

AIRGRAM

DEPARTMENT OF STATE

AID/US) 15-8 Dom Rep

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TO - AID/W

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1968 APR 6

DATE REC'D.

AM 9 59

DATE SENT

BR 4/3/68

DISTRIBUTION

ACTION

INFO

FROM - SANTO DOMINGO

SUBJECT - 1962 and 1965 PL 480 Sales Agreements.

REFERENCE - State 119986 (AIDTO 458)

USAID has received the following letter with attachment from
the General Administrator of the Agricultural Bank:

"The question of this Bank's accounting for 19.4 million pesos
of the amounts generated of the 1962 and 1965 PL 480 agreements has
been the subject of extended discussions between the Bank and the
AID Mission.

We regret that, for reasons which are amply understood on both
sides, it was not possible in the circumstances existing in the
Dominican Republic at the time to follow the usual procedures for
mutual programming of utilization of pesos generated by PL 480 agree-
ments. However the Bank's operations during this period included a
large number of transactions which we believe did in fact meet the
mutually agreed criteria for programming of such pesos. In order to
demonstrate that the purposes of the sales agreements were indeed met,
we have reviewed our files. We believe the attached list of
transactions, totalling 19.4 million pesos specifically meets appropri-
ate criteria.

We suggest, if upon review you agree that these transactions do
meet the criteria, that they be accepted as satisfying the require-
ments of the PL 480 sales agreements cited above.

Your confirmation that this proposal is acceptable would be
appreciated."

PAGE 1 OF 2

DRAFTED BY *WGM*
WGM:Moil-DEP.CON.
amf

OFFICE
Controller's

PHONE NO.
DATE
3/29/68

APPROVED BY *A. Fierfer*
DIR:Alexander Fierfer

AID AND OTHER CLEARANCES
Wachevoor:CON. *WCC*
JRussin (In draft) *JR*
LHarrison:DEP.DIR. *LH*

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*Santo Domingo TOAID-4-6-83
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A condensation of the Bank's accountability statement is as follows:

Gross Proceeds from Sales:	RD\$22,262,134
Less: Program Expenses and Sales Adjustments	2,851,193
Total Available for Projects	<u>RD\$19,410,941</u>

Application of Funds

Investments:

Warehouses	RD\$ 492,450
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Agricultural Credit:

Rice	2,598,616
Peanuts	1,869,394
Corn	511,425
Beans	1,369,529
Small Fruits	4,107,484
Potatoes	920,569
Vegetables	311,758
Small Onions	198,760
Onions	209,335
Garlic	279,880
Pineapple	64,915
Agricultural Machinery	1,107,168

13,548,833

Development Projects (Approved by USAID):

Agricultural Commodity Price Stabilization	1,369,658
Total Utilization	<u>4,000,000</u>

RD\$19,410,941

Upon receipt of the above statement, USAID auditors test checked the Bank's accounting records. No significant differences were noted in this review.

The Bank's statement of accountability provides transaction details totalling RD\$19,410,941 against a net accountability requirement of RD\$19,034,809 (see Deptel A-98 dated 3/3/67). The existing gap in accountability, which the Bank's statement now resolves, was created by the Bank's unilateral use of sales proceeds for agricultural credit. While this action was taken without USAID concurrence, we do believe that this application of funds meets sales agreement criteria and fulfills the purposes outlined in the agreements.

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FM AMEMBASSY SANTO DOMINGO
TO SECSTATE WASHDC PRIORITY 4888

C O N F I D E N T I A L SANTO DOMINGO 2086

JOINT STATE/AID MESSAGE

AIDAC

TOAID 661

SUBJECT: SA-PL480 PACKAGE

REF: STATE 133785 (AIDTO 502)

PASS TO USDA

1. SUMMARY: TEXT PROPOSED PRESS RELEASE FOR SIGNING
PL480/SA LOANS. 72-HOUR NOTIFICATION TO USDA. MECHANICAL
QUESTIONS RAISED BY POSSIBILITY IDB AUTHORIZATION
TAVERA LOAN ON MARCH 28.

2. EMB/AID COMPLETING DOCUMENTATION WITH TARGET FOR
JOINT SIGNING PL480 AND SA AGREEMENTS THURS, MARCH 28.
(IT POSSIBLE THIS DATE WILL SLIP. WILL ADVISE WHEN
FIRM.) REQUIRED LANGUAGE SET FORTH PARA 2 REFTEL ACCEPTABLE

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GODR.

3. TEXT PROPOSED PRESS RELEASE FOLLOWS. (WE HAVE GONE
INTO SOMEWHAT MORE DETAIL ON MECHANICS THAN OTHERWISE
MIGHT BE INDICATED BECAUSE OF WIDESPREAD IGNORANCE HERE
OF AID PROCEDURES AND RECENT WIDELY PUBLICIZED CRITICISM
AID COMMODITY IMPORT PROGRAM.)

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*Santo Domingo 2086
3/24/68*

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1. "IN CEREMONY HELD TODAY AT THE NATIONAL PALACE, PRES JOAQUIN BALAGUER AND THE AMB OF THE UNITED STATES OF AMERICA, JOHN HUGH CRIMMINS, SIGNED TWO ALLIANCE FOR PROGRESS LOAN AGREEMENTS THROUGH WHICH THE US GOVT WILL MAKE AVAILABLE AGRICULTURAL AND FINANCIAL RESOURCES TOTALING \$30,356,000 TO BE UTILIZED IN THE ECONOMIC STABILIZATION AND DEVELOPMENT EFFORTS OF THE DOM GOVT. OF THIS SUM, \$7 MILLION ARE BEING RESERVED FOR THE TAVERA DAM PROJECT.

2. "THE FIRST OF THESE AGREEMENTS, COVERING A PL480 PROGRAM IN THE AMOUNT OF \$14,256,000, WILL ENABLE THE DOM GOVT TO IMPORT DURING 1968 AGRICULTURAL COMMODITIES INCLUDING SOYBEAN OIL, WHEAT FLOUR, TALLOW, COTTON, TOBACCO, AND OATS. SINCE THESE IMPORTS WOULD OTHERWISE

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REQUIRE THE USE OF DOM FOREIGN EXCHANGE RESERVES, THE AGREEMENT WILL RELIEVE PRESSURES ON THE DOM BALANCE OF PAYMENTS. THE PESOS GENERATED BY SALES OF THESE COMMODITIES THROUGH NORMAL COMMERCIAL CHANNELS WILL BE USED TO CARRY OUT A VARIETY OF INVESTMENT ACTIVITIES, MUTUALLY AGREED UPON BY THE TWO GOVERNMENTS, WHICH ARE EXPECTED TO BOOST AGRICULTURAL PRODUCTION SUBSTANTIALLY.

3. "UNDER THE TERMS OF THE PL480 AGREEMENT, THE DOM GOVT WILL, FOLLOWING A 5 PERCENT DOWN PAYMENT, REPAY THE US GOVT OVER A 19-YEAR PERIOD BEGINNING TWO YEARS FROM THE DATE OF THE LAST DELIVERY OF AGRICULTURAL COMMODITIES FOR EACH CALENDAR YEAR. INTEREST SHALL BE AT THE RATE OF 2 PERCENT DURING THE TWO-YEAR GRACE PERIOD AND 2 AND ONE HALF PERCENT THEREAFTER.

4. "SIMULTANEOUS WITH THE SIGNING OF THE PL 480 AGREEMENT, THE PRES AND THE AMB SIGNED A SUPPORTING ASSISTANCE LOAN AGREEMENT IN THE AMOUNT OF \$16,100,000. DOLLARS UNDER THIS AGREEMENT WILL BE USED TO FINANCE IMPORTS OF SELECTED COMMODITIES FROM THE UNITED STATES THROUGH COMMERICAL CHANNELS WHILE THE PESO PRECEEDS WILL BE UTILIZED FOR

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DEVELOPMENTAL PURPOSES. SEVEN MILLION PESOS FROM THIS

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LOAN ARE BEING RESERVED FOR THE US GOVT CONTRIBUTION TO THE
TAVERA DAM PROJECT. A SEPARATE SUB-AGREEMENT FOR TAVERA
WILL BE SIGNED BETWEEN THE DOM GOVT AND AID AT THE TIME
THE IDB LOAN TO THE DOM GOVT IS SIGNED.

E. "THE SUPPORTING ASSISTANCE LOAN WILL BE REPAID OVER
A PERIOD OF 40 YEARS WITH A GRACE PERIOD OF 10 YEARS
DURING WHICH ONLY INTEREST WILL BE PAID. INTEREST WILL
BE 2 PERCENT ANNUALLY DURING THE GRACE PERIOD AND 2 AND ONE HALF
PERCENT ANNUALLY THEREAFTER.

F. "IN ADDITION TO THE TAVERA FINANCING, PESO PROCEEDS
DERIVED FROM THESE TWO LOANS WILL BE USED FOR CARRYING OUT
INVESTMENTS IN AGRARIAN REFORM, AGRICULTURAL CREDIT,
DEVELOPMENT OF COOPERATIVES, IRRIGATION CANAL REHABILITA-
TION, ROAD RECONSTRUCTION, SCHOOLS AND HOSPITALS.

G. "THESE NEW LOANS CONTINUE THE US GOVT'S SUPPORT
OF AND COOPERATION WITH THE ECONOMIC AND SOCIAL
DEVELOPMENT PROGRAMS OF THE CONSTITUTIONAL GOVT OF DR BALAGUER.
IN JAN OF 1968 TWO DEVELOPMENT LOANS, ONE FOR FEASIBILITY STUDIES
AND THE OTHER FOR EDUCATIONAL CREDIT, WERE SIGNED. THE
TWO GOVTS ARE CONTINUING TO PREPARE DOCUMENTATION

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FOR ADDITIONAL DEVELOPMENT LOANS FOR SPECIFIC PROJECTS,
AND IT IS EXPECTED THAT DURING THE COMING MONTHS ADDITIONAL
SUCH LOANS WILL BE NEGOTIATED."

4. THIS CABLE ALSO CONSTITUTES 72-HOUR NOTICE REQUIRED
BY USDA PRIOR TO SIGNING OF PL480 AGREEMENT.

5. FOREGOING ASSUMES THAT IDB WILL NOT ANNOUNCE PARTICIPA-
TION TAVERA LOAN 28 MARCH AS BALAGUER AND SEVERAL OTHER
MEMBERS GODR BELIEVE IS CASE. WERE IDB PREPARED MOVE THIS
SWIFTLY WE WOULD WISH GIVE THEM RIGHT OF WAY AND POSTPONE

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SA-PL480 SIGNING SEVERAL DAYS NOTWITHSTANDING OUR DESIRE
SIGN AGREEMENTS EARLIEST POSSIBLE DATE. IF THERE IS
POSSIBILITY MARCH 28 IDB AUTHORIZATION ANNOUNCEMENT, WE
NEED KNOW WELL IN ADVANCE AID/W PLANS FOR FORM AND CONTENT
ANNOUNCEMENT AID PARTICIPATION IN ORDER INFORM BALAGUER
WHO, WE UNDERSTAND, INTENDS MAKE OWN STATEMENT SIMULTANEOUSLY.
ON OTHER HAND, IF FORMAL IDB AUTHORIZATION TO TAKE PLACE
WEEK 1 APRIL, WE WOULD WISH PROCEED AS PLANNED WITH 28
MARCH TARGET FOR SA-PL480 SIGNING. REQUEST EARLIEST
POSSIBLE WASHINGTON GUIDANCE THESE QUESTIONS.

6. DECLASSIFY MAY 15, 1968 CRIMMINS

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