, David Del Rosario y otros	Agricultores, agrónomos de GPAE-MC y dos asociaciones con invernaderos

ANNEX E – CLUSTER BY CLUSTER DETAILED FINDINGS & RECOMMENDATIONS - ENGLISH

I. AVOCADO CLUSTER – CAMBITA, SAN CRISTOBAL

As mentioned above in the General Findings section, the major findings through visits to the Avocado Cluster relate to the completion of the packing facility, the grants to support the executive director, the technical knowledge and background of the cluster coordinator from Abt/REDDOM and the business structure adopted within the cluster relating to the ownership of the pack house.

Completing the avocado packing infrastructure before the cluster had any marketing deals in place and at the end of the harvest season resulted in the asset being unused from May until present. Should the grant to complete the pack house have been made four months before, the inauguration would have been at the beginning of the season rather than at the end of the harvest, which resulted in lost momentum, lost opportunities and is in reality a typical supply-push undertaking. ―Supply push" means building the pack shed before the group is tied to a broker, exporter and has in fact exported as a group. The demand-pull mechanism would be for the avocado cluster/producers to identify a market, select an appropriate broker (or decide to do it themselves) or marketing entity and to make a ―deal" first. Then, as part of the marketing tactic with the marketing agent a pack house might be built as a co-investment with the anchor in the market. The deal could be structured so that at some time in the future the marketing agent is bought out as the cluster undertakes the marketing activities.

✓ The avocados cultivated by members of the cluster are green skins whereas the worldwide demand is for the Hass variety. Had the project examined the avocado industry in detail and identified international buyers, this would likely have been highlighted. The recent Feria Agroalimentaria held in early April in Sto Domingo brought buyers from Europe and the US, but not one avocado buyer was interested in green skins. In a recent visit by the President of the cluster to Taiwan sponsored by the GODR, all demand was for the Hass variety. This further illustrates the SUPPLY-PUSH approach of the project. Hass avocados are successfully being grown in the Elias Piña region, around Duvergé (Puerto Escondido), in San José de Ocoa and even in Constanza área. The director of agriculture at the MACAPE 2,000 ha Hass plantation near Elias Piña mentioned that Hass could be grown almost any place in the Dominican Republic but that different agronomic practices were required in areas of higher rainfall and lower elevations.

✓ The packing plant complete with cold room was completed in March 2011, after the harvest had been completed in Cambita. So the company and cluster leadership leased the plant to an exporter who brought fruit from another region of the country to pack at the Cambita plant. The company, which owns the plant, charged approximately US$0.35 per box as rent. The exporter processed 60 forty-foot containers each requiring 1800 boxes for a total rent income to the pack house of RDS/1,080,000.

✓ The plant is organized as a for-profit stock company and apparently the USAID donation to the cluster, organized as a non-profit NGO, has been invested in the stock company reportedly at a 5% of the outstanding shares. The evaluators question whether the USAID donation is really equal to 5% and suggests a simple <u>audit</u> be undertaken to sort out two issues: a) the value of the USAID donation vs the total value of the prior-to-donation paid-in capital (to insure the USAID donation owned by the NGO Avocado Cluster) is really worth only 5% and not more, and b) the use of the rent income received from leasing the packing plant after inauguration.

✓ The cluster integrates the value chain and includes Agroindustria Benemérita C x A, the packing house. The president of the cluster is also the president of the pack house stock company. While time did not permit, the evaluator believes further understanding of the relationship between the cluster and the pack house is needed. For example, who are the shareholders of the C x A and what is their share (%) in the business? The USAID/RED bought into the existing unfinished avocado pack house through the donation to the cluster NGO but what values were assigned to the different components of the investment and who determined the values of the existing structures and land? Who is the real owner of the land? Does the C x A have financial statements and have these been audited, when, and by who? This evaluator believes USAID/RED should seek answers to these questions and, depending on what is discovered, plan future project activities.

✓ The current part-time executive director of the avocado cluster is a paid GODR employee, possibly on the government's payroll half-time (should be verified). While she is a very knowledgeable agricultural researcher and fruit tree specialist, her capabilities as a dynamic cluster development and marketing person is questioned. Efforts are underway, we were told, to recruit a new executive director, but we were not convinced that the president of the cluster (also the president of the pack house) is really interested in recruiting an experienced businessperson to lead cluster and pack house development. Apparently another grant is in process to help pay the salary of the new executive director. However, the extent to which USAID/RED is pushing the cluster to identify and hire an experienced and dynamic agribusiness manager is unknown.

✓ A business plan exists for the pack house but is not being implemented. No business or development plan exists for the avocado cluster as a legal entity to our knowledge. The business plan for the cluster should include cash flow projections based on income from the pack house, quotas, sale of farm supplies and other income producing cluster activities.

✓ Apparently the C x A is seeking a working capital loan so as to begin buying and packing activities this season, which starts as early as August for some early green skin varieties. Apparently some of the board members of the plant have been asked to pledge their personal assets as collateral. The evaluator has the impression that the USAID/RED cluster coordinator is not completely knowledgeable about what is going down in the avocado cluster and specifically with the packing plant (C x A) due to her background in animal husbandry and a work overload involving too many clusters.

✓ Apparently there is no clear vision with regard to the cluster structure and financing or does there appear to be a clear vision of the packing house as a stand-alone business. Cluster members know the cluster owns shares in the pack house but there seems to be no understanding as to how to capitalize the pack house and the cluster itself. While they are aware that a per unit retain is doable, this mechanism has not been discussed nor approved. Should all avocado growers who deliver their fruit to the pack house own shares in the business, or, should the cluster own the shares and represent the growers? These decisions need to be sorted out and included in the development plan of the cluster as well as in the business plan of the C x A. Through financial participation in the business, grower loyalty can be built and through-put ensured to a greater extent.

✓ Without a dynamic, business-oriented cluster and pack house manager in place, the evaluator questions whether the avocado cluster will ever take off. The USAID/RED project needs to be more involved in the avocado cluster. One of the goals of cluster development should be to maximize use of the valuable assets currently under utilized. With a real business-oriented manager additional products could be sold at the plant, the plant might be used to pack mangoes when there are no avocados.

✓ Farmers and board members present during meetings at the packing house indicated their satisfaction with training and STTA received, especially from green skin avocado specialists from Florida obtained through the Farmer to Farmer program. The cluster board members present for the visit believe they will be able to dictate prices this year. There seems to be optimism for the future. Let's hope they are not disappointed!

II. WOOD FURNITURE AND FORESTRY CLUSTER – SANTIAGO AND NEARBY REGIONS

The wood furniture and forestry cluster seems to be the best, most integrated cluster of all those visited, but is not considered a sensitive commodity. Members understand the cluster concept, which they described as a business development strategy rather than a trade association, and voiced support for continued integration. It was openly stated that prior to integration of the cluster, individuals competed with each other, never shared experiences or problems that they faced individually. After the formation of ASONAIMCO, the furniture manufacturers association, the cluster was integrated with assistance from an IDB project; however, it was consolidated into a working organization with assistance from USAID/RED.

The following bulleted paragraphs list our findings and recommendations based on our field visits to several cluster members (furniture manufacturers, forestry association and their cooperative, and a group of women who weave fiber).

✓ There is a new executive director who was on the job only a few days at the time of our visit. The person is an architect with some experience in furniture design. The previous executive director works immediately above the cluster's office in Santiago and makes himself available to the new person. The title used by the cluster smacks of NGOs rather than a business and the evaluator would rather that his title be something like “gestor de negocios” or “general manager” or some other business-friendly title. Further, the salary structure of this person should be commission-based with a minimum base and then depending on performance, either commissions or bonuses would be gathered. It needs to be understood that the manager of a cluster is a business person, assisting the cluster to operate and provide services needed, wanted, and affordable to members.

✓ The annual furniture fair and exposition is a good source of cluster revenue and should continue and be expanded. It is a prime example of a service needed, wanted and affordable to members of the cluster. Substantial sales were made during and as a result of the fair. All cluster members apparently assisted to make the fair a success.

✓ Furniture made in the Dominican Republic is not really an export item due to manufacturing costs, two items of which price the Dominicans out of the market, except perhaps in Puerto Rico and some other Caribbean islands. Labor costs are high, reportedly, and of course much of the fine wood used to make furniture is imported.

✓ On the way to Santiago from Santo Domingo we passed a large IKEA store. When questioned about the arrival of this foreign furniture giant, all members of the cluster board interviewed thought that is had really helped the Dominican manufacturers primarily because it allowed the Dominicans to appreciate their solid wood furniture, workmanship, and design. IKEA is not a member of the cluster.

✓ One of the cluster‘s accomplishments is that the Dominican Competitiveness Law mentions the term Cluster in several paragraphs although there is no new form of legal entity officially known as a cluster. The cluster board views this as a matter of time and gives credit to this achievement to the assistance received through USAID/RED.

✓ As mentioned above, it was an Interamerican Development Bank (IDB) project prior to USAID/RED which came up with the term cluster as a form of integrating participants in a general line of endeavor known as the Value Chain. The first clusters were started under this IDB-sponsored project and the USAID/RED picked up on the concept and implemented measures to strengthen and consolidate this concept. The evaluator sees this as a good development as only too often one development agency plays down ideas and success of other.

✓ The furniture cluster persons interviewed considered forming some sort of service cooperative within the cluster to undertake business and manufacturing activities, however, they abandoned the idea since to form a cooperative is simply too time consuming and complicated. Nevertheless they admit that a service cooperative offers an appropriate legal structure to provide certain services to its members. In the meantime, the cluster has begun to undertake certain services as an association/NGO that, in reality, should be the function of a business with paid-in investment (equity) capital rather than an activity sponsored by the cluster.

As it stands now, the cluster received a grant from USAID/RED to install a wood dry kiln so as to dry pine wood harvested locally that will to be sold to those members requesting this service. As several members of the cluster are small furniture manufacturers they could not afford to own a small kiln, so banding together is not only logical but also advisable. Nevertheless, there are cluster members who will never use the services of such an investment and therefore would not be interested in making the collective sacrifice. Furthermore, cluster board members interviewed related that they had been able to acquire an unfinished –zona franca” built by the Municipality of Santiago in which to install the dry kiln plus several additional –services” they hope to initiate, including the following: a furniture component manufacturing facility (chair legs, chair-back spindles, etc.), a furniture showroom, a showroom for the fiber weavers to display their work, and possibly a facility to manufacture fuel products based on saw dust and other wood waste that can be burned to produce steam for boilers or other industrial of domestic uses (for example to dry cocoa or coffee beans, to provide energy for the cluster-owned dry kiln, etc.). All of these ideas are excellent, but the legal structure under which they should be organized is either a cooperative or a C x A with certificados de aportación or shares which are purchased by those firms or sole proprietorships/partnerships who anticipate purchasing output from the investment.

Certificados de aportación or shares should be purchased more or less in proportion to expected volume of business each cluster member anticipates doing with the business. When the feasibility study and business plan is prepared for the dry kiln and furniture component manufacturing business, sales volumes of the different outputs of the business must be determined, and in this process each investor must claim his/her respective volumes of business which s/he expects to purchase in the first and subsequent years. The calculation would go like this:

Expected Sales	Total $$ in Expected Sales	Member off-take & % Investment Required for each $100K in projected sales
Member “X” will buy	$10,000/year	10% of required capital must come from “X”
Member “Y” will buy	$15,000/year	15% of capital must come from “Y”
Member “Z” will buy	$3,000/year	3% of capital must come from “Z”
Member “A” will buy	$12,000/year	12% from “A”
Etc.	$20,000/Yr.	20%
Etc.	$15,000/Yr.	15%
The Cluster itself will buy	$25,000/Yr.	25% of required must come from the cluster as it projects selling to non-members & having a reserve for sale to future members
TOTAL EXPECTED SALES	$100,000/year	100% of the needed capital is subscribed and paid-in by members in proportion to their expected purchase from the cluster.

Of course, this is a truncated list but the idea should be clear. The cluster itself might purchase a small percentage of the shares or investment offered by the new business so as to have shares to sell to a new member wishing to join the company and/or possibly to produce furniture components and other items to be sold to non-members as a potential revenue source for the cluster in the future. The new company or cooperative should abide by the basic principle of “investment in accord with expected use.” Later, once the company/cooperative is actually producing and selling manufactured items, adjustments can be made in the distribution of shares to match each member‘s share of the total production output.

In a cooperative, net margin is distributed to members as patronage refunds and is paid out based on volume of business each member of the cooperative does with the business. If a C x A company, there are two possible methods: a) dividends are paid on each share of stock but since shares are owned in proportion to use, the dividends are in reality distributed in accord with use; and b) make price readjustments so that at the end of the fiscal year, net margin is minimum, taxes are minimum and buyers of services and/or manufactured items receive their due as discounts in the prices paid for factory output.

The ―rule of thumb” to be used in decision making regarding what type of business/legal structure to be used relates to projected acquisition of fixed assets. If ―heavy” fixed assets are needed (dry kiln, manufacturing machinery, vehicles, manufacturing facilities such as buildings or warehouses, etc.) either a cooperative or a C x A should be formed. However, if ―light assets” are required (desks, computers, motorcycles, an automobile – as opposed to a delivery truck, office furniture, etc.), an association or NGO is sufficient.

Following this line of thought, the avocado cluster is correct to have established a C x A; the furniture cluster should give serious consideration to a C x A or cooperative; and the dairy cluster also needs to think through their preferred business structure if they are going to establish some sort of business to process, age and market cheese made by farmer-owned white cheese processing facilities under the various dairy associations. Similarly, other clusters need to understand this argument and adopt appropriate action under the guidance of USAID/RED during the time period remaining, e.g., Constanza & Jarabacoa clusters wishing to establish a packing house operation.

One last thought on this line of discussion – before or simultaneously with the formation of stock companies or cooperatives – training in ―corporate and cooperative governance” needs to be undertaken. If members of these legal structures do not understand how they are supposed to function, what their rights and obligations are as shareholders/members, the company or cooperative may be subject to hijacking by one or a small group of members for their own personal benefit. Education and understanding is key to avoiding this not uncommon event.

✓ The cluster has a market study and a development plan to guide cluster development. In light of the above discussion, the cluster development plan might be revised once decisions have been made regarding incorporation issues.

✓ One cluster member reported that through T/TA provided through USAID/RED, several important changes were made in the industrial process that resulted is time and cost savings. Another member noted that new designs were adopted as a result of suggestions made by a specialist brought through USAID/RED.

✓ One key goal cluster members have in mind is to obtain Fair Trade certification, which they expect will improve their bottom lines.

✓ The cluster has created opportunities to undertake large contracts for manufacture of school desks (and hopefully brooms for the schools) that none of the members could have acquired on their own. Each member workshop will produce a different component and they will be assembled in the cluster‘s facilities. This activity was undertaken once before and they hope for repeat business even though the GODR has recently imported a large number of school desks in apparent violation of a new law which requires most (if not all) government procurements must be local procurement and not a direct importation. In this regard, the furniture association, ASONAIMCO, has organized demonstrations in Santo Domingo and mobilized public opinion against the GODR.

✓ The cluster sells furniture and woven products manufactured by members through use of catalogue sales. If different cluster members jointly manufacture the product, the cluster is the seller. If a particular member manufactures the items, cluster sales persons use *facturas* provided by each individual member. Commissions are paid to the sales persons and the cluster retains one percent (1%).

✓ It is cluster policy to strengthen the different group members such as the weavers and the forestry associations that provide lumber. In this regard they have secured USAID/RED grant and STTA for a silvaculture association and several groups of weavers. It is not without self-interest, however, as several of the more active furniture makers use different types of fiber in their chair bottoms and backs and as decoration in certain other models of furniture. By integrating the weavers they secure a local source of quality raw materials made to their order. FOR THE WEAVERS, THIS IS A CLASSIC EXAMPLE OF MARKET PULL, i.e, they are connected to their market, under the guidance of the buyers they make what is wanted, needed and affordable to the furniture manufacturers, who help with designs, quality of raw materials and above all sales of all their production – that which is purchased directly by the furniture makers and that which the cluster markets outside the cluster as handicrafts and other household items such as waste baskets, brooms, etc.

✓ But the integration of the furniture cluster has not come without difficulties. Their biggest challenge was to generate trust amongst cluster members and with new members and groups they identified as important to integrate to their cluster. Next was the challenge of raising resources as counterpart funds for the various ―donors" who were ready to invest aid resources if and when the cluster is able to match to some degree the donor funds. Future challenges include integrating handicapped persons and/or groups into the cluster and of course the overall issue of long-term sustainability will have to be solved.

✓ Their main effort right now is to secure the free zone space promised by the municipality of Santiago, install any needed hardware such as electricity and security, move their dry kiln to that site and establish themselves there. They have also professed their goal of keeping the cluster administration slim and not become a bureaucratic organization.

SAN RAMON Forestry Association and San Ramon Silvaculture Cooperative are members of the furniture cluster. While the association owns the land[27], some 3,850 hectares, many of which have native pine or have been reforested, the cooperative owns a small dry kiln and the sawmill, which supplies pine to those members of the furniture cluster who use this species for furniture. From the perspective of the cooperative and forestry association, this is another example of demand pull as they are integrated to the users of their products, pine timber and boards cut to the dimensions needed by other members of the cluster. The findings from the visit to the silvaculture and lumber cooperative follow:

✓ There is interesting tourism potential in the forested areas that make up the reserve granted to the silvaculture association. The elevation in this mountainous region provides for a cooler climate than in the lowlands so the cooperative and the association are developing a tourism project consisting of hiking trains, campgrounds, and cabins for rent. Some trails are already laid out and plans have been made to build four cabins for guests. Two cabins are already semi-finished. THIS WOULD SEEM TO BE AN OPPORTUNITY FOR THE TOURISM PROJECT to coordinate with USAID/RED and become involved in San Ramon. So far no contacts have been made we were informed.

✓ A newly appointed Minister of Environment stopped all cutting throughout the country regardless of whether an approved forest management plan existed, like in the case of San Ramon. This caused a serious impact to the group and their families as more than 70 families

[27] Has a long-term government concession/lease to exploit some 3,850 ha approximately.

depend on harvesting timber, cultivating their forest reserve, replanting pine and other timber species. The cluster tried to assist the association to persuade the minister to allow controlled cutting in accord with management plans but until Duty Green (USAID/DR) interceded directly with the minister their combined lobby effort had no effect. The day of our visit to the saw mill and surrounding forested area was the first day they could cut again. No contact was made with the DR-CAFTA group to ask for their assistance on the policy dialogue issue.

✓ The Dominican NGO Plan Sierra produces pine seedlings for reforestation which the association purchases. They feel they cannot compete with Plan Sierra, which receives assistance from the GODR and some foreign donors.

✓ The cooperative, which owns the sawmill, has been waiting three years to obtain legal recognition from the GODR cooperative institute. The USAID/RED has not provided assistance in this regard nor has the cluster, we were told.

✓ The saw mill is using a large circular saw to prepare lumber for drying. The saw kerfs is excessive and a vertical band saw would be a great improvement. Likewise, they were using a chain saw instead of an electrical radial arm cut-off saw. In addition the saw mill itself was full of pine bark, waste wood from the sawing process, and of course saw dust. The cooperative together with the cluster should seek markets for this material to help ensure the mill is profitable. With an appropriately sized chipper, pine bark mulch comes to mind for sale to urban homeowners, first in Santiago and later in Sto Domingo. Avocado growers might also be a market for the mulch. [28]

✓ The solar dry kiln recently installed at the saw mill is an excellent addition as sales of dry wood is now possible to cluster and non-cluster clients.

The Collective Efficiency Group (UTECOPAC) is one of the weaving groups that has joined the cluster. They are a woman's group, spouses and daughters of the silvacultural association. Using non-timber forest products, they prepare baskets, chair bottoms and backs and a variety of other handicraft products. Recently they have joined the furniture cluster that has begun to sell some of their handicraft items. Additionally several furniture manufacturers have placed specific orders for chair bottoms and backs with the women's group. This win-win situation is a direct result of cluster activities and is impacting on the lives of the women from San Ramon as they are now earning their own way!

✓ The furniture cluster has begun actively working with UTECOPAC to improve design, quality and introduce new products and materials. There has been training sponsored by USAID/RED and the cluster but the woman who attended the course held in Santo Domingo ended up knowing more than the trainer provided by the GODR! Nevertheless, continued efforts are needed to improve the products, innovate new products with appeal to the tourist industries, find new markets, and perhaps link these women to the Tourism Project so as to expand horizons and place more items.

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[28] El problema más grave en el cultivo de aguacate es un hongo que ataca a los raíces de los arboles (Pathogen: *Phytophthora cinnamomi)* y causa pudrición de las raíces. Su estructura molecular es muy parecido a la celulosa, la cual es atacada y matada por el mismo hongo que pudre la madera y los expertos recomienda poner *wood chips* hasta 8 – 12 cm de espesor debajo los arboles de aguacate para ayudar conservar la humidad, controlar malas hierbas y eliminar la *Phytophthora cinnamomi*.

III. BANANA CLUSTER/LAGUNA SALADO, MAO

Originally the evaluators chose the banana cluster in the Azua area, however, USAID/RED together with USAID/DR planned to inaugurate a banana cable way in Laguna Salado in the Mao area so it was decided to attend the inauguration and chance our luck to be able to gather information before or after the event. The inauguration took place as planned in presence of local and regional authorities plus the entire leadership of the banana cluster. After the event we were able to interview one farmer who benefited from the cable way and several board members. Our findings are reported as follows:

✓ The leadership interviewed plus several of the speakers at the inauguration emphasized that the cluster is not a trade association and that their market niche is organic banana which is exported 100% to the UK through Fifes, the British Caribbean banana shipping giant.

✓ Income to sustain the cluster apparently is derived by selling 2nd grade bananas that cannot be exported but which are completely sound, perhaps with some small external blemish. Each plastic crate sold contributes RDS/. 2.00 to the cluster for administration. They also recycle the plastic bags used to cover the bunches when growing on the stalk.

✓ The principal role the cluster sees itself playing is to keep Dominican banana competitive and their main immediate effort is to keep the old port of Manzanillo in working order for banana exports from the Northwest of the DR.

✓ Another activity is training, for example, to obtain Global GAP certification, to maintain the organic certification of producer members so that they can continue to export to Europe without problems.

✓ The cluster undertook a SWOT analysis in preparation of a strategic planning process within the cluster. Those board members interviewed were dedicated to developing the cluster and seemed willing to contribute time and money to accomplishing this goal.

✓ The cable transport system will benefit approximately 20 small organic banana producers organized into four associations within one Block – a term left over from the banana company that operated in this area many years ago and which lost its lands through the agrarian reform. Each land reform beneficiary received 50 tareas (2.5 ha). Benefits of the new cable way will be lowered transport costs, reduced physical damage by at least 20% (result is increased income to the producer) and saving each producer at least one hour of their time each harvest day. The one farmer beneficiary interviewed was a member of one of the local associations that had collaborated with the Cluster and USAID/RED to install the cable system. He informed us that he and his brother farmed their 50 tarea block which was inherited from their father, the original land reform beneficiary. They were prohibited from subdividing the land so farmed it together. He expressed his satisfaction with the cable way, mentioned that this was one of the first times his group had collaborated with others to benefit everybody, and looked forward to additional projects to benefit the producers.

✓ Several of the board members interviewed were quite vociferous regarding the expected negative impacts of DR-CAFTA and asked if the U.S. would eliminate subsidies to their farmers so there would be a level playing field. They answered their own question by declaring that the U.S. would never eliminate subsidies to their farmers as it was a big political issue that nobody in the U.S. was willing to tackle.

✓ Land suitable for growing bananas is also suitable for growing rice and vice-versa in most cases. Rice farmers displaced because of rice imports from the U.S. could switch to bananas and/or plantains, particularly in land reform areas where tens of thousands of small rural farm workers received land under the land reform. Bananas require irrigation, as does rice growing, so the irrigation systems installed in land reform areas would serve both crops with only minor modification.

✓ An impression resulting from the interview – most of the board members interviewed seemed to be exporters or other businesspersons with decent income and cultural levels. One was the owner of an agrichemical import business with a nationwide distribution network retailing farm supplies. The gathering reminded me of a bunch of fat cats planning welfarm programs for the mice!

IV. CLÚSTER FUNDELOSA, CHOCAL y ASOPROCON, Palmar Grande, Altamira/PUERTO PLATA

As with the banana cluster mentioned above, our attendance at the inauguration of a ―modern" cocoa fermentation and drying installation was used to interview members of both the woman-owned chocolate manufacturing company known as CHOCAL, as well as the leadership of the FUNDALOSA Foundation and their beneficiary members of ASOPROCON, the cocoa buying, fermentation and drying installations in Palmar Grande, Altamira, Puerto Plata. Our findings are presented below:

✓ One member of the cocoa producers association is apparently the middleman who buys the cocoa beans once properly fermented and dried. This buyer resells the beans to exporters or possible to CONACADO. The members interviewed didn't really know, only that fair prices were paid.

✓ Some cocoa buyers pay in advance to secure the cocoa crop so the association must imitate the competition, which is a dangerous situation since prices may drop before the association has managed to lock in a price. Or, on the other hand, if the association pays in advance at say $X per kilo and the price rises, farmers will sell the cocoa out from under their association at the higher price intending to pay back the association at the lower price. Unfortunately some never repay their association. In the meantime the association may have signed a firm export order and could default on deliveries as they simply cannot acquire the beans at the lower agreed upon price.

✓ Since associations have no investment from member farmers, other than perhaps dues, they have little loyalty to the group and will not hesitate to double deal – it happens all over the world. The way out is to organize a marketing cooperative (or C x A) that requires investment by member farmers. The more investment, the more loyalty, as coop members have something to lose if they play the dirty game. Reportedly there is interest in creating a marketing cooperative amongst some members.

✓ Members complained of climate change and longer periods of dry weather. Some had apparently installed irrigation.

✓ The cocoa fermentation and drying installation inaugurated during our visit will sit empty for another four to five months since it was completed after harvest. Hopefully the enthusiasm generated by the construction and inauguration will not wane during the upcoming months before the next harvest. See the discussion below regarding new cocoa fermenting and drying technology.

✓ CHOCAL is a woman‘s group that buys cocoa beans from the association and turns them into tasty chocolates. It has been a client of FUNDALOSA for several years and has regularly received assistance and subsidies from the foundation. They have been regular recipients of USAID donations too, as all the older machinery had USAID stickers in view. There were several pieces of newer machinery too, which indicated more recent donations, presumably under USAID/RED. Outside there was a large sign inclined at about an 80 degree angle that attested in faint letters to the earlier USAID assistance. Alongside it was the new USAID ―From the People” sign that corresponded to the cocoa fermentation and drying facility.

✓ The ladies involved in chocolate manufacture received training financed by FUNDALOSA and others and their products are quite good, actually. I wish the same could be said for their packaging, which needs a major overhaul. One chocolate bar had a nice label and package and reportedly USAID/RED had paid for its manufacture and packaging. Now, new packages need to be designed for all their products. They also make two classes of wine from the cocoa bean byproducts.

✓ The Chocal group is still subsidized by FUNDALOSA, which also owns the building and empty lot where the factory is established. Administrative personnel working for the Chocal group is subsidized by FUNDALOSA.

✓ The tourism project has a cluster in Puerto Plata that has prepared the Cocoa Trail tour for interested tourists. Visitors are brought to the chocolate factory and now the visit will include the fermentation and drying facility so the entire process can be viewed. It is one example where the tourism project and USAID/RED are collaborating.

The following paragraphs illustrate the latest cocoa fermentation and drying technology being introduced by TCHO, a San Francisco-based gourmet chocolate manufacturer and distributor, including some high analysis chocolate bars sold through the Starbucks coffee chain nationwide. With this illustration, the evaluator documents the fact that USAID/RED is not using the state-of-the-art technology in the Dominican Republic.

Altamira cocoa fermentation and drying – once again the grant-funded assets were completed after the season and after inauguration will sit empty for between 3 and 4 months. And, there is new fermentation and drying technology as can be seen in the pictures included herein. This new technology is starting to appear in several Latin cocoa producing countries, but not here in the DR! The new type drying racks include heavy mesh plastic screen about 1 meter off the ground for faster drying. This instead of planks about 6” off the ground like what was installed in Altamira, Puerto Plata. The picture above is in Fortaleza del Valle Corporation in Calceta, Manabi. The sides roll up to increase ventilation and speed drying even in rainy weather. The wide aisles give easy access to workers bringing wet beans from the fermentation boxes.

The following figures partially illustrate additional aspects of the technology being financed through a USAID cooperative agreement with Equal Exchange, a Massachusetts-based worker's cooperative and their strategic partner, TCHO.[29]

Figure 1 TCHO-designed modern Centro de Acopio in Pucacaca, San Martín, Peru with flat fermentation boxes, wheeled metal superstructure with 3 ton winch to move fermenting cocoa.

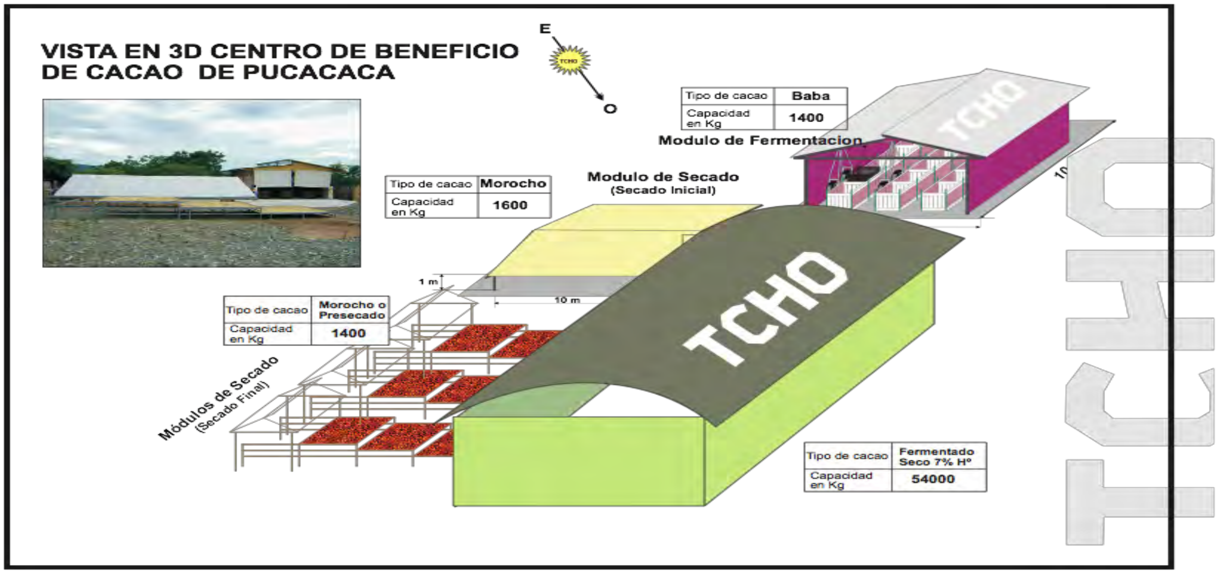


Figure 2 Modern system for fermenting cocoa beans using winch to lift and move beans from box to box. Boxes are flat on floor and one worker can turn beans when ready.

[29] This new technology is being funded through a Cooperative Agreement awarded by the Cooperative Development Program of USAID/W to Equal Exchange, Inc., a worker owned cooperative in Massachusetts who has enlisted as its strategic partner TCHO, Inc., a boutique chocolate buyer and manufacturer in San Francisco, CA. TCHO is bringing this new technology to the table, which is now public material as the documents from which this material was extracted was financed with USAID resources and is so identified. Coop Agreement CA AID-OAAA-A-10-00024.

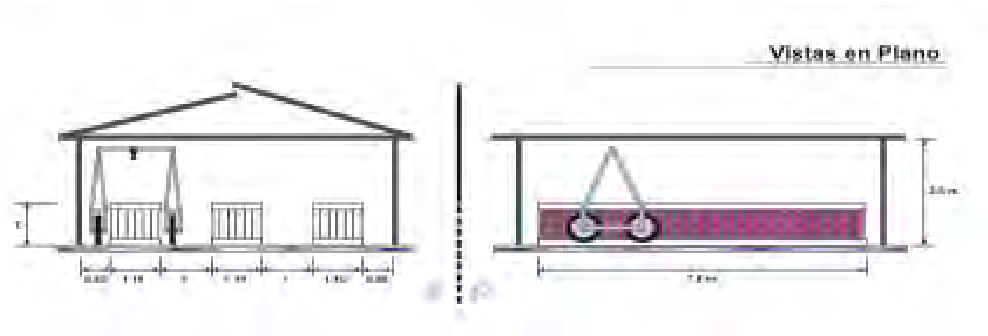
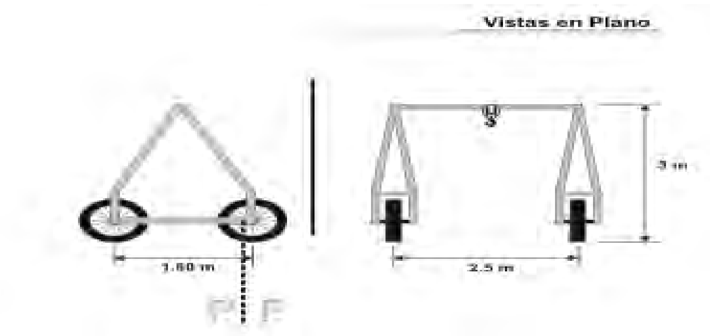


Figure 3 Lifting rig, lines of cocoa fermentation boxes inside building with air control in roof



The modern buying, fermenting and drying facilities include thermocouples implanted within the fermenting cocoa so temperatures can be monitored in San Francisco by information stored on portable hard disks and transmitted via satellite periodically. The buyers at TCHO monitor the fermentation process remotely and determine when it is appropriate to lift and pour the fermenting cocoa into the next bin. One or two persons can do the work heretofore requiring up to five persons to load the boxes and move the fermenting cocoa from box to box. This procedure ensures quality cocoa for which TCHO is able to pay a premium.

The point to be made is that through connection with the market not only is the product tailored to the buyer but, through the buyer new technology is available. Using the supply-push methodology, producers must persuade buyers to buy what they have instead of producing in accord with the market.

V. THE DAIRY CLUSTER – SANTIAGO RODRIGUEZ, MAO NW TO DAJABON, LOMAS DE CABRERA & MONTICRISTI

The evaluators selected the dairy cluster to examine since milk and dairy products are sensitive commodities under DR-CAFTA, perhaps the only sensitive commodity USAID/RED is involved with. Our findings and observations follow:

One would have thought that before launching into the dairy sector a knowledgeable specialist would have undertaken a study of the sector in the different regions of the country to determine in reality what are the major problems, whether or not costs of production are competitive, and what needs to be done to make dairy a competitive and profitable industry in the DR. In the past, the DR was a meat producing country with ranches raising pure bread Cebu and other meat varieties. The *Feria Ganadera*, held each year in Santo Domingo, brought buyers from Central America and Caribbean countries to buy some of the best cattle in the region. But milk production always was a second thought. Small ―gatherer-type” subsistence farmers kept small herds of mixed breeds said to be dual-purpose cattle. These cows gave three to five liters per day on one milking and roamed free mostly. In short, milk production was quite primitive. In terms of cheese making, the only locally made cheese one could buy was white farmer‗s cheese, which was an integral part of the local diet of rice and beans with fresh cheese on the side. Every farmer made cheese in their back yards from milk they couldn‗t sell. There were a few commercially-oriented dairy farms with milk breeds but the entire cost structure of the dairy industry revolved around small, subsistence-type rural inhabitants who sold small amounts of milk to local collectors, kept mixed-breed cattle, perhaps treated the cattle for ticks, and let them roam wherever they could find grass. Cultivated pastures were unheard of and any concentrate cattle feed was manufactured in country from imported ingredients. In short, the Dominican dairy industry was practically non-existent and supermarkets in Santo Domingo and Santiago were full of imported milk and milk products, including exotic cheeses.

Cheese making in the dairy cluster – While the dairy sector is not as sensitive as perishables to production cycles – cows produce milk throughout the year, significantly more in the wet season due to availability of pastures – there are nevertheless opportunities when physical facilities would be of more use than during other times. In the dry season milk production wanes due to lack of naturally grown cattle food, i.e., grass. But during the rainy season milk production increases by up to 60%. In the dairy areas to the northwest of Santiago, milk buyers establish quotas during the wet season and will buy every drop during the dry season. Therefore to ensure good pastures during dry periods, they must be planted during the rainy season to become well established before the dry period sets in. It is fruitless to approve a grant for pasture planting at the onset of the dry season. Likewise, to inaugurate a cheese making facility at the beginning of the dry season, when every drop of good milk is snapped up by buyers, doesn‗t make sense either.

But to build several fresh cheese making mini-plants without tying in the market before to ensure plants are able to produce and sell what the market demands is another example of demand push. During our field visits we observed one dairy association that had been equipped with new cheese making equipment prior to the onset of the dry season and association leaders mentioned that they HOPED to sell the cheese locally and maybe to hotels in Puerto Plata. Neither a marketing plan nor linkages with the market had been developed prior to building the plant… supply push, not demand pull!

Other observations follow:

✓ The cluster board members interviewed did not have a clear vision regarding the cluster concept. They could not differentiate between a cluster and their cattlemen‗s association. The executive director, recently appointed,[30] had less of an understanding of the cluster than several board members we interviewed.

✓ The federation (FEDEGANO) is an association of 42 local associations in all the municipalities in the Northwest DR. Each association pays their quota to the federation, so there is a respectable cash flow through the federation. Their main role seems to be to working to improve productivity and total production of milk and milk products as well as lobby central and local governments so dairy interests are furthered. They also try to assist with milk marketing

[30] While there is no proof, the evaluators felt that perhaps the recently appointed executive director was put in place at this time for the benefit of the evaluators. This was the second newly hired executive director interviewed by the evaluators.

but we were told that this service limits itself to helping make connections with the major milk pasteurization plants.

✓ Federation programs, supported by both USAID/RED and the GODR, include improved pastures, building milking parlors, farm ponds for the dry season, improved breeds for increased milk production, and of training. The GODR‘s Megaleche program has placed dairy extension agents throughout the region attached to cattlemen‘s associations but unfortunately many of these have no mobility, little technical back-stopping or in-service training and are therefore unproductive in advising large numbers of farmers. Reportedly organized producers contribute RDS/. 2.00 per liter of milk to help defray costs of this technical assistance offered by the GODR through Conaleche, the parastatal apex organization in the dairy industry.

✓ While federation officials interviewed purported to be seeking sustainability of the cluster with an executive director in place, we were not impressed that this would become a reality UNLESS the recently hired executive director turned out to be a ball of fire and built the cluster in a similar manner as was done in the furniture cluster.

✓ Nothing has been done to foster a cattle auction market that could become a line of income for the federation. Reportedly one municipality in the region sponsors a livestock market once weekly, but the federation has not apparently become active in this regard. Only recently has the federation obtained semen for improving cattle genetics from Conaleche but there is no organized program so far that we noted. The construction and operation of a slaughter house or a meat packing business is a distant dream of federation leadership. Although cost and feasibility studies would have to be completed, but at first blush it seems there might be targets of business opportunities that could be pushed by the Federation and/or the cluster. Hopefully the new executive director will have the drive and help needed to make some of these ideas reality.

✓ The greatest problems faced by dairy producers in the region are low productivity resulting from poor pastures/feed, poor genetics, lack of water and knowledge of milk production in general. USAID/RED is working on several of these problems but much more needs to be done.

✓ Two or perhaps three large buyers who run refrigerated tank trucks throughout the region apparently dominate the current fresh milk market. As far as we could tell, neither the associations nor the federation have sought to negotiate prices on behalf of the producers.

✓ Average dairy producers keep 15 cows, some of which are ―dry" at different times so that perhaps only 10 are milked daily. With an average production of seven (7) liters per day at about RDS/. 17.50 per liter results in RDS/. 1,225 (US$ 32.00 approximately) per day of gross income. If half are costs, the average dairy farmer could have a daily net income of in the neighborhood of RDS/. 600 or US$ 15.00 (with 10 milking cows each giving 7 liters at RDS/. 17.50 per liter and 50% of the proceeds going for costs). Monthly net income might reach RDS/. 18,000 or US$450. At first blush it would seem there is income potential in the dairy sector through improved productivity (genetics, pastures, water, animal health, and hygiene), collective bargaining for price, and establishment of cattle auctions so culled dairy cattle could be sold more profitably.

✓ A pasteurizing plant (Parmalat) increased the price paid to farmers by RDS/. 1.00 in one collection/cooling station as a result of installation of cheese making equipment. This represents a 6% price increase due to the cheese making equipment. The company needs the milk and seems to be willing to pay the premium for cold and sanitary milk in the face of competition with the cheese-making enterprise. While every association may not justify cheese-making equipment, there might be opportunities to establish a regional cheese-making facility where milk from several collection/cooling stations could be turned into cheese.

✓ The president of the Dajabon dairy cooperative has a plan to organize a regional cheese making and marketing enterprise, to develop semi-aged cheese, a label and a marketing strategy to include the tourist industry on the North Coast and other locations. This represents an upscale market and, if done right, could result in a lucrative line of work that could benefit local producers more than anything else they have undertaken. The effort should be promoted BUT FIRST HOMEWORK NEEDS TO BE DONE. USAID/RED can acquire the services of a dairy-cheese making expert to be teamed up with an economist and marketing specialist to prepare the feasibility study and business plan. If feasible, the project should be supported.

✓ Acquisition of appropriate laboratory equipment to determine presence of antibiotics in milk, brucellosis, mastitis as well as butterfat content would seem to be a necessity in each of the associations operating milk collection and cooling services. People trained in use of this equipment and proper record keeping might be a worthwhile investment for the associations and/or the federation. If the federation were to operate the testing service they would need several quality control inspectors with mobility to reach all the collection centers in the region on a daily basis before the collection truck arrives to pick up the milk. Individual collection centers would also have to be equipped with refrigerators so small control samples of milk taken from each producer at delivery time would also be required so that should a test turn up negative, individual producer samples could then be tested to identify the farm with the problem.

✓ USAID/RED has assisted in construction of a number of milking parlors on different farms in the entire region. The milking parlors replaced the traditional milking that usually was under a tree in the middle of dung-filled pastures. The parlors are appropriate and contribute significantly to milk hygiene. However, in the three or four project-assisted parlors visited NONE had running water at the installation. One woman connected a garden hose to a faucet at her house but it was too short to reach the parlor. She was however able to fill buckets with fresh, clean water to wash the cow's teats. None of the other parlors had access to clean water at the parlor itself. This is a serious shortcoming that needs to be corrected or the gains achieved by building the parlors will be offset by dirty water used to wash the cows and maintain hygiene.

✓ The pasture improvement program supported by USAID/RED is excellent. To achieve maximum benefit pasture needs fertilization and water. If pastures were put in below the level of the farm ponds, also built with project assistance, pastures could be irrigated by gravity, obviating the need for expensive pumps.

✓ We noticed Haitian families in most of the farms visited, and at the collection tanks in the Dajabon Association we observed quite a number of Haitians delivering small amounts of milk mostly using bicycles for transport. Is the dairy industry a business for producers in the Northwest only because of the presence of cheap Haitian workers? The study recommended above could examine costs of production at the farm level to judge not only cost parameters for the regional cheese making/marketing, but also to determine competitiveness in general at different levels and sizes of farming operations.

✓ As in other areas, there are several cooperatives waiting more than two years for their legal recognition from the GODR. This is excessive and needs to be modified through improvements in application of the existing law and its regulations PLUS possibly amending the existing Cooperative Law. The cooperative structure is a useful form and method of doing business, particularly where agriculture is concerned and has many applications throughout the economy in general. By bureaucratizing the process of incorporating a cooperative the GODR is withholding the right to organize. This needs correcting and USAID/RED should get involved and elicit support from DR-CAFTA and other groups interested and willing to get involved.

✓ The discussions above regarding cooperatives/C x A's versus associations is relevant in the dairy sector. In Dajabon, for example, refrigerated collection and storage tanks are owned and operated by the association while the cooperative sells farm supplies and other agricultural and livestock products. If all the business activities were placed under the management of the cooperative there would be a way to build member equity to capitalize the business, making it more credit worthy and able to undertake bigger and better investments. The association can continue to be the lobby and integrated to the Federation and can be supported through retention of association dues and allocation of a portion of net margin before distribution. The cooperative would also be a member of the cluster but might not be a member of the trade association so as to avoid becoming mixed up in politics, a no-no from a business perspective.

✓ We visited a number of associations and briefly one cooperative. In none of these did we hear of any organizational development or business development T/TA provided by the project. Organization Development (OD) work is necessary amongst base institutions or the higher level organizations depending on its base organizations will only be as strong as its members.

✓ It was mentioned that obtaining a Sanitary Registration for any food product can not only be difficult and very time consuming but also expensive. Perhaps USAID/RED can investigate the process and assist cheese-making industries to obtain the necessary ―registro sanitario."

VI. CLÚSTER DE HORTALIZA/JARABACOA

Jarabacoa is an area of moderate climate SW of Santiago with some elevation that accounts for the greatly improved climate. It is an area with expensive vacation homes of families from Santiago and Santo Domingo plus it is a horticultural center that recently has become populated with greenhouses for production of green, yellow and red sweet peppers for export, primarily. In this environment, USAID/RED has helped consolidate a cluster for greenhouse production. Theoretically a farmer could produce all sorts of vegetables year round under plastic and using micro-jet or drip irrigation and/or hydroponics where plant food and certain agrochemicals are fed in the water. However, the impression we came away with is that everybody grows peppers and maybe cucumbers during fall and winter months for export to the U.S.

The cluster is led by a dynamic woman who has managed to pull together any number of actors including growers, pack house owners, the local technical university, an association of agronomists – mostly government extension agents assigned to work for the municipality but who have incorporated an association which is a member of the cluster. Our visit resulted in the following findings.

✓ The project, through use of grant funds, installed a number of greenhouses, a plant production greenhouse and now cluster members are requesting a packing shed. Cluster members interviewed maintained that at least one additional packing facility is necessary in order to handle the volumes of production. Apparently growers are required to deliver their vegetables to pack sheds in Bonao and/or La Vega due to lack of installed capacity in Jarabacoa. But this approach suggests a supply-push approach, i.e., build production facilities and then look for the market. The demand-pull approach would start with the market, what is required, how much, when, alternatives to green pepper, etc. and would have linked producers to export markets or exporters in the DR directly. Through the exporters or the market abroad, DR growers would be sure to produce vegetables that could be sold, at the right time, for a market demanding what they can grow. Growing predominately Bell green/red/yellow peppers is a risk and diversification into other products would seem to make sense.

One of the major problems discussed with the evaluators is the so-far unsolvable problem of reject fruit, which easily floods the local market…the DR seems to have the monopoly on growing of green, yellow and red peppers! Frankly, other than some sort of canning process, this evaluator cannot think of what product could be produced from reject Bell peppers. Perhaps some STTA could be obtained through the FTF program to begin to come up with some product for the rejects. One idea comes to mind…a type of green, yellow, and red salsa based on peppers, tomatoes, onions, possibly garlic, cilantro and other spices that could be spiced up a bit through the addition of powdered (or chopped) Scotch Bonnet or Habanero peppers or pepper oil, if available. But the idea is to get somebody to come up with a solution to all the second-class fruit unfit for the export market.

By working from the market backwards to producers one would hope that these problems could be resolved, the greenhouse assets might be used 12 months of the year and destinations would be found for fruit not meeting U.S. standards.

Other observations follow:

✓ The cluster was formed with help from the JAD in 2008 as an NGO. USAID/RED provided further assistance to help consolidate the cluster.

✓ USAID/RED has sponsored considerable training in good agriculture practices (GAP) with 25 greenhouse farmers receiving certificates and certification.

✓ Their definition of a cluster is that it is similar to a bunch of grapes which contains many individuals all synergistically related.

✓ With USAID/RED assistance the cluster created a limited company known as Plántulas de Jarabacoa R.L. and built a 1,440-m^2 Greenhouse/screen house to produce plants for cluster members. The company is reportedly 51% owned by the cluster with individual cluster members owning the rest. The *pilonera* is new and they are only beginning to produce pepper plants for members and private clients. The clients must provide the seed, a typical practice in most *pilonera* businesses. Plants sell for RDS/. 1.00 that is almost identical to the cost of pepper plants in Ecuador.

✓ The screens are to keep insects out, however, thrips are tiny and are able to pass through the screen. Thrips are a serious pest that causes considerable damage to peppers as their handiwork leaves scars on the fruit so it loses grade and comes in as second or even third grade fruit. There are chemicals to treat thrips infections, and some carry the red label. Nevertheless, they assured us that the only chemicals used were EPA certified.

✓ Major accomplishments of the cluster under the USAID/RED watch include the certification of 4 pack houses as ―Eco," an agroforestry fair, improved incomes, increases in productivity, an improved understanding of innocuous as relates to fruit and vegetable production, and acceptance of the cluster concept. Of course now the cluster has the screen house/greenhouse with which to produce plants for the horticulture industry in Jarabacoa.

✓ The cluster needs to be mindful of the differences between an association and a business and if they build a packing house, they should form either a cooperative or a C x A so there is clear ownership of the business and a separation between the cluster that provides services to multiple actors in the value change and a business which serves the investors willing to participate in the business.

✓ As a collective enterprise, some cluster members have the idea of marketing cooperatively even before they have established a pack house. In reality, this type of business undertaking should require a type of enterprise where participants invest to establish the business. Cluster activities in reality should be of service to all, not just a small number of members. For this reason, among others, the screen house, the pack shed and the marketing activities should be organized by a business with invested capital, not an association/NGO.

✓ In terms of sustainability, current members pay RDS/. 1,000 monthly as dues to help sustain the cluster, but the cluster needs income from services in addition. With the plant production facility currently half owned by the cluster some additional income may be earned.

✓ Perhaps the cluster could work to find a destination for seconds that would provide additional income – like the banana cluster that reportedly sells seconds and recycles plastics.

✓ Government agronomists have formed an association, which has joined the cluster. But the agronomists complained that they have had zero chances for in-service training to bring them up to date with the latest technology – particularly greenhouse technology, irrigation techniques and methods, new crops, agricultural chemicals, etc.

✓ It would be beneficial to connect the cluster with a reputable broker and exporter and work with him to grow a variety of different crops that he can successfully market in the U.S. and locally to the nearby islands. It seems like everybody is growing green peppers and this mono-cropping is very risky.

VII. HORTICULTURAL CLUSTER AND THE HORIZONTE VERDE FARM IN CONSTANZA

For many years the area surrounding Constanza has been the horticultural center of the Dominican Republic. Japanese brought to the DR to ―teach" the locals how to grow vegetables – oriental at first but later general open field vegetables – produced the first horticultural crops. Most farmers relied heavily on agro-chemicals and levels of water and soil contamination became alarming. Many Dominicans refused to buy vegetables grown in Constanza due to feared contamination.

But with the Caribbean Basin Initiative starting in the mid-1980's growers turned their attention to export markets in the U.S. In order to enter this market, however, growers could only use certain less lethal pesticides so change in cultivation methods began slowly. The cluster methodology began during the late 1990's in Constanza and USAID assistance starting in 2008 (or maybe earlier).

Presently, a horticulture cluster is operating and has received assistance from USAID/RED to consolidate and expand services to growers. The evaluation visit was short and turned up the following findings.

✓ Cluster members seem to have the sustainability of agriculture in the Constanza and adjoining valleys as their major goal, which is a trade association-type goal.

✓ Cluster leadership is dynamic, with experience in agriculture and from the locality. Her husband is a vegetable farmer. There are 23 members of the cluster. Quotas are RDS/. 1,000 a month and they are considering increasing this to RDS/. 1,500/month. They either have already applied for a grant to help pay the executive director or will do so shortly.

✓ The impression is that most growers associated with the cluster are medium to large farmers (within the Constanza context) using the latest in irrigation technology, agrochemicals, chemical fertilizers, etc. They primarily produce vegetables for the local market in open field cultivation and under plastic for export.

✓ The cluster is planning to establish a pack house as a C x A company admitting that a cooperative makes most sense but due to all the red tape and long waiting period, they gave up on this type of business. Participants in the company can structure it so that it operates substantially like a cooperative. They probably will need additional technical assistance when forming their company.

✓ Most agronomists are tied to specific agro-chemical companies. Their main goal is sales but in the process also provide advice and instructions to their clients. The most benefit is obtained in this system by sticking to one line of chemicals and holding the salesmen responsible, providing of course that the client faithfully follows the recommendations.

✓ Their biggest problem is with marketing as the wholesale market in Sto Domingo is chaotic, disorganized and run by a Mafia-like circle of intermediaries. This situation is not uncommon in most developing countries and a possible solution might be to establish a ―Dutch Auction" in Constanza where farmers offer their products using an auction process. The Dutch have developed a highly sophisticated auction market system that works quite well. The basis of this type of auction is a giant clock-like dial that runs backward, starting with high prices and declining in a fairly rapid sequence. Instead of the auction bidding-up the prices like a typical auction, buyers have to bid on falling prices. This system has become known as a ―Dutch Auction" and should be considered as a possibility. Web sites are available through Google searching for auction markets in Aalsmeer and Venlo Holland. With this type of auction, buyers and intermediaries compete with others whereas in the current system farmers compete with each other.

✓ Up to now, the activities in Constanza are SUPPLY PUSH and not DEMAND PULL. This needs to be changed.

✓ There are no marketing specialists in the USAID/RED team. Nobody is plugged into the markets abroad to determine if there are other crops besides peppers that could be grown by Dominican farmers.

✓ Apparently there is a Hass avocado producer in the valley and his trees are beginning to produce. It would be interesting to visit this farmer to learn of his experience.

✓ Apparently the group from Constanza has not participated in any study visits to other areas of the DR nor to other countries. These types of visits can increase knowledge quickly.

Horizonte Verde Farm:

✓ The owner has three farms and is a cluster board member. His farms are 250 tareas (15.6 ha), 150 tareas (9.3 ha) and 60 tareas (3.8 ha). He is not exactly a small farmer!

✓ With help from USAID/RED he has constructed a dining room with bathroom for the workers. Almost 100% of the farm workers are Haitians. The owner reported he cannot find Dominicans willing to work in the fields so he is forced to use Haitians, who work hard on less than half of what a Dominican will accept. The farmer also reported that he would not be competitive if he used Dominican workers.

✓ This farmer has plenty of water drawn from a stream and from deep wells drilled on his farm. He uses submergible electric pumps and has his own generator, which is a necessity seeing that they have state-provided electricity only a few hours per day.

✓ This farmer pays RDS/. 45,000 (US$ 2,812) to the GODR water authority for his water. PVC pipes crisscross the farm delivering pumped water to every corner. There is a substantial diesel water pump.

✓ Apparently the cluster has realized ground water analyses throughout the valley and recent results seem to indicate contamination may have subsided. The cluster attributes this success to their efforts in training and consciousness raising regarding proper use of agrochemicals. If this is in fact the case, the cluster should be very proud of this accomplishment.

The next two field visits were to organized groups not yet reaching cluster status. They are located in and near San Juan de la Maguana and Las Matas de Farfan, Southern municipalities with substantial numbers of poor subsistence farmers.

VIII. GREENHOUSES AND COFFEE PROCESSING MILL NEAR SAN JUAN DE LA MAGUANA (FECADESJ) AND GREENHOUSES AND AN AGRO-FORESTRY PROJECT NEAR EL CERCADO, LAS MATAS DE FARFAN

In the greenhouse example, FECADESJ received grant funding to install six or eight small, inexpensive greenhouses to demonstrate use to this technique to promote diversification away from only coffee and into vegetables in a protected environment so as to facilitate income streams from year-round production. Using the demand-pull approach, FECADESJ would have entered into discussions with a possible broker or firm that might be willing to work with producers to ensure quality T/TA, access to the market, and to ensure producers grew what the market wanted, needed and at competitive prices.

Within several kilometers of the FECADESJ office is one of the largest greenhouse vegetable production facilities in the Dominican Republic, owned and operated by Maguana Tropical. But the project went ahead and built six or eight small (300 m^2) low-tech greenhouses scattered over a number of communities and groups of women planted Bell peppers under the leadership and direction of FECADESJ. Quality was apparently poor, there were disease problems in several facilities and at the end of the day they apparently reported losses. After starting to harvest (or shortly before) a broker was contacted who handled some production but quality prevented the groups from making profits. Consequently, only one crop was planted, there was no working capital for subsequent plantings and disillusionment set in. During our visit we had the distinct impression that the activity of people hacking away at stone-hard dirt in the greenhouses was only for our benefit.

Had the project been approached from the demand-pull perspective, first, contact might have been made with Maguana Tropical or possibly with another market-savvy greenhouse operator able to provide T/TA starting from greenhouse design through construction, planting and harvest. The president of FECADESJ mentioned that after peppers were ready for harvest, they did contact Maguana Tropical and someone from the company visited one or two of the greenhouses and responded that the facilities were not constructed properly (not able to control the inside temperature with ventilation), were too small and too far apart. They were not interested…

Other findings of these visits follow:

- ✓ Many of the member associations belonging to FECADESJ are not legal entities but are small, some with only 12 members. The question of the day, is obtaining legal status for such small groups justified?
- ✓ Sustainability: the GODR pays agronomists who work in the federation, which has only four employees.
- ✓ FECADESJ is a member of the national coffee parastatal.
- ✓ FECADESJ is an NGO and has an NGO mentality. Several times they excused the farmers as very poor, but being poor is a mental state whether or not one has resources.
- ✓ FECADESJ apparently receives funding from many international sources and gives the appearance that they spend the majority of their time seeking funding for misguided activities.
- ✓ They are seeking to certify 400 farmers as organic producers. So far 250 have apparently been certified with funds provided by the UNDP.
- ✓ According to the FECADESJ president, approximately 80 percent of their budget comes from commercial activity marketing coffee, beans and pigeon peas (*guandules*). The remaining funds are donated by several international organizations and the GODR (agronomists).
- ✓ When farmers turn over their crops to FECADESJ they receive 25 percent of the expected sales price as an advance. The balance is paid out once the product has been sold. Eighty percent of sales originate in members while the remainder comes from non-members.
- ✓ They have received four donations of coffee processing machinery and installations. USAID donated two coffee plants, the French donated one and a smaller mill was donated by the UNDP. Has anything been obtained through their own members?
- ✓ Now they are seeking another donation for a mill to remove the parchment, toast and grind coffee so they can sell roasted and ground coffee in the local market.
- ✓ The last coffee mill to be donated, in part, was through the USAID/RED project. It was inaugurated in March and has been empty ever since. Construction was completed at the end of the coffee harvest. Whatever momentum that might have been gained through construction of the mill may have been lost during the interim. USAID provided 50% while FECADESJ obtained a donation of RDS/. 500,000 from the Oderbrecht construction

company and borrowed the remaining amounts from ADEMI paying 18% interest. It is not known what the coffee growers gave.

- ✓ The greenhouses built are very small (300 M^2) and are quite distant from each other apparently. This makes collecting produce difficult for any broker. Apparently they tried to persuade Maguana Tropical to buy the peppers but after a visit by somebody from the company they declined.
- ✓ The greenhouses in Arroyo Cano and Lomas del Yaque were being cleaned and our impression is that the effort was for our benefit.
- ✓ Difficulties were encountered in two of the greenhouses we visited and as a result losses were incurred. They only planted Bell peppers and haven‘t grown anything else since. There is no entrepreneurial spirit amongst anybody we met at FECADESJ. There simply is no market or agribusiness savvy amongst those that we met.
- ✓ In Lomas del Yaque we visited a 600 M^2 nursery for coffee, avocados and mangos. It was in pretty bad shape as many of the trees were past their planting dates.
- ✓ There seems to be a total lack of business sense. They focus on produce first and then see where they might sell the vegetables. Since everything is donated, who cares?

GPAE-MC NGO – LOW COST GREENHOUSES

- ✓ In the community of El Capacito, El Cercado, Las Matas de Farfán, we observed greenhouses in semi abandoned like in Arroyo Cano and Lomas del Yaque. Workers were hacking away at the floors supposedly in preparation for the next planting. In one greenhouse the GPAE-MC agronomists were replacing one side of the plastic roof as villagers looked on. I asked who was paying for the repair and was informed that the GPAE-MC NGO was. The agronomists from GPAE-MC are employees of the Consejo Dominicano del Café (CODOCAFE) but have formed their own NGO to seek funds for financing local development projects. But we saw a similar attitude and spirit – people without vision, connection to the market, lost opportunities, wasted effort.
- ✓ The GPAE-MC group planted 2,900 avocado trees, 1,190 lemon trees at a cost of RDS/. 30.00 each. But the trees were planted at the beginning of the dry season and without water more than 90% of them died. We visited one small plantation and out of 100 avocado trees, only 4 or 5 were alive. The land owners may have thought that the trees belonged to the GPAE-MC agronomists since they never even tried to save the trees using watering cans. The trees were planted 7M x 7M in the traditional manner so other crops could be planted in between, however, without water none of this was possible.
- ✓ In sum, many lost opportunities, a complete lack of a business vision and absolutely no common sense, PLUS, a lack of supervision by USAID-RED was apparent. Apparently the donations for these projects were amongst some of the original small grants. The RIG audit recommended more focus on the clusters.

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