DOMINICAN REPUBLIC

1. 8/5/68  Ambassador Hector Garcia-Godoy and Dr. Diogenes Fernandez,
        Governor of the Central Bank

7/18/69  Guillermo Santoni, Director, Dept. of Regional Studies, National Planning
        (Aspen - Office, D.R. Government
        Eisen. Ex.)
TO: Memorandum for Record

FROM: Gerald Alter

DATE: August 6, 1968

SUBJECT: Meeting of Mr. McNamara with Dominican Republic Representatives

Dominican Republic Ambassador García Godoy, accompanied by Dr. Diogenes Fernandez, Governor of the Central Bank, paid a courtesy visit to Mr. McNamara on August 5. The writer was also present.

The Ambassador expressed his appreciation for the interest shown by the Bank in the Dominican Republic and referred to the friendly relationships which are developing with the Bank. He reiterated the interest which the Government has in IDA/Bank financing of the Yaque irrigation project and the Falconbridge nickel project, and expressed the Government's interest in working with the Bank on the Valdesia project (see my memorandum to Mr. McNamara of August 5). The Ambassador immediately acknowledged that substantial additional studies were required in the case of the Valdesia project.

Mr. McNamara reminded the Dominican visitors that while the Falconbridge project can be considered for Bank financing in view of the special guarantees it provides, the other projects in the Dominican Republic are for consideration by IDA and are contingent upon IDA replenishment, the prospects for which are not at all clear at the moment.

cc. Messrs. Knapp
    Nelson

GAIter:pb

President has seen
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Gerald Alter

DATE: August 5, 1968

SUBJECT: DOMINICAN REPUBLIC: Background for Your Meeting with Ambassador Hector Garcia-Godoy

1. In the courtesy visit with you this afternoon Ambassador Garcia-Godoy is likely to be accompanied by Dr. Diogenes Fernandez, who is Governor of the Central Bank and also on the World Bank's Board of Governors. The visitors are likely to express appreciation that we are now considering loans for the Yaque irrigation and Falconbridge ferro-nickel projects. They will probably briefly mention several projects for which the Government would also like to obtain external financing during the next few years, such as Valdesia—a large multi-purpose valley development project combining power, irrigation and water supply.

2. Thus far neither the Bank nor IDA have lent to the Dominican Republic—a point on which the Dominicans are particularly sensitive. Major reasons have been the difficulties in lending during the Trujillo era and subsequently the problems of political turmoil and economic instability. Substantial improvements in economic performance have been made during the Balaguer Administration, particularly in the management of public finances, and we have indicated that IDA funds can be made available to finance high-priority projects, once IDA's resources have been replenished. Our current lending program includes a $6 million IDA credit in the current fiscal year for the Yaque irrigation project and $4 million for an education project in 1969/70.

3. The Dominican Republic is not currently considered creditworthy for Bank loans in view of her weak balance of payments position and continuing heavy dependence on U.S. aid. This would not, however, preclude Bank lending for an "enclave" type project provided adequate guarantees and security can be obtained. We are currently exploring with Falconbridge Nickel Mines Limited a loan of this type for $25 million for a power plant for a ferro-nickel project. The Company has submitted a financial plan which is being reviewed by IFC and Bank staff. Problems which have arisen during this review are to be discussed with the sponsors this week. The project is expected to make a substantial contribution to the balance of payments of the Dominican Republic.

4. President Balaguer is keenly interested in proceeding with the Valdesia project, which is very tentatively estimated to cost about $70 million. Substantial studies are still necessary, however, to determine the technical and economic feasibility of the project. In case the visitors request its consideration for Bank/IDA financing our suggestion would be that you refer to the need for further studies, suggest that we will be following the progress made on them, and caution that later consideration of the possibility of providing a portion of the financing will have to take into account the country's creditworthiness at that time for Bank loans and the availability of IDA resources.

President has seen