



Report Number: ICRR0024744

1. Program Information

Country
Dominican Republic

Practice Area (Lead)
Energy & Extractives

Programmatic DPF

Planned Operations
2

Approved Operations
2

Operation ID
P175874

Operation Name
Electricity Reform DPL

L/C/TF Number(s)
IBRD-93620

Closing Date (Original)
30-Sep-2023

Total Financing (USD)
400,000,000.00

Bank Approval Date
31-Mar-2022

Closing Date (Actual)
30-Sep-2023

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	800,000,000.00	0.00
Revised Commitment	800,000,000.00	0.00
Actual	800,000,000.00	0.00

Country
Dominican Republic

Practice Area (Lead)
Energy & Extractives

Operation ID
P178570

Operation Name
Electricity Reform DPL 2 (P178570)



L/C/TF Number(s) IBRD-95280	Closing Date (Original) 28-Jun-2024	Total Financing (USD) 400000000.00	
Bank Approval Date 26-May-2023	Closing Date (Actual) 28-Jun-2024		
	IBRD/IDA (USD)	Co-financing (USD)	
Original Commitment	400,000,000.00	0.00	
Revised Commitment	400,000,000.00	0.00	
Actual	400,000,000.00	0.00	
Prepared by Ranga Rajan Krishnamani	Reviewed by Chikako Miwa	ICR Review Coordinator Avjeet Singh	Group IEGSD

2. Program Objectives and Pillars/Policy Areas

a. Objectives

This operation was designed as a programmatic Development Policy Loan (DPL) series of two operations in Dominican Republic's (DR) energy sector. The Program Development Objective (PDO) as stated in the Program Document of DPL 1 (PD, page 3) is:

" To establish the policy foundations for: (i) strengthening sector governance; (ii) enhancing climate resilience and social and environmental sustainability; and (iii) improving the financial self-sufficiency and operational performance of the electricity sector."

The PDO was modified during the preparation of DPL2 to align with the measures supported by DPL2, and therefore the entire series. The revised DPO as stated in DPL 2 is:

" To establish the policy foundations for: (i) strengthening sector governance; (ii) enhancing climate mitigation and social and environmental sustainability; and (iii) improving the financial sustainability and operational performance of the electricity sector."

The changes to the original DPO during the preparation of DPL 2 improved the wording to better align with the policy measures supported by DPL2 and therefore the entire series. Specifically "climate resilience" in DPL 1 was changed to "climate mitigation" in DPL 2, reflecting a greater focus on reducing climate impacts, and "financing self-sufficiency in DPL 1 was changed to "financial sustainability" in DPL 2, reflecting support for a long-term on financial stability and viability.



For this Implementation Completion Results Review (ICRR), the PDO will be parsed as:

PDO 1. Strengthen sector governance.

PDO 2. Enhance climate mitigation and social and environmental sustainability.

PDO 3. Improving the financial sustainability and operational performance of the electricity sector.

b. Pillars/Policy Areas

There were three pillars of DPL 1 (PD, para 29).

Pillar # 1. Strengthening sector governance. This pillar supported measures for strengthening governance through updating the legal and regulatory framework and strengthening the institutional setup, with an emphasis on addressing issues in electricity distribution.

Pillar # 2. Enhancing climate resilience and social and environmental sustainability. This pillar supported measures to implement the country's low-carbon energy transition and strengthen the system's resilience to climate change, while protecting poor households.

Pillar # 3. Improving financial self-sufficiency and operational performance of the sector. This pillar supported measures for improving the financial sustainability and operational performance of the sector.

c. Comments on Program Cost, Financing and Dates

Program cost. The estimated and actual cost of the series was US\$800.00 million.

Financing. The series was financed by two International Bank for Reconstruction and Development (IBRD) Loans, with the total amount of US\$800 million. The loans were fully disbursed.

Dates. DPL 1 was approved on March 30, 2022, became effective on January 9, 2023 and closed as scheduled on September 29, 2023. DPL 2 was approved on May 25, 2023, became effective on February 1, 2024. The series closed as scheduled on June 8, 2024,

Changes. Between the approval of DPL 1 and DPL 2, the health, economic and food and energy price crises of 2022, prompted the Government to adjust the pace of some DPL 2 reforms. In 2022, the Government initiated tariff increases as envisaged in DPL 1. However, there were adverse shocks such as high energy prices due to Russia's invasion of Ukraine and inflationary pressures in September 2022. The effect of fuel prices and inflation led to widespread popular protests and political instability in regional countries and posed a similar threat to DR. These events led the government to sequence the reforms in a way that would minimize the impact on the vulnerable population. The main change related to the proposed the electricity tariff increase to the cost recovery which was paused and focus on private sector participation in power distribution as the mechanism to improve the Electricity Distribution Enterprises (EDE) governance. The changes were reflected in changes to the results indicators (discussed in section four). The DPL introduced indicators that were aligned with the final series of prior actions and reflected the results of the actions identified with the Government.



3. Relevance of Design

a. Relevance of Objectives

Country context. Electricity service quality indicators in DR (an upper middle-income country) was among the lowest in the Latin America and Caribbean region, with average customer on the public power grid experiencing 18 interruptions and 22 blackout hours per month in 2020, well above the averages of regional peers such as Panama and Costa Rica. Persistent deficits in the sector constituted a public finance burden. DR also relies heavily on imported fossil fuels for power generation, making it vulnerable to international price shocks and greenhouse gas (GHG) emissions. Meanwhile, DR is also endowed with significant renewable energy (RE) sources, with a potential generation of six gigawatt (GW) by 2030, of which only 750 megawatt (MW) was utilized.

Sector context. The electricity sector in DR faced significant challenges such as: (i) Issues with sector governance. The Dominican Corporation of State Electricity Companies (CDEEE) - the coordinating body of state-owned enterprises in the sector- had weak oversight and was not transparent. Dissolving CDEEE and creating an efficient management structure was a Government priority. (ii) Poor technical and financial performance of electricity distribution enterprises (EDEs) was a fiscal burden. Tariff revenues covered only about 60% of costs and tariff reforms had not been implemented due to affordability concerns for the poor. The resulting deficits of EDEs were only partly compensated through subsidies from the budget; (iii) Poor and vulnerable households were disproportionately affected due to unreliable electricity services. The social transfer program directed against the vulnerable section of the population was not well targeted towards the poor; and (iv) Reliance on imported fossil fuels led to high emission intensity and GHG emissions. This made it imperative to promote alternate RE sources.

Government strategy. Before appraisal, the Government's reforms build on a broad stakeholder engagement process over a five-year period. The process , culminated with the *Electricity Pact* to be implemented by 2026. The Pact included commitments to improve service quality, cost-effective tariffs alongside cash transfers to the vulnerable groups and increase RE. The Government adopted the Pact as its reform roadmap.

The PDO is well-aligned with DR's *National Development Strategy (NDS) 2030*. The NDS specified actions that the Government would undertake to achieve the goals of *securing reliable electricity supply* through strengthening the regulatory framework, investing in power infrastructure, diversifying electricity generation and promoting decarbonization through RE and energy efficient (EE) measures.

World Bank (WB) strategy. The PDO continues to be aligned with the WB's Country Partnership Strategy (CPS). At appraisal, the PDO was aligned with the CPS for 2015 - 2018 (extended to 2019). The DPL was aligned with results area 2 (*improving access to efficient and reliable electrical distribution networks*). The PDO contributed to two CPS outcomes: (i) *improving efficiency and reliability of the electricity sector*; and (ii) *energy diversification*.



The PDO is aligned with the WB's current Country Partnership Framework (CPF) for 2022-2026. The PDO supported two of the CPF objectives under the first High Level outcome "improved access to quality public service delivery".

Previous Bank experience. The Bank has a long-history of financing energy sector projects in DR such as through the Distribution Grid Modernization and Loss Reduction Project, a Disaster Risk Management DPL operation and TA on issues associating with rationalizing electricity tariffs.

DPL operation scope. This program aimed to support policy and institutional reforms aimed at: (i) strengthening sector governance through updating the legal and regulatory framework and strengthening the institutional set-up in electricity distribution; (ii) enhancing climate resilience and social and environmental sustainability through a transition to low-carbon energy; and (iii) improving the sector's financial self-sufficiency, while protecting poor households. At appraisal, DR's macroeconomic environment of DR was deemed to be adequate for supporting a DPL operation.

The DPL series was consistent with the IBRD principles for financing in a country with Gross Domestic Product (GDP) above the Graduation Discussion Income (GDI). Key institutional reforms supported under this series included provisions to mitigate risks related to climate change in terms of adaptation and implementation challenges. The DPL backed reforms that supported decarbonization of the transport sector, implementing EE policies, and scaling up RE. By promoting institutional strengthening, supporting gender-focused policy reforms and contributing to the global public goods agenda, the operation was aligned with IBRD's Graduation Policy.

b. Relevance of Prior Actions

Rationale

There were 15 Prior Actions (PAs) for the three pillars. Some adjustments were made in DPL 2 in response to changed circumstances on the ground as discussed in section two, which included addition of new indicators.

Objective 1: Strengthen sector governance.

PA # 1, 2, 3 and 4. The dissolution of the Dominican Corporation of State Electricity Companies (CDEEE) was crucial for separating and defining the responsibilities of the different energy sector entities. This was important for strengthening and improving transparency in policy making and ensuring separation between the planning and regulatory functions. The adoption of best international practices for managing the three state-owned EDEs in the short run and private sector participation in the medium term were the best options for achieving efficient delivery of electricity services.

The analytical underpinnings for these PAs were robust and included: (i) WB's *Public Expenditure Review (PER)* (2019); The PER concluded that the legal and regulatory framework for DR was incomplete and that institutional fragmentation reduces efficiency of electricity service delivery; (ii) WB (2021) *Systematic Country Diagnostic (SCD)*. The SCD concluded that improving governance, accountability and transparency were important for achieving DR's development goals; and (iii) WB (2020): *Maximizing Private Finance to Bridge the Infrastructure Gap in Electricity and Water supply and Water Supply and Sanitation in DR*. This work



concluded that enforcing a transparency regime is a prerequisite for facilitating private investments in the sector.

The prior actions demonstrated the Government's commitment to improving sector governance and decarbonization of the economy. PAs 1 to 4 are rated as Highly Satisfactory.

Objective 2. Enhance climate mitigation and social and environmental sustainability.

PA # 5 and 6. A reform of the Social Protection System (Bonoluz) and increasing coverage and better targeting of the vulnerable segments of the population (including female-headed households) was crucial for ensuring that the poor vulnerable segments of the population have access to affordable electricity services. The analytical base for the PAs came from the WB (*PER* 2019). This study identified the issues to be considered in restructuring tariffs and subsidies to reduce the fiscal impact of the electricity sector and improve targeting of subsidies. This PA # 5 and 6 were appropriate for the PDO of enhancing social sustainability of the sector and are rated as Highly Satisfactory.

PA # 7, 8 and 9. Taking measures to increase the share of RE, setting of national targets for RE generation, establishing monitoring systems that can provide feedback on progress towards decarbonization are relevant for DR to meet DR's international climate mitigation obligation and to reduce DR's GHG emissions. The analytical underpinnings of these PAs came from the WB *PER* (2019). Through these PAs the government signaled its intention to transition towards low carbon intensity. The prior actions were appropriate for realizing the intended outcomes. PAs 7, 8 and 9 are rated as Highly Satisfactory.

PAs # 10, 11 and 12. PA # 10 aimed at promoting energy efficiency measures by adopting legislation for energy efficiency. While PA # 11 aimed at adopting regulations for the decarbonization of the transport sector, PA # 12 aimed at incentivizing energy efficient measures in public buildings. The analytical underpinnings for these PAs came from WB *PER* (2019) and the National Institute of Traffic and Land Transportation (INTRANT). Through these PAs the government demonstrated its commitment towards transitioning towards low carbon intensity. The PAs were relevant to the PDO. PAs # 10, 11 and 12 are rated as Highly Satisfactory.

PDO 3. Improve the financial sustainability and operational performance of the electricity sector.

PA # 13. The PA was relevant as it aimed to rationalize tariffs and achieve a tariff path that will reach cost recovery levels of the distribution companies. The automatic tariff adjustment was paused by the time DPL 2 was prepared due to the government decision. However, it remains relevant to have an approved methodology to calculate the full and efficient cost of electricity services, so that the regulator can provide the correct target price points for future tariff regulations as part of a medium-term strategy to achieve the financial sustainability in the sector. The analytical underpinnings of this PA came from the WB *PER* (2019) and the WB's Systematic Country Diagnostic. This PA was relevant to the PDO and is rated as Highly Satisfactory.

PAs # 14 and 15. The PAs were relevant to ensure that technical standards for networks are updated for network codes to enhance service quality and reduce emissions. The analytical for the PAs came from WB *PER* (2019). PAs 14 and 15 are rated as Highly Satisfactory.

Table 1. Numbering and Listing of PAs.

DPL 1	DPL 2
--------------	--------------



Objective 1: Strengthen sector governance	
<p>PA # 1. The Borrower has identified the responsible institutions in the energy sector and mandated them to execute specific electricity sector reforms within a specified period of time as evidenced by Presidential Decree # 655-21, dated 15, 2021, and published in the Official Gazette on October 22, 2021.</p>	<p>PA # 2. The Borrower, in order to increase the transparency and improve the performance and efficiency of electricity sector entities, has (i) adopted measures to separate the policymaking, planning, and regulatory functions of government institutions in the energy sector, including and especially for the planning and integration of renewable energy (RE), and (ii) established a process for the systematic use of indicative least-cost electricity generation planning to use RE deployment and reduce carbon missions as evidenced, respectively by: (a) Government submission # , dated December 12, 2022, of the Harmonized Electric Sector Law proposal for the National Assembly to amend the General Electricity Law, and (b) Resolution R-MEMADM – 031-2022, dated October 3, 2022, issued by the MEM.</p>
<p>PA # 3. The Public-Private Partnership (PPP) (DGAPP) has taken steps to improve the governance and performance of electricity sector companies and the reduction of distribution losses by initiating the process to transfer the management and operation of the Electricity Distribution Enterprises (EDE) to private operators through the public decision to receive a proposal for such transfers, as evidenced by the DGAPP # 89/2021, and published on the DGAPP’s Website.</p>	<p>PA # 4. The Borrower, in order to enhance the governance, efficiency and transparency of electricity distribution, has (i) derogated the legislation that created the State-Owned CDEEE (Corporation Dominicana de Empress Eletricas Estatales) and through the CUED (Conselo Unificado de las Empresa Distribuidoras) (ii) adopted industry best practices for the management of state-owned enterprises, strengthened the CUED supervision and oversight role over the Distribution Companies (DC), and proposed performance targets for DCs for 2023 through 2026, as evidenced, respectively (a) by Law No 365-22 dated November 29,2022 and duly published in the Borrower’s Official Gazette No 11,090 dated December 9, 2022; and (b) Resolution No 1 dated February 10, 2023.</p>
Objective 2: Enhance climate mitigation and social and environmental sustainability	
<p>PA # 5. The Borrower has taken measures to improve the social sustainability of the electricity sector by (a) reforming the social protection system for vulnerable consumers through the integration of the BonoLuz program into the national social protection program SUPERATE and (b) creating a gender unit to mainstream gender equality in the formulation, design, implementation and monitoring of policies respectively by (i) Article 5 (d) ii of Presential Decree No 371-21 dated June 14, 2021, and published them in the Official Gazette on June 17, 2021, and (ii) the Ministry of Energy and Mines No R-MEM-ADM-oo4-2021, dated May 18, 2021, and published in the Ministry of Mines website.</p>	<p>PA # 6. The Borrower through the Presidency has mitigated the impact of the energy price increases on vulnerable consumers, including female- headed households, as evidenced by (i) Superate Program Administrative Resolution No.003-2022, dated April 12,2022, and published in the Superate Program website, which expanded the list of beneficiaries of the Alimentate and Bongas subsidies; and (ii) Superate Program Administrative Resolution No 007 – 2022 dated August 15, 2022 and published on the Superate Program website, which improved the targeting and coverage of the Bonoluz subsidy.</p>



<p>PA # 7. The Borrower has taken measures to facilitate the reduction of the carbon intensity of the electricity sector in support of its NDC implementation by : (a) setting time-bound targets to increase the share of RE and reduce CO2 emissions in the power sector and mandate the adoption of the necessary policies and energy planning instruments needed to meet these targets, and (b) creating a national measuring, reporting and verification system for GHG emissions covering, among others the energy sector as evidenced respectively, by: (i) the Ministry of Energy and Mines Resolution R-MEM-REG-029-2021, dated November 19, 2021 and published in the Ministry of Energy and Mines website: and (ii) Presential decree # 541-20, dated October 9, 2020 and published in the Official Gazette on October 16, 2020.</p>	
<p>PA # 8. The Borrower has taken measures to increase the share of RE in the electricity mix and meet its RE renewable energy and meet its NDC commitments by removing legal barriers to distribution companies to contract RE generation, as evidenced by Presidential Decree # 608-21, dated September 27,2021 and published in the Official Gazette on September 30, 2021.</p>	<p>PA # 9. The Borrower has updated the legal framework to enable the development of low cost RE by: (i) mandating the competitive procurement of RE projects: and (ii) incentivizing the implementation of RE in hybrid systems, auto-generation systems and community-based generation systems as evidenced by Presidential Decree # 65-23 dated February 20,2023, duly published on the Borrower's website # 11101, dated February 28, 2023.</p> <p>PA # 10. The Borrower, through the Superintendencia de Electricidad, has facilitated the decarbonization of the transport sector by adopting regulations or the development and operation for the development and operation of electric vehicle charging stations ("Charging stations") as evidenced by: (i) Resolution on "Charging stations" technical standards # SIE-137-2022-REG. dated December 19, 2022: and (ii) Resolution and (ii) Resolution on tariffs applicable to tariffs applicable to tariffs No.SIE-138-2022-REG dated December 19, 2022.</p>
<p>PA # 11. The Borrower has taken measures to promote energy efficiency by submitting to the National Assembly an energy efficiency bill which: (a) established energy efficiency policies and norms: (b) promotes the development of a market for energy efficient goods and services; (c) incentivizes non-fossil fuels use: and (d) establishes fiscal incentives for the implementation of energy efficiency measures as evidenced by the bill submitted on January 13, 2022-</p>	<p>PA # 12. The Borrower has incentivized energy efficiency in the public sector by requiring efficient technologies, consumption habits and alternatives to fossil fuels in the executive branch, including autonomous and decentralized entities, as evidenced by the Presidential Decree # 168-23 dated April 13, 2023 and duly published in the Borrower's Official Gazette # 1105 dated April 14, 2023.</p>



<p>PLO-SE the senate as initiative # 01286-2022, resubmitting initiative # 00811-11-2021-PLO-SE from June 23, 2021 and published in the Senate's website.</p>	
<p>Objective 3: Improve the financial sustainability and operational performance of the electricity sector</p>	
<p>PA # 13. The Borrower has taken measures to improve the financial self-sufficiency of the sector and reduce fossil fuel subsidies through (a) the definition of an adjustment path for end-user tariff to reach cost-recovery levels; and (b) the approval of the first end-user tariff increase in accordance with the adjustment path, as evidenced respectively by (i) Resolution # SIE-075-2021-TF dated September 3, 2021 as amended by Resolution # SIE-103-2021-TF dated November 30, 2021.</p>	<p>PA # 14. The Borrower , through the Superintendencia de Electricidad, has introduced incentives for Distribution Companies to meet supply and demand costs, enhance service quality and distribution costs and reduce greenhouse gas emissions GHG emissions, by adopting a comprehensive regulatory framework setting forth the methodology to calculate and periodically adjust, the technical tariff for regulated demand, as evidenced by Resolution No SIE-065-2022-MEMI, dated June 30. 2022.</p>
	<p>PA # 15, The Borrower, through the Superintendencia de Electricidad, has adopted a regulatory framework to improve the distribution companies service in terms of quality, resilience and cost-of-service delivery and allow for the greater integration of RE into the grid, as evidenced by (ii) Resolution # SIE-143-2022 evidenced by MEMI, dated December 26, 2022, which updated the technical standards in terms of: (a) commercial service (i.e maximum time allowed to attend to connection requests, maximum time for commercial service to consumers, billing errors, etc.) (b) to technical product (e.g, variations in voltage levels and frequency) and (c) technical service (e.g frequency and duration of failures, including those induced by climate change-related weather events) and Resolution # 042-2023-REG dated Jan 11, 2023, which established design and construction standards for medium voltage/low voltage network to reduce the effects of climate events on such network and systems, as well as foster a greater integration of RE into the grid.</p>

The PDO is relevant to the Government strategy and the current WB strategy for DR. The PAs supported under the programmatic series were appropriately designed with a logical results chain linking them to the achieving the PDOs. The PAs, which were grounded on robust analytical underpinnings, were appropriate to strengthening sector governance, enhancing climate mitigation, improving social and environmental sustainability and advancing the financial sustainability and operational performance of the energy sector. Although the changes made during DPL due to external factors made the operation less ambitious, they were due to the changing circumstances and the PAs maintained the clear underlying logic of the operation. The relevance of design is rated as Highly Satisfactory.



Rating

Highly Satisfactory

4. Relevance of Results Indicators

Rationale

Objective 1. Strengthen sector governance. There were four results indicators (RIs) under this objective.

RI # 1. New RE capacity created that were consistent with least cost planning and contracted through competitive procurement by distribution companies. This indicator was attributable to the PA and appropriate for the PDO. However, the time frame of the operation for realizing this objective was ambitious. Therefore, this indicator is rated as Moderately Unsatisfactory.

RI # 2 - 4 pertained to the DCs.

RI # 2. The number of DCs that had signed performance agreements with the United Council for Distribution Companies (CUED) including a publicly list of key performance indicators and published annual financial statements for calendar years 2020-2023. RI # 3. The # of DCs that had data collection systems in place allowing them to effectively monitor progress on key Performance Indicators relative to the baseline. RI # 4. The # of DCs that had filled key management positions using meritocratic procedures following competitive procurement by 2024. RIs 2 to 4 indicators were quantifiable and appropriate for monitoring performance. The relevance of these indicators are rated as Satisfactory.

Objective 2. Enhance climate mitigation and social and environmental sustainability.

RIs 5 - 9 were pertinent to this objective.

RI # 5 and 6. The # of extremely poor and poor households (including female-headed households) benefitting from Bonoluz. The indicators were quantifiable and appropriate for monitoring performance. However, the targets were ambitious as the targets were retained in DPL2 even though the tariff reforms were paused due to: (i) the general price level in 2022 - 2023; (ii) the vulnerability of the poorest consumers; and (iii) the Government's decision at the time to maintain the support for Bonoluz and other social programs. Therefore, these indicators are rated as Moderately Satisfactory.

RI # 7. Distributed RE capacity connected to grid (megawatt). This indicator could be monitored and was appropriate for monitoring performance. This indicator is rated as satisfactory.

RI # 8. The # of Charging stations for electric vehicles installed nationwide. This indicator was monitorable and relevant for the PDO. This indicator is rated as Satisfactory.

RI # 9. Reduction from baseline of energy use in public buildings. This indicator aimed at EE measures in public buildings that were to be realized in terms of actual savings. However, this indicator failed to acknowledge that such measures take time and funding to be implemented and does not capture important steps such as energy audits in public buildings to prepare them for intervention and discussion within the government about how to finance such measures. This indicator is rated as Moderately Unsatisfactory.



Objective 3. Improve the financial sustainability and operational performance of the electricity sector.

RI # 10. The # distribution companies with tariff shortfall. Tariff shortfall is defined as the difference between the revenue requirements for the distribution companies as defined in the tariff setting methodology (set out in PA # 14) and the total actual tariff and the subsidies from the Central Government Budget. In DPL 1 there were two indicators to measure objective 3's achievement: (i) RI # 7. Share of the cost of efficient service provision recovered by end use electricity tariffs (percentage); and (ii) Electricity distribution losses (electricity invoiced/electricity injected in the distribution network (percentage)). These indicators were dropped for DPL 2. As these were better indicators for monitoring the outcome, this indicator is rated as moderately unsatisfactory and replaced with better indicators for monitoring performance. Therefore, this indicator is rated as moderately unsatisfactory.

The indicators for the most part were measurable, clearly defined and appropriate for monitoring performance. Although some of them were ambitious for the time frame of the operation, as shown in the table below. There was sufficient data for monitoring performance. The methodology for collecting data was clearly specified. The relevance of the results indicators is rated as Moderately Satisfactory.

Table 2. Result Indicators (RIs).

RIs	Associated PAs	RI Relevance	Baseline (Units and Dates)	Targets (units and dates)	Actual value as of target date	Actual Change in RI relative to targeted change	RI achievement rating
PDO 1. Strengthen sector governance							
RI # 1. New RE capacity created by distribution companies contracted through competitive procurement (MW).	PA # 1 and 2	MU	0 (2022)	500 MW (Dec 2024)	0 (Dec 2024)	0% of targeted change	Negligible
RI # 2. # of distribution companies that have signed performance agreements with CUED and published audited annual statements for 2020 - 2023	PA # 3 and 4	S	0 (2022)	3 (Dec 2024)	1.5 (Dec 2024)	50%	Modest
RI # 3. # of Distribution Companies with	PA # 3 and 4	S	0 (2022)	3 (Dec 2024)	3	100% of targeted change	High



data collection systems in place for monitoring progress on key performance indicators								
RI # 4. Distribution companies with all key management positions filled following competitive procurement using meritocratic criteria in 2024	PA # 3 and 4	S	0 (2024)	3 (Dec 2024)	3 (Dec 2024)	100% of targeted change.	High	
PDO 2: Establish climate mitigation and social and environmental sustainability								
RI # 5. The # of extremely poor and poor households benefiting from Bonoluz (number)	PA # 5	MS	330,000 (Dec 2020)	900,000 (Dec 2024)	539,040 (Dec 2024)	37% of targeted change	Modest	
RI # 6. Female-headed households benefitting from Bonoluz (number)	PA # 5-6	MS	231,000(2020)	549,000 (Dec 2024)	387,128 (Dec 2024)	49% of targeted change	Modest	
RI # 7. Distributed RE connected to the grid megawatt	PA # 8-10	S	250 MW(Dec 2022)	400 MW (Dec 2024)	414 (Dec 2024)	Over 100% of targeted change	High	
RI # 8. Changing stations for electric cars installed nationwide (number)	PA # 8-10	S	350	500	503	Over 100% of targeted change	Substantial	



RI # 9. Reduction from baseline of energy use in public buildings (%)	PA # 11-12	MU	0	2	-5	Target not realized	Negligible
PDO 3: Improve the financial sustainability and operational performance of the electricity sector							
RI #10. # of tariff companies with a tariff shortfall	PA # 13-15	MU	3 (2022)	0	0	100% of targeted change	Modest

Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

PDO # 1. Strengthen sector governance.
PA # 1-4. RI # 1-4 .

Rationale

Theory of Change. Reforms aimed at updating legislation for liquidating CDEEE, clarifying institutional responsibilities and time-bound targets for reforms, adopting industry best practices for distribution companies, were likely to aid in improving accountability and transparency in the sector and thereby aid in establishing the policy foundation for strengthening sector governance which in turn was expected to facilitate private sector investment in the electricity sector.

Intermediate Outcomes.

The Government completed these in the wake of thee PAs as targeted. (i) It separated and clearly assigned the policymaking, planning and regulation functions of the governmental agencies in the sector; (ii) It established a transparent process to increase RE and attract private capital in power generation; (iii) It dissolved the CDEEE, which concentrated corruption in the sector, in particular in the electricity distribution segment; and (IV) It adopted the best industry governance practices for the three State-Owned Enterprises (SOEs) in the distribution sector.

Outcomes.



- No new RE capacity was created by the DCs as compared to the target of 500 megawatts.
- The three DCs signed key performance agreements with a published list of key performance agreements as targeted. The audited financial statements for 2020 for the three DCs were published in their websites. However, the audits for the financial statements for 2021-2023 were to be delivered at the end of 2025, leaving the RI to be partially achieved. The three DCs had data collections in place allowing them to effectively monitor programs on key performance indicators.
- Three DC filled the managerial positions using meritocratic criteria following competitive procurement process as targeted,

Efficacy of this PDO is rated as moderately satisfactory.

Rating

Moderately Satisfactory

OBJECTIVE 2

Objective

PDO # 2. Enhance climate mitigation and social and environmental sustainability.
PA # 5-9. RI # 5-12

Rationale

Theory of Change. Reforms aimed at improving the targeting and coverage of the social protection programs, are likely to help in improving the social sustainability of the program. Reforms such as setting targets and verification systems to increase renewable energy (RE), removing legal barriers for distribution companies to contract RE generation, adopting legislation for energy efficiency and improving the regulatory framework for EE in transport and buildings were likely to improve the environmental sustainability of the sector.

Outputs.

The Government completed these activities as targeted. (i) It adopted a new grid code that will allow for greater RE integration; (ii) It facilitated a transition to e-mobility; (iii) It mandated competitive procurement of RE to decarbonize the sector and mobilize private capital; (iv) It incentivized smaller distributed renewable generations; and (v) It adopted regulations to foster EE in buildings, a key demonstrative step to raise awareness and scale up EE in other customer segments.

Outcomes.

- 539,040 extremely poor and poor households (as compared to 330,000 at the baseline) benefitted from Bonoluz, short of the target of 900,000. 387,128 female-headed households (as compared to 231,000 at the baseline) benefitted from Bonoluz, short of the target of 549,000.
- 414.20 MW of distributed RE energy capacity were connected to the grid (as compared to 250 MW at the baseline), exceeding the target of 400MW.



- 503 charging stations for electric vehicles were installed nationwide (as compared to 350 at the baseline), exceeding the target 500.
- There was no reduction of energy use in public building relative to the baseline and target of two percent.

Efficacy of this is rated as Moderately Satisfactory.

Rating

Moderately Satisfactory

OBJECTIVE 3

Objective

PDO # 3. Improve the financial sustainability and operational performance of the electricity sector.
PA # 13-15. RI # 10

Rationale

Theory of Change. Reforms aimed at developing a methodology for determining the full and efficient cost of increase and updating technical standard for network code and quality of distribution services were likely to help in reducing electricity losses and improving operational performance of the electricity sector.

Outputs.

The Government completed these activities as targeted: (i) It adopted a tariff methodology that will enable an accurate calculation of cost reflective "technical tariff". While the tariff charged to customers still remain below cost recovery, the government has committed to maintaining the financial viability of the sector; and (ii) The Government improved the targeting and coverage of the electricity subsidy Bonoluz, to protect the poor and vulnerable segment of the population.

Outcome

- The three distribution companies received the necessary funds to cover the tariff shortfall.

Efficacy of this PDO is rated as Moderately Satisfactory.

Rating

Moderately Satisfactory



Overall Achievement of Objectives (Efficacy)

Rationale

Overall efficacy is rated as moderately satisfactory, due to some shortcomings in achieving the desired targets.

Overall Efficacy Rating

Moderately Satisfactory

6. Outcome

Rationale

The PDO remains highly relevant to the Government strategy (specified in the Electricity Pact and the National Development Strategy) and the current Bank strategy for DR. The PAs of this programmatic series of operations were relevant, grounded in solid analytical work and appropriate for the PDO. Taken together, the PAs were credible and signaled the government's intention towards comprehensive reforms of the electricity sector. Overall efficacy was rated as Moderately Satisfactory due to some shortcomings pertaining to achieving some targets. Outcome is rated as Moderately Satisfactory.

a. Rating

Moderately Satisfactory

7. Risk to Development Outcome

Government commitment. There is risk to the medium-term sustainability of the development outcome. Although the Government did not deem it prudent to raise electricity tariffs to cost recovery levels due to political considerations, the Government fully covered the financing gaps of the EDEs with subsidies from the national budget. With enhanced management of the EDEs, it is likely that the EDEs will improve the quality of services. The Government commitment to sector reforms is further demonstrated by the Bank approval of a US\$505.00 million operation in December 2023 to bring in needed investments to support the EDEs in DR.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale



The Bank prepared this operation based on the experiences from Bank-financed electricity sector projects in DR. The lessons incorporated at design included: (i) Recognizing that in order for reforms to last, there would need to be a coherent framework addressing each of the key issues in the sector and extensive citizen engagement; and (ii) reforms and investments need to be complemented by analytical work and TA. The analytical underpinnings of the PAs were sound (discussed in section 3b). The Bank prepared this operation in collaboration with the Central American Bank for Economic Integration (CABEI) and the Interamerican Development Bank (IDB), who were preparing budget support operations complementary with this operation.

The Bank preparation team identified several risks including substantial risks with sector strategies and policies (given that the operation supported several socially sensitive reforms that needed to be sequenced (for example, increases in end-user prices needed to go hand in hand with targeting and coverage of the social protection program), political and governance risks, fiduciary and stakeholder risks. Even with mitigation measures, overall risk of DPL1 was rated as substantial at appraisal (PD, para 93). With the implementation of the risk mitigation measures and the overall risk for DPL 2 was downgraded to Moderate.

Rating

Satisfactory

b. Bank Performance – Implementation

Rationale

The Bank made necessary adjustments to the program to maintain relevance and align with the country's priorities and changing context. These adjustments included modifying triggers to the new macroeconomic and social circumstances resulting from external shocks. The Bank team also managed the risk of shifting government priorities as a result of presidential and general elections. During implementation, the Bank team proactively assisted by providing TA and leveraging external donor trust funds.

Bank performance during implementation is rated as satisfactory.

Rating

Satisfactory

c. Overall Bank Performance

Rationale

Overall Bank performance is rated as satisfactory.



Overall Bank Performance Rating

Satisfactory

9. Other Impacts

a. Social and Poverty

The operation had a positive effect of better targeting and increasing the coverage of providing electricity services to the extremely poor and poor segments of the population (Prior Action 3 in policy area two).

b. Environmental

The operation is likely to have a positive impact on the environment. The Prior action 4 in policy area two aimed at reducing carbon intensity and policies aimed at reducing the share of renewable energy in the power sector.

c. Gender

Reforms in this operation aimed at creating a gender unit to mainstreaming gender equality in the energy sector (Prior Action 3 in Policy Area 2)..

d. Other

Not applicable.

10. Quality of ICR

Rationale

The ICR is well-written, clear and adheres to the recommended page length. The theory of change provided in the text clearly articulates the logical links between the Prior Actions, Results Indicators and outcomes. The ICR provides sufficient analysis and evidence to assess the operation's achievements. The ICR provides good lessons from the experience of implementing this operation. However, there were some minor shortcomings. The table 1 in the ICR (page 4) does not accurately capture in RIs from DPL 1 to DPL 2 compared to the PD of DPL 2 (annex 8, page 9). The overall quality of ICR, hence, is rated as substantial.

a. Rating

Substantial



11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Relevance of Results Indicators	---	Moderately Satisfactory	
Quality of ICR	---	Substantial	

12. Lessons

The ICR draws the following lessons from the experience of implementing this operation, with some adaptation of language.

1. Flexibility in response to changing circumstances and adopting changing government priorities is important in a Development Policy Loan (DPL) programmatic series. External shocks may cause delays in reform actions even when the government's commitment remains intact as happened in this operation. Such flexibility would also need to be accompanied by extensive sector dialogue and coordination with other development partners to align perspectives and secure their continued support for program when there are changes in leadership. This ongoing coordination helped in this operation in identifying results indicators that were achievable in the country context.

2. Technical Assistance (TA) needs to be an essential component for the design and implementation of the DPL series. The TA support provided in this operation provided the basis for tailoring the design of Prior Actions (PA) to the specific circumstances of the country and was crucial to reduce regulatory gaps and to craft recommendations for the required regulatory actions to achieve better outcomes for the sector.

3. Consultation and engagement with the stakeholders can make the reform process resilient. The formulation of the reform program supported by the DPL in this operation benefitted from a strong consultation and engagement process with key stakeholders in the electricity sector.

13. Project Performance Assessment Report (PPAR) Recommended?

No