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COUNTRY PARTNERSHIP STRATEGY

FOR THE DOMINICAN REPUBLIC

FOR THE PERIOD FY15-FY18

September 3, 2014

The World Bank, Caribbean Country Management Unit,
Latin America and Caribbean Region, World Bank

The International Finance Corporation, Caribbean Region Unit,
Latin America and Caribbean Region, World Bank

The Multilateral Investment Guarantee Agency

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January 1 – December 31

	IBRD	IFC	MIGA
Vice President	Jorge Familiar	Jean Philippe Prosper	Michel Wormser
Country Director	Sophie Sirtaine	Irene Arias	Ravi Vish
Task Team Leader	McDonald Benjamin, Caroline Vagneron	Ary Naïm	Petal Jean Hackett

ABBREVIATIONS AND ACRONYMS

ADESS	*Administradora de Subsidios Sociales* (Social Subsidy Administrator)
ATM	Automated Teller Machine
CCRIF	Caribbean Catastrophic Risk Insurance Facility
CCT	Conditional Cash Transfer
CGF	Caribbean Growth Forum
CPS	Country Partnership Strategy
CPS-CR	Country Partnership Strategy Completion Report
CRI	Cost Recovery Index
DR	Dominican Republic
DRM	Disaster Risk Management
END	*Estrategia Nacional de Desarrollo* (National Development Strategy)
ENFT	*Encuesta Nacional de la Fuerza de Trabajo* (National Labour Force Survey)
ENIGH	*Encuesta Nacional de Ingresos y Gastos de los Hogares* (National Household Income and Expenditure Survey)
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign Direct Investment
FHH	Female-headed households
FY	Fiscal Year
GDP	Gross Domestic Product
GNI	Gross National Income
GODR	Government of the Dominican Republic
HFO	Heavy Fuel Oil
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
HOI	Human Opportunity Index
ICT	Information and Communications Technology
IDB	Inter-American Development Bank
IDEC	*Iniciativa Dominicana para una Educación de Calidad* (Dominican Initiative for Quality Education)
IFC	International Finance Corporation
IGR	Institutional and Governance Review
IMF	International Monetary Fund
INAPA	*Instituto Nacional de Aguas Potables y Alcantarillados* (National Institute for Potable Water and Sanitation)
IPAC	*Iniciativa Participativa Anti-Corrupción* (Participatory Anti-Corruption Initiative)
IPSAS	International Public Sector Accounting Standards
IWRM	Integrated Water Resources Management
KPI	Key Performance Indicator
LCR	Latin America and the Caribbean Region
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MEPYD	*Ministerio de Economía, Planificación y Desarrollo* (Ministry of Economy, Planning and Development)
MWh	Megawatt hours
OECD	Organization for Economic Cooperation and Development
OPTIC	*Oficina Presidencial de Tecnologías de la Información y Comunicación* (Presidential Office for ICT)
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Report
PPP	Purchasing Power Parity
SERCE	*Segundo Estudio Regional Comparativo y Explicativo* (Second Regional Comparative and Explanatory Study)
SIGEF	*Sistema Integrado de Gestión Financiera* (Integrated Financial Management System)
SIUBEN	*Sistema Único de Beneficiarios* (Single Beneficiary Selection System)
SME	Small and Medium Scale Enterprise
UMIC	Upper Middle Income Country
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WBI	World Bank Institute
WDI	World Development Indicators
WHO	World Health Organization
WSS	Water Supply and Sanitation

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EXECUTIVE SUMMARY

i. Over the past two decades, the Dominican Republic has recorded exceptional growth (an average growth rate of 5.7 percent per year during 1991-2013) in comparison to the Latin America and Caribbean region, closing the gap with the region in terms of GNI per capita. However, despite such high growth, poverty and unemployment have remained high since the 2003 crisis. Trends in inequality and non-monetary poverty have improved but progress on shared prosperity has been slower than in the rest of the region. In addition, the DR has witnessed little upward economic mobility. Poverty is significantly higher in rural areas, although it is also increasingly becoming an urban problem. Income inequality and inequality of opportunities place women at a greater disadvantage than men.

ii. Against the backdrop of a less favorable external environment and decreasing competitiveness, the Dominican Republic now faces the double challenge of sustaining growth and making it more inclusive and resilient. Based on Bank analysis, factors that limit further improvement in shared prosperity can be grouped around five categories: (i) the existence of an "enclave" economic model with insufficient job creation in key sectors (especially as the composition of the economy shifted from agriculture and industry towards the services sector); (ii) unfavorable climate for doing business, including limited access to finance, costly and unreliable electricity supply and insufficient ICT penetration (which disproportionately affects micro, small and medium sized enterprises, where most jobs are); (iii) high vulnerability to economic and climate related shocks; (iv) public finance management and fiscal challenges, limiting the ability of the state to redistribute income; (v) inequities in access to basic public and social services (in particular in sectors such as water and sanitation, education, health, and social protection).

iii. The overall strategic goal of the CPS for FY15-18 is to support the Government's efforts to sustain growth and make it more inclusive. The CPS is organized around five strategic results areas over the next four years: (i) improving the investment climate and fostering private sector development; (ii) improving access to efficient and reliable electrical distribution networks, ICT and other infrastructure; (iii) supporting the government in building resilience to external shocks; (iv) promoting equitable, efficient, transparent and sustainable management of public resources; and, (v) strengthening social service delivery.

iv. The proposed CPS is informed by lessons learned from the previous Country Partnership Strategy (FY09-13) and by extensive strategic consultations. It is aligned with the World Bank Group's (WBG) twin goals of ending extreme poverty and boosting shared prosperity and the Government's development priorities as established in the National Development Strategy. It applies a systematic filtering process reflecting Government ownership, the WBG's value-added, and potential impact on poverty reduction and shared prosperity, as identified in the Bank's background analyses. In selected areas, such as the eradication of water borne diseases on the island, the WBG will endeavor to promote enhanced coordination with Haiti. In line with the new World Bank Strategy, work initiated in the Dominican Republic (DR) on citizen engagement will be actively sustained, and gender and governance considerations, which are critical for WBG engagement, will be mainstreamed in all activities.

v. Finally, the CPS outlines mitigating measures to contain the substantial political, capacity, exposure, and natural disasters risks to the program. With elections coming up in the spring of 2016, political economy factors could slow down implementation of reforms. Weak technical capacity, budgetary constraints and complex procedures for project restructuring can also affect the implementation of WBG-supported projects. Structural domestic challenges and weaknesses on the external side pose a significant risk to the Bank's ability to achieve results, while exposure to looming climate variability and climate-related natural disasters could also set the country back. The WBG will: (i) invest in knowledge services to support reforms and seek partnerships with champions in Government and a wide range of actors in the private sector, civil society and the donor community and seek to engage in investments that change local views about the potential for development in key areas; (ii) align its program closely with core Government priorities; (iii) support key reforms aimed at improving fiscal performance, equity outcomes associated with public spending, greater energy efficiency, and better debt management; and (iv) support enhanced DRM practices in the country, as well as apply strong DRM practices to the investments the WBG will support. In case of a major disaster, the Bank would make available emergency lending within the overall envelope by reallocating resources.

COUNTRY DIAGNOSTIC

I. Growth, Poverty and Shared Prosperity

1. **The Dominican Republic has recorded exceptional growth in comparison to the Latin America and Caribbean region, closing the gap with the region over the past twenty years** (Table 1)**.** Between 1992 and 2000, the Dominican Republic (DR) grew at an average rate of 6.7 percent, thus becoming the top performer in the Latin America and Caribbean (LCR) region. Between 2001 and 2013, the DR grew at an average rate of 5.1 percent, the fourth top growth performer after Panama, Argentina and Peru. Overall, over 1991-2013, the DR grew at an average annual growth rate of 5.7 percent. This overall dynamic growth has enabled some convergence of the DR's GNI per capita (US$5,620 in 2013[1]) with that of the region, from 52 percent to 78 percent of the regional average during 1990-2011. While in the mid-1990s, the DR's per capita income was only about 10 percent of that of the US, it had climbed to around 20 percent as of 2011. The country weathered the global economic slowdown of 2008-09 well, applying counter-cyclical policies including an expansion of its safety nets with donor support. However, declining domestic demand and weak performance in richer economies has contributed to slower growth since 2011 (growth fell from 7.8 percent in 2010 to 4.1 percent in 2013).

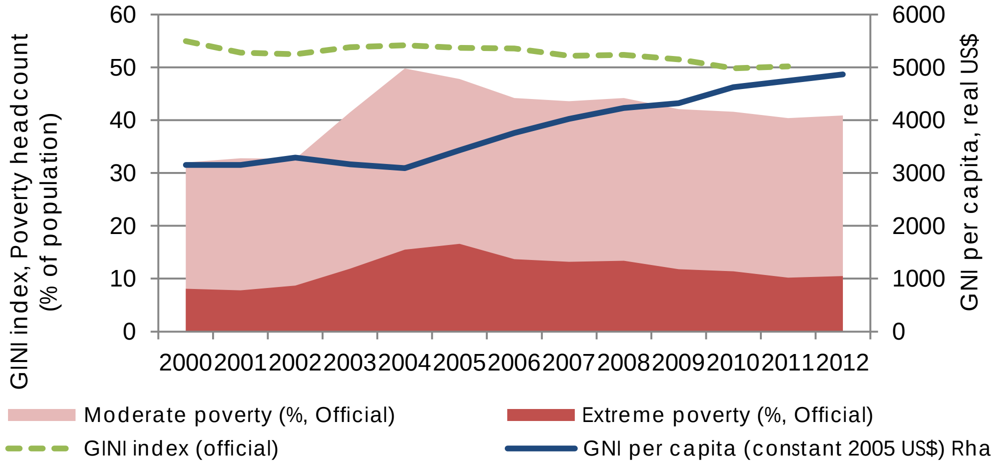
2. **Despite such high growth, poverty and unemployment have remained high since the 2003-04 crisis.** In the wake of the banking crisis of 2003-04, the Dominican economy decelerated abruptly and the country's GDP that had grown by 6 percent in 2003 contracted by 0.3 percent in 2004. As a result, an estimated 1.7 million people moved into poverty, which reached 50 percent of the population in 2004 (up from 32 percent in 2000). According to national figures, while poverty rates began to fall when the economy started recovering after the crisis, they have not returned to their pre-crisis level (Figure 1)[2], despite the DR's strong economic performance. Evidence of decline in moderate poverty (from 11 percent in 2000 to 9.9 percent in 2010) and extreme poverty (from 5.2 to 2.2 percent) is also seen when using the poverty headcount ratio at $1.25 and $2 a day (PPP), respectively, which corresponds to applying lower thresholds than those normally used in LCR.[3] The extended unemployment rate increased from 13.9 percent in 2000 to 18.4 percent in 2004 and declined to 14.1 percent in 2008. Since then, it has remained stable between 14 and 15 percent.

3. **Trends in inequality and non-monetary poverty have improved but progress on shared prosperity has been slower than in the rest of the LCR region.** The Gini coefficient has been falling slightly since 2000 (from 0.51 in 2000 to 0.48 in 2011), and multi-dimensional poverty, defined as the percentage of the population with more than three unmet basic needs, decreased from 29.5 percent in 2000 to 19.8 percent in 2011. However, the increase in the

[1] GNI per capita, Atlas Method. World Development Indicators.
[2] World Bank, 2014. "When Prosperity is not Shared: the Puzzle of the Weak Links between Growth and Equity in Dominican Republic". *Equity Assessment*, the World Bank.
[3] World Bank, World Development Indicators. Please, note that in Latin America and the Caribbean, the thresholds usually adopted for extreme and moderate poverty are $2.5 and $4 a day (PPP), respectively. Under these thresholds, the extreme and moderate poverty rates for DR in 2010 would be 16.1 percent and 35.1 percent respectively. See CEDLAS and the *Economic Mobility and the Rise of the Latin American Middle Class* Flagship Report of the LCR Chief Economist office, 2012.

proportion of people who are considered transitory poor (i.e., people with low incomes but not multi-dimensionally poor), which almost doubled from 15 to 29 percent over the same period, raises concerns about whether access to basic services translates sufficiently into higher employability and incomes. In addition, while there has been some progress in terms of shared prosperity with an increase of roughly 2.5 percent per year in the incomes of the bottom 40 percent of the population between 2003 and 2012, this is below the LCR average of 5 percent per year over the same period (Figure 2).

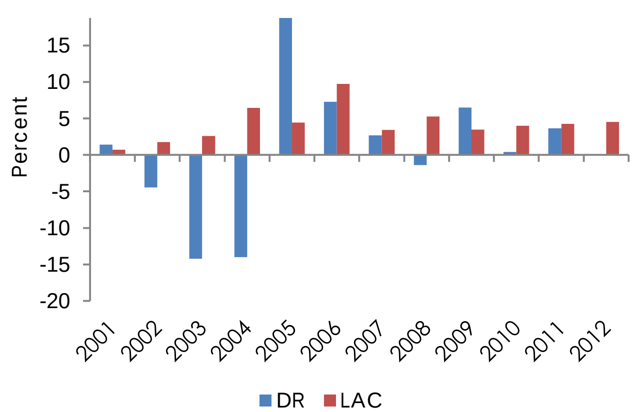
FIGURE 1: POVERTY AND INEQUALITY TRENDS IN THE DR



Source: MEPYD estimates based on ENFT, using the official poverty measurement methodology for the DR, and World Development Indicators.
Note: these figures were calculated on the basis of the official poverty methodology, which defines four poverty lines: (1) urban moderate poverty (RD$3,238); (2) rural moderate poverty (RD$2,883); (3) urban extreme poverty (RD$1,458); and (4) rural extreme poverty (RD$1,397). Values are in Dominican pesos of June 2007, updated annually using the CPI. All numbers are identical to those officially published by the Poverty Committee.

4. **In addition, the DR has witnessed little upward economic mobility, and opportunities are still constrained by circumstances at birth.** The Human Opportunity Index (HOI) has gradually improved over time (at a rate of 1 percent per year), implying that, if current trends are sustained, it would take almost 30 years to equalize opportunities for Dominicans, longer than the average of 24 years for LCR. In terms of inter-generational income mobility, while 41.4 percent of people rose to a higher economic group in the region, only 1.8 percent did so in the DR. More than three-quarters of the inequality in opportunities is explained by area of residence (26 percent), parents' education (26 percent), family income (20 percent), and gender (15 percent), underscoring the need to improve access to welfare services and ensure equal opportunities for all.

FIGURE 2: INCOME GROWTH OF BOTTOM 40 PERCENT (DR VS. LCR)



Source: own estimates using SEDLAC data

5. **Poverty is significantly higher in rural areas, although it is increasingly an urban problem too.** Extreme poverty reached 15.5 percent in rural areas vs. 5.8 percent in urban areas in 2012 and overall poverty was 46 percent in rural areas vs. 26 percent in urban areas. However, most of the increase in poverty of the last decade has occurred in urban areas, where the number of poor has swelled by more than 1 million people since 2000. At the national level, incomes per capita are three times higher in Santo Domingo, La Romana and the Cibao valley's Mao-Valverde provinces than in the southwest of the country and along the border with Haiti. Some 53 percent of poor households are concentrated in the southwestern regions of Del Valle and Enriquillo.

6. **Income inequality and inequality of opportunities place women at a greater disadvantage than men.** Gender gaps in the labor market are evidenced by participation rates (83 percent for men vs. 55 percent for women in 2011); access to employment (young women's unemployment in 2007 was twice that of young men)[4]; wages (women earned 84 percent of what men earned in 2010), and by the lack of income sources for women (32 percent of women had no personal income in 2010 vs. 14 percent of men). This is in spite of the reverse situation in education where more girls than boys complete primary school[5], and the female-male enrolment ratios are high at 1.13 in secondary and 1.59 in tertiary education. Women in the DR also suffer from exceptionally high maternal mortality and adolescent fertility rates[6] by LCR and Upper Middle Income Country (UMIC) standards. Women also constitute 58 percent of persons aged 15 or more living with HIV in the DR (Annex 14). Furthermore, female headed households (FHH) are more likely to be poor: 52 percent of rural FHH and 48 percent of urban FHH were categorized as poor in 2010, versus 38 percent in rural areas and 30 percent in urban areas for male headed households[7]. By contrast, in terms of participation, the proportion of seats held by women in national parliament almost tripled from 8 percent in 1990 to 21 percent in 2011.

7. **In addition to poverty and shared prosperity challenges, in recent years, the DR has also seen its competitiveness decrease.** The DR ranked 105th out of 144 countries in the 2013 World Economic Forum's Global Competitiveness Index, down from 95th out of 133 in 2010. Exports of goods and services have fallen from 37 percent of GDP in 2000 to 26 percent in 2013, primarily due to the loss of competitiveness in textiles manufacturing in Export Processing Zones (EPZs) after 2004, in the context of the end of the Multi-Fiber Agreement[8]. While these are gradually being replaced by more skill-intensive exports of machine parts, plastics, and medical instruments, EPZs still face a series of challenges in terms of competitiveness.[9] A similar stagnation and decline in the general ease of doing business in the country since 2008-09 has been captured by the annual Doing Business reports. The reports highlight complex and expensive regulatory procedures and weak legal institutions. According to both the Doing

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[4] However, there has been a 10 percentage point increase in the percentage of women in non-agriculture employment from 32 percent in 1990 to 42 percent in 2011.

[5] About 82 percent of women aged 15 to 19 had completed primary education by 2011, vs. 72 percent of men

[6] There were 107 births per 1,000 women aged 15-19 (2010), which is 50 percent higher than the LCR average (69) and well above the average for Upper Middle Income Countries (43).

[7] Source: ECLAC data.

[8] The Multi Fibre Arrangement (MFA) was introduced in 1974 as a short-term measure intended to allow developed countries to adjust to imports from the developing world. It governed the world trade in textiles and garments from 1974 through January 1, 2005.

[9] These are among the preliminary findings of a Trade Competitiveness Diagnostic under preparation.

Business indicators and the Enterprise Surveys, the DR shows regulatory complexity in terms of the number of procedures and the time and cost involved in undertaking simple business transactions such as registering property, resolving insolvency proceedings, obtaining a construction permit or starting a business, all above the regional average. According to the Global Competitiveness Index the DR ranks particularly weakly on anti-monopoly policies (123rd out of 144 countries) and on the prevalence of favoritism in decisions by government officials (ranking 144th out of 144 countries). The lack of competition has stifled innovation,[10] with the DR ranking 118th out of 144 countries in 2013, which in turn has dampened demand for more skilled labor, and reduced competitiveness.

8. **A less favorable external environment may also constrain future growth prospects.** While stronger projected average US growth in 2014-18 will provide support to the Dominican economy, as will recovery in the euro zone, growth prospects in Latin America are generally affected by less supportive external conditions and domestic supply-side constraints. The recovery in advanced economies should generate positive trade spillovers to the region, but these are likely to be offset by lower commodity prices, tighter financial conditions, and supply bottlenecks in some countries. Growth in the Caribbean as a whole remains constrained by high debt levels and weak competitiveness. The DR's persistent current account deficits and its large external financing needs (US$ 7.3 billion or 12.4 percent of GDP in 2014 for both the public and private sector[11]) could make the economy highly exposed to exogenous shocks. International reserves, at an average of 2.1 months of imports during 2009-2013, have been low by international standards, even though bond issues have raised reserves to more than 3 months of imports in 2014. The most immediate risk factors include the pace of the global recovery, which will influence the level of tourism demand and demand for Dominican exports, including commodities; and, trends in oil prices, as well as sources of financing for oil, which would affect the DR's financing costs.[12] In addition, the DR economy is also vulnerable to a slow-down in China through minerals prices.

9. **Overall, going forward, the DR faces the double challenge of sustaining growth and making it more inclusive and resilient.** Despite the fact that growth in the DR has been stronger than in the LCR region as a whole over the last two decades, the country has been slipping on indicators of competitiveness, which will make it harder to sustain its growth performance, especially in the context of a less favorable regional environment. Moreover the DR has been falling behind in a number of equity dimensions. Largely as a result of the 2003-2004 crisis, poverty rates remain higher than the regional average. The country is also underperforming LCR in terms of increasing access to quality public services, and, at the rate of improvement of the past decade, the DR would take longer to reach universal access to such services than LCR. Finally, upward mobility has also been more limited than in LCR.

[10] See 'Closing the Gap in Education and Technology', The World Bank, 2003

[11] IMF, Post Program Monitoring Discussions, August 8th, 2013.

[12] For example, in the year to June 2013, West Texas oil prices rose 22 percent, even as the price of gold (a key Dominican export) fell by 18 percent.

II. Challenges to a More Sustainable and Equitable Growth

10. **The Dominican Republic faces a number of key challenges to sustain growth and make it more inclusive and equitable.** While there are various possible explanations for the DR's situation, based on Bank analysis, factors that limit sustaining growth and further improving shared prosperity can in general be grouped around five categories[13]: (i) an "enclave" economic model with insufficient job creation in key sectors; (ii) an unfavorable investment climate, especially for SMEs, including limited access to finance, costly and unreliable electricity supply and insufficient ICT penetration; (iii) high vulnerability to economic and climate-related shocks; (iv) public finance management and fiscal challenges, limiting the ability of the state to redistribute income; and (v) inequities in access to basic public and social services.

TABLE 1: RECENT MACROECONOMIC INDICATORS AND FORECASTS FOR THE DOMINICAN REPUBLIC

		2009	2010	2011	2012	2013	2014*	2015*	2016*	2017*
GDP										
	Real GDP growth (% p.a.)	3.5	7.8	4.5	3.9	4.1	4.5	4.1	4.0	4.0
	Nominal GDP (billion RD$)	1,679	1,902	2,119	2,317	2,534	2,770	-	-	-
	Nominal GDP (billion US$)	46.7	51.7	55.7	59.0	60.6	-	-	-	-
Prices										
	Inflation (% eop)	5.8	6.2	7.8	3.9	3.9	4.5	4.0	4.0	4.0
Balance of Payments (% GDP)										
	Exports of goods	11.7	13.1	15.3	15.4	15.9	16.2	16.8	16.5	16.1
	Of which National exports	3.6	4.9	6.6	7.0	7.6	-	-	-	-
	Of which FTZ exports	8.1	8.2	8.6	8.4	8.3	-	-	-	-
	Imports of goods	-26.3	-30.0	-31.3	-30.1	-27.8	-28.5	-29.7	-28.5	-27.2
	Net services and transfers	-	8.5	8.1	7.9	7.7	7.8	7.7	7.6	7.4
	External current account balance	-5.0	-8.4	-7.9	-6.8	-4.2	-4.5	-5.2	-4.4	-3.7
	Foreign direct investment	4.6	3.7	4.1	5.3	4.4	3.5	3.0	3.0	3.0
Fiscal (% GDP)										
	Central government revenues	13.5	13.6	13.4	14.0	14.7	15.2	14.6	14.6	14.5
	Of which tax revenues	13.1	12.8	12.9	13.5	14.0	14.5	-	-	-
	Central government expenditure	16.8	16.1	16.1	20.6	17.6	18.0	17.7	17.8	17.2
	Of which capital expenditure	3.6	3.8	3.6	6.5	3.7	3.6	-	-	-
	Interest payments	1.8	1.9	2.1	2.4	2.3	2.6	2.4	2.5	2.6
	Central government fiscal balance	-3.3	-2.5	-2.6	-6.6	-2.9	-2.8	-3.1	-3.2	-2.7
	Consolidated public sector balance	-4.5	-4.1	-4.5	-7.9	-5.0	-4.2	-4.5	-4.6	-4.1
Debt (% GDP)										
	Consolidated public sector debt	38.0	38.9	40.2	43.5	47.6	49.5	50.6	51.5	52.1
Unemployment (%)										
	Open unemployment /1	5.3	5.0	5.8	6.5	7.0	-	-	-	-
	Adjusted unemployment /2	14.9	14.9	14.6	14.7	15.0	-	-	-	-

Source: Central Bank of Dominican Republic and IMF.
* Forecasts.
/1 Open unemployment applies to population 10 years old and older, who do not have employment but are able to start working immediately and have been looking for a job in the last 4 weeks.
/2 Adjusted unemployment is defined as open unemployment plus population without employment that did not look for a job in the last four weeks, but are able to commence employment immediately.

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[13] World Bank, 2014. "When Prosperity is not Shared: the Puzzle of the Weak Links between Growth and Equity in Dominican Republic". *Equity Assessment*, the World Bank and other World Bank reports

Enclave economic growth

11. **Sectors driving economic growth recently have had limited linkages to the overall economy.** Growth in the past decade has been driven by isolated 'enclaves' that have not generated much spill-over into the larger economy. The impressive average growth rate of 5.5 percent per year during 1991-2013 has been largely driven by services, including tourism and telecommunications, as well as export processing zones (EPZs) and mining (see Box 1). However, none of these sectors have been successful in building significant linkages with the rest of the economy, thereby limiting the permeation of welfare gains to the majority of the population.

12. **Over the last two decades, the composition of the economy shifted from agriculture and industry towards the services sector**. The shares of agriculture and industry in GDP declined from 13 percent and 35 percent to 9 and 29 percent respectively between 1992 and 2012, while the share of services rose from 51 percent to 62 percent over the same period. EPZs lost some steam over the past decade following the elimination of quotas that governed world trade in textiles and clothing, which resulted in a drop in employment during the first half of the past decade. In the tourism sector, arrivals have increased to 5 million per year, although the average length of stays declined by 8 percent during the past decade while daily expenditures remained unchanged. Overall, between 2000 and 2013, services contributed on average 3 percentage points each year to GDP growth (more than half of the recorded growth in the period), led by telecommunications and transportation (Figure 3).

BOX 1: EXTRACTIVE INDUSTRIES IN THE DOMINICAN REPUBLIC

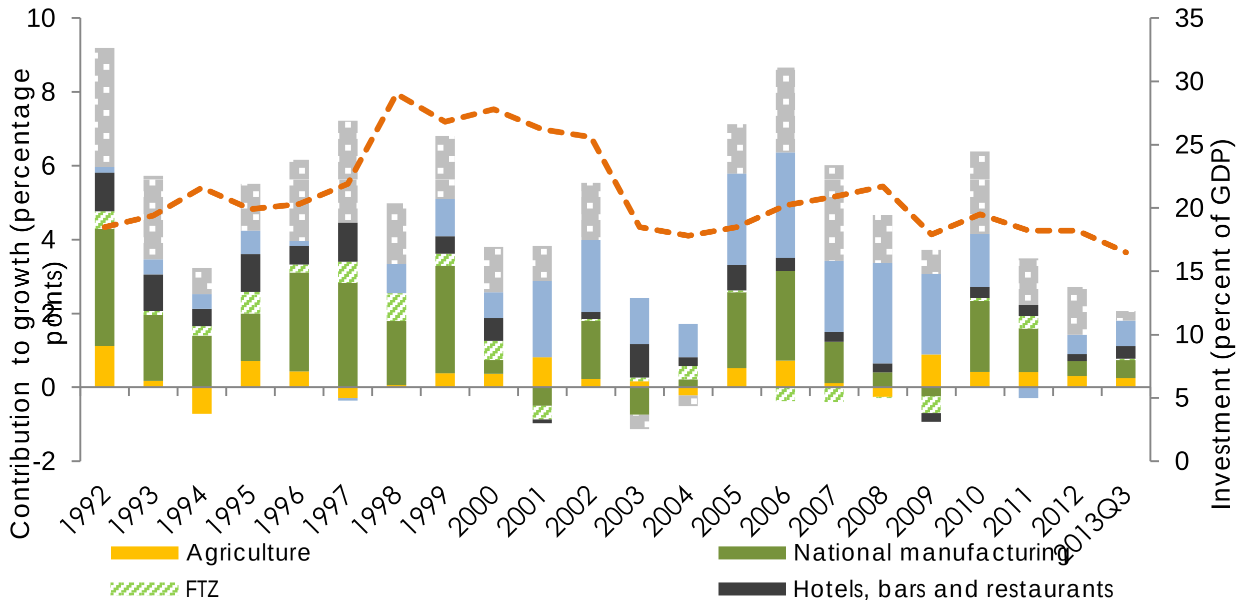
In recent years, the Dominican Republic has experienced a significant expansion of its mining sector, particularly Pueblo Viejo project by Barrick, which has challenged the government's institutional, technical and regulatory capacity. This $4 billion investment into Pueblo Viejo is the largest single foreign investment in the history of the Dominican Republic and is expected to provide the government with $10 billion over its 25-year life. Mining accounted for 29.4 percent of all FDI inflows into the Dominican Republic between 2009 and 2013. Due in large part to Pueblo Viejo and other projects such as Falcondo (XtrataNickel), Las Lagunas (Panterra), Cerro Maimon (Perilya Ltd) and Las Mercedes, the mining industry grew by 157 percent in 2013, compared to the previous year, accounting for an estimated 6 percent of the GDP. Gold exports increased 582 percent to US$1.19bn, contributing to the rise of the sector's share of Dominican total exports to 30.5 percent in 2013. Government estimates suggest that the mining sector has the potential to generate 15,000 to 20,000 direct jobs and 45,000 to 60,000 indirect jobs, primarily in Pueblo Viejo and Cerro Maimon. More jobs can be added if advanced exploration projects such as Neita (Unigold Inc.), El Romero (Gold Quest Mining Corp) and Pueblo Viejo Extension (Everton Resources Inc.) come to fruition. Mining in the DR continued to grow rapidly in the first two months of 2014, at an annual rate of 29.1 percent in January and February, faster than any other industry. Growth in the country's mining industry is mainly driven by the ramp-up of the Pueblo Viejo gold-silver mine, which started commercial production in January 2013. The recent expansion of mining sector has put enormous strain on the Dominican Republic's capacity to manage and monitor the sector. The DR has expressed interest in joining the Extractive Industries Transparency Initiative (EITI) but is still not a candidate.

13. **With such sector shifts, the labor market has underperformed in spite of rapid economic growth**. Employment rates of close to 53 percent of the population in the DR are low compared to the LCR average (60 percent). While the "open unemployment" rate[14], at around 6 percent during the 2000s, is not particularly high, a more comprehensive measure of

[14] Share of those without a job who are actively seeking an occupation.

unemployment that includes discouraged workers (those no longer actively seeking an occupation) is much higher, at 15 percent as of October 2013 and is twice as high for Dominican youth.[15] One important consequence of insufficient job creation over an extended period of time has been significant out-migration, with the Dominican diaspora swelling to over 1.5 million (or around 15 percent of the population), primarily in the United States and Spain.[16]

FIGURE 3: CONTRIBUTIONS TO GDP GROWTH BY SECTOR, AND INVESTMENT SHARE IN GDP



Source: WB staff calculations based on official DR Central Bank data.

14. **Fast productivity growth in key sectors brought limited employment gains and rising informality**. Key sectors such as manufacturing, transportation, communication, and financial services have experienced a sharp rise in productivity, but their contribution to total employment has declined; in the case of manufacturing, it has gone from 18 percent in the early 1990s to 12 percent in 2011. By contrast, "other services"[17], which included mainly low-skilled jobs and some public sector jobs, accounted for 25 percent of total employment in 2012, up from 22 percent in 2005. Commerce and tourism created almost 200,000 new jobs, while jobs were destroyed in manufacturing activities and their share in total employment decreased from 14.8 percent in 2005 to 10.4 percent in 2012. Agriculture kept a stable share of 14.5 percent of total employment over the period. Overall, informal sector jobs grew at twice the rate of formal sector jobs since 2000, reaching over 57 percent of total employment in 2012, and formal sector job creation since 2000 has been dominated by the public sector (an estimated 80 percent), with very

[15] See Abdullaev, Umidjon and Marcelo Estevão (2013), Growth and Employment in the Dominican Republic: Options for a Job-Rich Growth", IMF Working Paper WP/13/40, Washington, DC.

[16] This has implications in terms of large flows of remittances that provide safety nets for Dominican families, but also of a higher reservation wage for recipients, and the social consequences of disarticulated families.

[17] This category contains mainly low-skilled jobs, such as housekeeping (fastest growing segment prior to 2007), but also captures a significant share of public sector jobs, according to an analysis by the National Private Enterprise Council (CONEP): "Análisis del Mercado Laboral en la República Dominicana y Lineamientos Generales hacia su Formalización", June 2013.

little formal private sector job creation (a mere 4 percent increase since 2000).[18] In the 2014 Doing Business ranking, the DR ranks 144 out of 189 countries in terms of starting a business. This is largely due to a very high requirement for the minimum paid-in capital for a new business, equivalent in value to 46 percent of GDP per capita, compared to an average of 3.6 percent in the region. These constraints, in addition to limited access to finance, the lack of a simplified tax regime for SMEs, and low institutional capacity of firms, especially outside Santo Domingo, also contributed to the formation of a large informal sector, which not only represents lost fiscal revenue, but is also a source of lower quality jobs.

15. **Most of the jobs created have been of low quality in low-productivity sectors**.[19] Real earnings started to fall at the end of the 1990s and this trend was accentuated by the banking crisis of 2003-04 and ensuing higher inflation. Real earnings of highly-skilled workers, which increased rapidly during the 1990s, suffered a sharp downward adjustment in 2003 and have not recovered since. Thus real private sector wages declined by 27 percent between 2000 and 2011 in spite of rapidly rising productivity. For example, transportation, communications, and manufacturing recorded high rates of productivity growth while real wages in these sectors remained virtually stagnant, in line with the pattern observed in other sectors with much weaker productivity growth.[20] While it has been posited that Haitian emigration might be supplying unskilled labor that attenuates the effect on wages of increases in labor demand usually associated with high GDP growth rates, evidence to date on this hypothesis is inconclusive[21].

Unfavorable investment climate

16. **Doing business continues to be a challenge in the DR, especially for micro, small and medium-sized enterprises (MSMEs), but recent government efforts provide an opportunity to improve the investment climate**. The DR ranked 105th out of 144 countries in the 2013 World Economic Forum's Global Competitiveness Index, down from 95th out of 133 in 2010. A similar stagnation and decline in the general ease of doing business in the country since 2008-09 has been captured by the annual Doing Business reports. The reports highlight complex and expensive regulatory procedures and weak legal institutions. According to both the Doing Business indicators and the Enterprise Surveys, the DR shows regulatory complexity in terms of

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[18] Manuel Diez Cabral: "*El empleo formal tarea impostergable*" Presentation, American Chamber of Commerce, DR, July 2013.

[19] The World Bank: Social Gains in the Balance – A Fiscal Policy Challenge for Latin America and the Caribbean. February 2014.

[20] See Abdullaev and Estevão (2013), op. cit., for a detailed analysis of productivity and real earnings dynamics in the DR labor market.

[21] On the one hand, Aristy-Escuder (2008) argues that Haitian workforce is a substitute for the unskilled Dominican workers, resulting in a wage reduction for less-qualified jobs, whereas return to capital and wages of the skilled workforce have increased. On the other hand, Mejía (2009) finds some evidence that native workers in the construction sector of the DR are currently more affected by unemployment than Haitians, although he does not find strong evidence of deterioration in sector wages provoked by the increased participation of migrants in the workforce. Finally, the World Bank (2012) also finds only weak evidence of downward wage pressures caused by Haitian workers. See Aristy-Escuder, J., 2008. "Impacto de la inmigración haitiana sobre el mercado laboral y las finanzas públicas de la República Dominicana". Santo Domingo. Mimeo; Mejia, J.C., 2009. "Impacto de la mano de obra inmigrante haitiana en los salarios y el desempleo en la construcción". Working paper for the Fondo de Investigación Económica y Social. Santo Domingo. Unpublished; and World Bank, 2012. "Haiti, Dominican Republic: More than the sum of two parts." Country Economic Memorandum.

the number procedures, time and cost involved in undertaking business transactions such as registering property, resolving insolvency proceedings, obtaining a construction permit or starting a business, these indicators are all above the regional average. For example, according to the Doing Business Report of 2014, while it takes 3.5 years for a firm in the DR to go through insolvency procedures and it costs 38 percent of the estate, the average in Latin America is 2.5 years and 16 percent, respectively. These obstacles and costs affect micro and small enterprises much more than medium and large companies, who have greater resources to overcome these challenges. The Government has embarked on an ambitious reform agenda to reverse this regulatory complexity, and has been engaging various public and private stakeholders on an initiative to bring significant reform in key areas of the business environment such as insolvency, access to finance, protecting investors and starting a business.

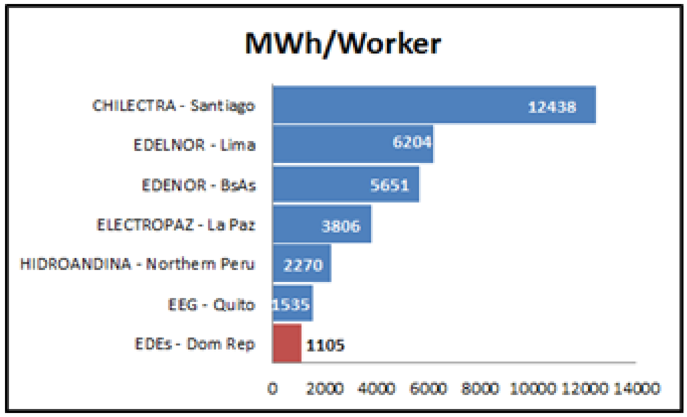
17. **Insufficient access to finance, in particular for small enterprises and households, is a major obstacle to investment, growth and inclusion, which the government is keen to address.** According to Findex data, 38 percent of the population has an account at a formal institution which is just below the LCR regional average of 39 percent. The most recent Enterprise Survey data shows that 64 percent of firms had a loan from a formal financial institution compared to 58 percent for the LCR region. However, only 4.5 percent of MSMEs get loans from banks, and both total credit to private sector and total deposits have the lowest penetration relative to GDP of all LCR countries (21 and 19 percent respectively). Without access to adequate financing, households are limited in their ability to take advantage of economic opportunities, and firms, especially MSMEs, cannot fund investments. Access to finance in the DR has been hampered by weak competition in the banking sector and public sector crowding-out. These problems are compounded by the banks' high operational costs and lending rates; the need to modernize key elements of the financial sector infrastructure (especially insolvency and creditor rights), and the need to unify government programs providing support to MSMEs, including leveling the playing field for different institutions that provide credit. In addition, stronger bank supervision and transparency of banking practices could improve oversight and the efficiency of the sector.

18. **Capital markets are small and face structural challenges, further reducing financing for investments and growth.** There have been recent improvements in the public debt market, and the number of issuers of corporate bonds has increased from three in 2005 to 20 in 2011, while pension funds, which are the country's main investor, have seen their assets grow substantially from one percent of GDP in 2003 to six percent in 2010. However, the amount of financing to the Dominican economy is still low as private credit to GDP is just 21 percent, and the private debt market represents less than 1.5 percent of GDP. The DR has a large and unfulfilled demand for infrastructure projects and a potential for more project financing through infrastructure bonds and other private solutions. Despite reductions in the inflation rate, domestic interest rates continue to be high[22], which makes it difficult for the corporate sector to use the bond market as a financing mechanism, so that the corporate bond market has not been able to develop much. Overall, insufficient capital market development is a problem for housing, corporate, and infrastructure financing.

[22] According to Central Bank data as of December 2012, the interest rate on government bonds with maturities between 4 to 7 years was 9.8 percent.

19. **Low reliability and high cost of electricity have been some of the main drags on competitiveness in recent decades**. Although coverage has risen over the past twenty years to around 98 percent of the population and black-outs have declined in duration since the early 1990s, the DR still has more than six times as many power outages per month as the average for LCR, and more than one-third of the electricity generated in the country is not recovered.[23] The poor reliability of the electricity service (averaging 17 hours per day) has led to reliance on self-generation, via an estimated 2,700 MW of highly polluting and expensive diesel gensets. The DR's three public electricity distribution companies (EDEs) are also inefficient due to clientelism,[24] employing for example 11 times more workers than the utility of Santiago, Chile (Fig. 4). The DR has chosen not to increase tariffs in recent years in line with the steep rise in fuel costs since the mid-2000s, so actual tariffs averaged 20.4 cents per kilowatt hour in 2013 versus an indexed-cost tariff of 30 cents, which greatly increases the fiscal burden of the sector. In 2012, the sector's losses led to government transfers of 10 percent of the national budget and two percent of GDP (2.7 percent in 2008). The DR plans to launch a dialogue in 2014 towards an Electricity Pact to achieve a broader political consensus on essential reforms for the sector, offering an opportunity to agree on measures to reduce power outages and the high cost of electricity thereby improving competitiveness and the well-being of Dominicans.

FIGURE 4: PRODUCTIVITY IN ELECTRIC UTILITIES



Source: CIER (Regional Electrical Integration Commission), and OLADE (Latin American Energy Organization), 2011

20. **There has been notable progress with regards to information and telecommunication technologies, but limited penetration reduces the impact on inclusion and competitiveness.** The telecommunications sector has been a major source of growth of the economy during the past decade. Mobile subscriptions increased from 8 to 89 percent between 2000 and 2013. The DR has excellent undersea cable connectivity, but the proportion of fixed internet users (35 percent) and subscribers (four percent) in the population remain below regional averages mainly due to the under-development of a fiber optic backbone to link populations beyond the major cities at an affordable price. For the poorest households, fixed internet connectivity prices equal 79 percent of the household's monthly earnings, and for 60 percent of households, connectivity prices are well above the maximum of five percent of household earnings recommended by the International telecommunications Union (ITU). In 26 municipalities (16.8 percent of the existing 155 municipalities) there are no fixed internet accounts registered, and only 14.4 percent of households have internet, with a maximum of 22.1

[23] See The World Bank: 'Sustainable Energy For All Tracking Tools', 2013. One third of the generation cost is not collected from end-users as a result of commercial losses resulting from poor metering, billing and collection, as well as weaknesses in the administration of the transmission and distribution companies, and ineffective subsidies and tariffs.

[24] See The World Bank: *Rentismo o reforma? La economía política del desarrollo en República Dominicana. Análisis de la Situación Institucional y de Gobernabilidad*. 2012

percent in the city of Santo Domingo and a minimum of five percent in certain rural areas. This situation puts the DR at a disadvantage in reaping the potential benefits that ICT can offer, including competitiveness, job creation, transparency and participation.

High vulnerability to economic and climate-related shocks

21. **The sustainability of growth and competitiveness are further affected by the DR's high exposure to shocks, including economic shocks and natural disasters.** The DR is highly sensitive to growth in Europe and the US with direct links to tourism and remittance revenues. It is also highly exposed to oil prices. In addition, the DR is among the countries that are most exposed to natural disasters in the world, ranking 8th out of 183 countries.[25] The DR has been hit by 10 hurricanes in the last 50 years, the most damaging of which (e.g., David in 1979 and George in 1998) caused economic losses in excess of 14 percent of GDP.[26] Natural disasters have been a source of high fiscal burden (e.g., damages and losses caused by tropical storm Noel in 2007 represented a fiscal burden that forced the government to reallocate funds representing 0.22 percent of GDP in the months following the event and issue new disaster-related debt equal to 0.61 percent of GDP). According to insurance industry models, the average expected annual losses to the economy of earthquakes and hurricane winds are more than US$600 million, and there is an eight percent chance that the country will be hit by a natural disaster that may cause damages of more than US$6 billion during the period of the CPS (CCRIF, 2014).

22. **Natural disasters have a high human toll, especially on the poor.** The DR ranks as one of the top five countries in LCR for disaster-related deaths: during the period 2002-2010 an estimate of 966 people were killed and 350,000 were affected in the DR by earthquakes, storms, epidemics and flooding.[27] Due to precarious living conditions, poor households tend to be hit harder by natural disasters. When tropical cyclone Noel hit the DR in 2007, 90 percent of the direct victims were under the national poverty line. Adverse effects of natural disasters are not limited to short-term and temporal losses of well-being; they can push households into poverty traps from which recovery may not be possible without external assistance.

23. **The government is keen to mitigate this high risk by incorporating disaster prevention and climate change adaptation measures in territorial and public investment plans** to prevent disasters and manage risks to major infrastructure (e.g., dams, roads, schools, hospitals). There is also a need to better protect the private sector where insurance coverage is insufficient, notably for small agriculture producers and MSMEs.

Public Finance Management and Fiscal Challenges

24. **The current structure of fiscal policy, both on the revenue and expenditure sides, limits the government's ability to provide more equitable access to quality public services and places too much of the burden on the poor.** The fiscal system is hampered by low revenue collection, expenditures that are insufficiently progressive, budget rigidities that limit the ability

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25 Source: Germanwatch Global Climate Risk Index 2014

26 *Comisión Económica para América Latina y el Caribe* (CEPAL), República Dominicana: Evaluación de los daños ocasionados por el huracán Georges, 1998, LC/MEX/L.365, 04-Dec-1998.

27 The Office of Foreign Disaster Assistance (OFDA)/Centre for Research on the Epidemiology of Disasters (CRED) International Disaster Database

to redirect allocations, and a heavy reliance on indirect taxes that also limit progressivity. The country's low tax to GDP ratio limits the government's ability to expand public services while maintaining debt sustainability, and infrastructure spending has, until 2013, long been given preference over investment in human development.[28] Equitable access to basic services (e.g., primary enrolment, health insurance and potable water and sanitation) has expanded in the last decade, thereby enhancing equality of opportunities and reducing unmet basic needs. However the slow rate of progress implies that it would take more than a generation to level the playing field for the poor and the vulnerable. In addition, the quality of public service delivery remains low, so that the middle class often opts out in favor of private solutions for security, electricity, education or health.[29]

25. **The government has been working since 2012 on strengthening the budgetary process to improve its credibility, predictability and openness.** The 2012 Public Expenditure and Financial Accountability Assessment (PEFA) found that these areas had worsened since the 2010 PEFA. Public expenditure allocation remains highly discretionary and in the hands of the Executive. The progress achieved since 2006 (when the Budget law and the Procurement law were approved) was partly reversed in 2012[30]. The DR's integrated budget financial information system does not include decentralized and autonomous institutions and does not provide adequate and timely information during the budget process (budget formulation, execution, modification, accounting and reporting). Despite efforts to shift the focus to outcomes, budget formulation is still incremental, rather than performance-driven. There has been important progress on the Open Budget Index, which increased from 14 in 2008 to 29 in 2012, although this remains below the average of neighboring countries. The quality and comprehensiveness of information provided via the web portal and the limited degree of substantive public engagement on the budget contribute to the low relative ranking of the DR.

26. **A limited tax base and rigid expenditures result in limited fiscal space, constraining the government's ability to promote growth and greater inclusion.** The authorities successfully reduced the central government's primary deficit from 2.1 percent of GDP in 2008 to around 0.5 percent of GDP in 2011, but fiscal policy was relaxed in 2012, an election year, when the primary deficit expanded to 4.6 percent of GDP. The persistent primary deficit is due to two long-standing, structural challenges, namely the large electricity sector deficit, which absorbed 1.8 percent of GDP in public subsidies in 2012, and a narrow tax base, which has averaged 13.7 percent of GDP since 2000 and has not risen despite numerous tax reforms. Low levels of revenue collection are associated to a narrow tax base, caused by significant exemptions resulting in tax expenditures estimated at 5.9 percent of GDP in 2013, and to tax avoidance via informality.

27. **As a first step to increase much needed fiscal space, the government has taken measures to increase public revenues.** A tax package approved in November 2012 that

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[28] See World Bank (2004). "Dominican Republic: Public Expenditure Review – Reforming Institutions for a More Efficient Public Expenditure Management". Report No. 23852-DO, March 2004.

[29] Sanchez, Miguel Eduardo & Senderowitsch, Roby, 2012. "The political economy of the middle class in the Dominican Republic: individualization of public goods, lack of institutional trust and weak collective action," Policy Research Working Paper Series 6049, The World Bank

[30] See World Bank (2013), *Dominican Republic Public Expenditure Management and Financial Accountability Review*. Also see World Bank (2012), Improving the Quality of Public Expenditure in the Dominican Republic.

increased VAT rates from 16 to 18 percent, and the renegotiation of the agreement with Barrick Gold are expected to help increase public revenues by 1.2 to 2 percentage points over the next four years, but this may be insufficient to expand fiscal space in the medium term. Public debt service reached 4.6 percent of GDP or 20.8 percent of central government expenditures in 2012. The ratio of debt interest to fiscal revenue rose from 8.6 percent in 2004-2008 to 14.1 percent in 2009-2012 and currently represents a significant burden for public finance. The consolidated public sector debt rose from 33 percent of GDP in 2007 to 48 percent of GDP in 2013. The stock of debt is three times the annual tax collected, the highest such ratio among 20 Latin American countries, underscoring the country's narrow fiscal space. Furthermore, recent debt sustainability analysis shows that the DR is vulnerable in the event of an exchange rate shock, so that fiscal consolidation is a priority.

Inequities in access to basic public and social services

28. **Several challenges hamper public service delivery,** especially in water and sanitation, education, health and social services.

29. **In water and sanitation, despite significant coverage improvement, the sector faces challenges related to access, quality and sustainability of services.** Access to water supply and sanitation (WSS), at 80 percent and 70 percent respectively, have improved gradually and are above LCR averages. However, these averages mask big differences between the richest and poorest quintiles of the population, ranging from 20 percentage points for water to almost 50 percentage points for sanitation. Also, actual sewerage collection is low at less than 25 percent, as is wastewater treatment at 22 percent of sewerage collection, with treatment ranging from around 60 percent in Santiago to less than 5 percent in Santo Domingo. Water quality also varies greatly: around 68 percent of the DR's water supply is disinfected, mainly in big cities, but only 6 percent is chlorinated in rural areas. This has significant potential health impacts, especially for the poor, and notably in relation to cholera, which has re-emerged on Quisqueya, especially in Haiti but also in the DR.[31] The DR's main rivers are highly polluted and the country has struggled to maintain adequate levels of water and sewerage quality services in certain tourist areas, a challenge that is critical to sustaining its 5 million visitor beach-tourism industry. Moreover, other than in Santiago, where water is priced close to the LCR average of $0.45 per cubic meter, most regional water authorities charge less than $0.10 per cubic meter, compounding the problem of extremely low water billing and collection rates.

30. **There is a need for a strong lead institution in the sector.** WSS services are provided by six regional water utilities and by a National WSS Institute (INAPA), which covers the remaining urban and rural areas. However, there is no clear lead institution to set overall sector policy: INAPA blends various sector functions including regulation and service provision and the National Council on Water, which should serve as a temporary body as the DR moves towards creating a regulatory body for the sector, is inactive. Additionally, the DR has yet to establish a national WSS information system, cost recovery in the sector is weak (the

[31] From the beginning of the epidemic in November 2010 to February 2014, 31,521 suspected cholera cases and 467 deaths were reported. However, the reported number of cases markedly decreased from 20,851 in 2011 to 7,919 in 2012 (cholera mortality rate dropped from 3.46 in 2011 to 0.67/100,000 inhabitants in 2012, according to MOH). The reported number of suspected cholera cases (57) for Jan.-Feb. 2014 is much lower than the number of new cases reported for the same period in 2013, 2012, and 2011 (PAHO, Epidemiological Profile, March 2014).

government subsidizes 100 percent of investment and 70 percent of operation and maintenance in water and sanitation), and water resources and water and sanitation laws have been under discussion in Congress for many years but have not yet been approved. A lead WSS institution is required to drive a country-wide water reform agenda for improved access and services.

31. **Fragmented institutional arrangements and unclear policy direction also hamper good water resource management.** Even if Water Administration and Management and Watershed management have been transferred clearly in 2000 under the jurisdiction of the Ministry of the Environment by mandate of Law 64-00, Integrated Water Resource Management (IWRM) principles are still not fully implemented in the DR. The Ministry of Environment lacks the resources and a more solid legal framework to play an effective role in promoting a sustainable water and soil management[32], water quality protection[33] and multipurpose use of hydraulic infrastructures[34]. Some IWRM-related functions and decision-making processes are still fragmented across the different water-related sectors, especially: (i) the National Institute for Hydraulic Resources (INDRHI), which is the direct or indirect administrator (through Water Users Associations) of 300,000 hectares of irrigated land, accounting for 88 percent of water abstraction and; (ii) the Hydraulic Electrical Generation Enterprise (EGEHID), in charge of operating the main hydropower facilities in the country (13 percent of total energy generation). An integrated approach to water resource management and other water users such as industry and household water and sanitation is nonexistent. This takes on increasing urgency over time because the DR faces a relative scarcity of freshwater, with renewable internal freshwater resources (two million cubic meters per capita) at one-tenth of the average for LCR.

32. **The education sector continues to face challenges in terms of quality, coverage, access, efficiency and learning outcomes.** Historically, low levels of investments in education resulted in low coverage, weak quality and poor outcomes in the education system, especially for rural and poor children. Investment in education, which until 2013 had averaged 2.3 percent of GDP, has been well below regional and UMIC averages, although the Government has raised this to four percent since 2013, reflecting both its clear commitment to education and strong civil society pressure. Access to Early Childhood Development (ECD) Services for children through age five is low (38 percent in 2011), equivalent to just over half the rate for LCR. It is especially low for rural areas and for those in the poorest quintile. Net completion rates at the primary and secondary levels are low compared to regional averages: less than 30 percent of the primary school age population completes primary and only 18 percent of the secondary school age population completes secondary.[35] Pupil-teacher ratios are high especially at the secondary level (28:1 vs. an average of 15-16:1 for LCR and UMICs). The insufficient availability of classrooms for students, resulting in double shifts, puts pressure on student-teacher ratios (78:1 in public schools with over 500 students) and leaves little effective class time (less than three hours a day).

33. **The low quality of teaching and limited educational resources for teachers and students, have contributed to poor outcomes,** reflected in high repetition rates (eight percent at

[32] Yaque del Sur or Yuna watersheds for example, deforestation and severe erosion processes in upper watersheds
[33] Like in Ozama, Higuamo, Yuna, Yaque del Norte with water quality issues identified by MIMARENA in 2002.
[34] In order to manage the potentially conflicting uses such as hydropower and flood control, or hydropower and irrigation, or irrigation and environmental flows.
[35] "Situation Analysis of Children and Adolescents in the Dominican Republic 2012," by MEPyD, CONANI and UNICEF (http://www.unicef.org/republicadominicana/resources_25865.htm)

primary level) and high drop-out rates (boys tend to drop out earlier than girls, especially in rural areas, but girls drop out of secondary schools in larger numbers, so gross completion rates are less than 50 percent overall, with 55 percent for girls and 40 percent for boys). Moreover, the lack of pedagogical and administrative management systems at all levels resulted in poor accountability for actors in the system. The performance of students in the Second Regional Comparative and Explanatory Study (SERCE) show that over 78 percent of third-grade students are not achieving basic competencies in reading and 90 percent are falling short in basic competencies in math, far more than in comparable countries or the rest of the region (Figure 5). There are no early standardized tests that can be used to strengthen the effectiveness of teaching and learning. Moreover, curricula do not appear to be well aligned with business needs, leading to unemployment among graduates.

FIGURE 5: FAILURE RATES ON STANDARDIZED EDUCATION TESTS

Country	3rd Grade		6th Grade	
	Reading	Math	Reading	Math
Costa Rica	12	27	5	5
El Salvador	34	55	22	21
Guatemala	57	67	36	28
Nicaragua	44	60	23	26
Panama	48	66	31	30
Dominican Republic	**78**	**90**	**52**	**48**
Average Latin America and the Caribbean	**33**	**46**	**17**	**15**

Source: OREALC, SERCE (Segundo Estudio Regional Comparativo y Explicativo), 2006.

34. **A National Pact for Education Reform was signed on April 1, 2014, which provides a unique opportunity to address the sector's challenges.** The Education Pact signed between the Government, the main political parties, members of the Economic and Social Council, private sector and civil society actors drew on a nationwide participatory process and led to agreements on key priorities to be implemented through 2030, without regard to which political party is in power. Agreements reached included free public early childhood education for all children from age three onwards; respect for the school calendar and roll-out of an extended school day to enhance learning; competitive pre-screening of teachers as well as enhanced teacher training to enhance teacher quality, and the introduction of standardized tests in basic education to diagnose challenges and inform improvements in education.

35. **Outcomes in health have improved but challenges remain, especially in improving the quality of health services to reduce maternal mortality.** Even though 98 percent of births are attended by health professionals and 95 percent of women receive at least four prenatal visits (both above the LCR average), maternal mortality is one of the highest in the region – almost twice as high as the regional average at 130/100,000 births (vs. a regional average of 80/100,000 births). Infant and under five child mortality are also high by regional standards (respectively 22 and 28 per 1000 live births, vs. 19 and 22 per 1000 live births on average for LCR). Progress has been made over time on child and maternal health indicators but gaps between actual results and MDGs remain and are particularly large for maternal mortality. While demand side interventions are important to further increase prenatal consultations and institutional births, available evidence suggest that poor standards of practice largely explain why these weak outcomes arise in spite of a very high ratio of births attended by medical professionals. Adolescent pregnancy also remains high and its related consequences such as poor maternal and child health outcomes and lower educational and labor prospects for young mothers would require a coordinated multi-sectoral response. In addition, while progress has also been made on reducing the incidence of dengue, malaria, cholera and tuberculosis, fatalities related to these

illnesses also remain high by regional standards. The recent appearance of the Chikungunya virus is creating additional health issues[36].

36. **While health insurance coverage has improved due to the roll-out of contributory and subsidized regimes, further efforts are needed to attain universal coverage.** About 51 percent of the population is still not covered by health insurance. The Subsidized Regime (SR) still needs to reach 27 percent of its target population while the Contributory Subsidized Regime, which has a target population of approximately 3 million people, has not yet been implemented.

37. **Since 2003, the Government has introduced key elements of a social protection system, and intends to continue its efforts to improve targeting and develop better linkages to economic opportunities, including via active labor market programs.** An institutionalized targeting system, *Sistema Único de Beneficiarios* (Single Beneficiary Selection System or SIUBEN) that classifies households by poverty levels, and a safety net, known as *Progresando con Solidaridad* (PROSOLI), which fosters human capital accumulation through cash transfers to targeted households conditioned on verified actions to strengthen children's health and school attendance have been put in place. These programs were critical in mitigating the effects of the 2008 global crisis on the poor, and have achieved the fifth highest coverage in LCR, with Conditional Cash Transfers (CCT) benefitting 775,000 households, at a cost of less than 0.5 percent of GDP. Going forward, a revamping of PROSOLI is envisaged to support poor households via a holistic approach that includes CCT, socio-educational support and improved housing and income-generating programs (e.g., vocational training, entrepreneurship) with the purpose to foster graduation out of poverty. This would require applying the 2012 SIUBEN to PROSOLI and other targeted services and subsidies, rationalizing social programs, improving interagency coordination, a more integrated territorial approach, and enhanced accountability through a greater use of results-based resource allocation[37]. Finally, while 230,000 people have received identification documents since 2010 that enable them to access public services, over 300,000 people over 18 years of age remain undocumented.

38. **Governance challenges reinforce problems in the delivery of public services**. Despite a lively media and active civil society, clientelism and governance and accountability issues persist at both front-line service delivery (micro) and macro levels, in particular in areas such as budgetary process and overall fiscal management, financial management, procurement and audit systems, and the overall quality and openness of government data, thus leading to the consolidation of vested interests in various sectors, a sharp fall in the perceived control of corruption since 2004,[38] and a fraying of the social contract[39].

[36] http://www.plosntds.org/article/info%3Adoi%2F10.1371%2Fjournal.pntd.0002921

[37] The 2010 census identified 12 percent of the population living with disabilities. See USAID: Dominican Republic – Gender Analysis, 2013, which documents challenges for people with disabilities.

[38] See public surveys and governance indicators at www.latinobarometro.org and www.govindicators.org

[39] See World Bank: Patronage or Reform? Political Economy of Policy Performance in the Dominican Republic - Institutional and Governance Review, 2013

GOVERNMENT VISION

39. **The DR's long-term planning is anchored on the country's National Development Strategy (END) or Vision 2030**.[40] Approved by Congress in March 2012, the END is divided into four pillars with 19 general objectives, 57 specific objectives and 90 key performance indicators. Pillar one on institutional development aims to achieve a social and democratic state, with rule of law and transparent institutions, at the service of a responsible and participatory citizenry that guarantees security and promotes equity, governance, peaceful coexistence and national and local development. Pillar two on social development is to achieve a society with equal rights and opportunities, in which the entire population is guaranteed education, health, decent housing and quality basic services, and one that promotes the progressive reduction of poverty and of social and territorial inequality. Pillar three on productive development aims to develop an integrated, innovative, diversified, quality and sustainable economy that creates and de-concentrates wealth, generates high and sustained growth with equity and decent jobs, takes advantage of and strengthens local market opportunities and inserts itself competitively in the global economy. Pillar four on sustainable development is designed to foster an environmentally sustainable society that adapts to climate change. Cross-cutting policies cover human rights, gender, environmental sustainability, territorial cohesion, civic engagement and ICT for public management. The END law also calls for three major pacts on education, electricity and fiscal issues.

40. **The Government's 2013-2016 plan for the public sector, in line with the END, focuses on institutional development**.[41] The plan's objectives are to establish a transactional procurement portal, consolidate public accounts into a single treasury account, implement international public sector accounting standards, expand coverage of the SIGEF, improve the budget portal and foster greater civic engagement. It also envisages institutional mechanisms for participation and oversight, e.g. the Pacts for Education and Electricity and civic oversight of all procurement by the Ministry of the Presidency and selected other public agencies.

41. **The Government also has ambitious medium-term goals in the areas of social development and productive development.** The Government is currently focusing efforts on expanding the coverage of CCT; implementing a strategy to help households exit poverty ("*Hispaniola Sin Miseria"*); adopting a territorial approach to social assistance programs, including in the areas of ECD ("*Hispaniola Empieza Contigo"*); eliminating illiteracy ("*Hispaniola Aprende Contigo"*); fostering participatory dialogues through the Dominican Initiative for Quality Education (IDEC) and the Pact for Education to build a political consensus for reforms to boost educational quality; articulating a national employment system; expanding access to public health insurance and upgrading the quality of health services; and increasing access of water supply and sanitation. As far as productive development is concerned, areas of focus include creating jobs; increasing tourism arrivals; boosting agricultural production and exports; supporting SMEs; reviewing labor laws; completing major road network and investments; reducing electricity generation costs and sector losses; expanding mining; and fostering greater connectivity (e.g., internet access, citizen participation, e-services).

[40] See http://www.stp.gov.do/mepyd/estrategia-nacional-de-desarrollo-2030/

[41] This plan and the END are complemented by various sector plans, e.g. 10-year plans for education and for gender.

WORLD BANK GROUP COUNTRY PARTNERSHIP STRATEGY

I. Lessons Learned from the Previous CPS

42. **Lessons from the Completion Report of the FY09-13 Country Partnership Strategy (CPS CR) highlight the need for greater selectivity and focus on mutually reinforcing objectives.** It also shows that the Bank's knowledge and convening services were important complements to the lending program in achieving results. For example Bank support for public-private dialogues (e.g., *Iniciativa Participativa Anti-Corrupción* -IPAC, Caribbean Growth Forum -CGF, *Iniciativa Dominicana para una Educación de Calidad*- IDEC) effectively leveraged the Bank's expertise and convening power into results with strong local ownership, while involving minimal Bank financing. The CPS CR also suggest that project design should take into account a range of factors that can otherwise slow implementation: political economy considerations, project management and capacity constraints; turnover in project management and bureaucratic hindrances on both the Bank's and the client's side; that strong monitoring and evaluation systems are critical to the success of the Bank's engagement; and that political economy analysis should underpin program and project design. The IEG reviews of projects that closed during the FY10-13 CPS period and of the FY06-09 CPS Completion Report point to the need to develop more robust M&E systems that include readily quantifiable indicators; build into project design adequate risk mitigation; strengthen financial and procurement management; and ensure organizational and staffing continuity to achieve success.

II. Consultations

43. **The CPS draws on extensive strategic consultations**. The CPS is grounded on extensive nationwide consultations, including: (i) the IPAC, IDEC, Pact for Education and CGF participatory processes, that inform programming in the areas of governance, education, skills and productivity, investment climate and logistics; (ii) the DR Dialogue Day (March 9, 2013), involving the Inter-American Development Bank, the World Bank Group, and high-ranking government counterparts in ten Ministries, as a culmination of the joint Inter-American Development Bank (IDB)-WBG elaboration of Policy Notes for the DR; (iii) CPS consultations (April and May 2013) with over 280 people in five cities around the country (Santiago, Dajabón, Barahona, La Romana and Santo Domingo) and with the Dominican diaspora in New York, complemented by further consultations with civil society and private sector actors and with donors in June 2014; these consultations reconfirmed several priorities under consideration and led directly to the addition of a focus on agriculture; and, (iv) the FY13 Country Survey, which suggests that the Bank's program is seen as well aligned with key stakeholder priorities (including public sector governance, corruption, citizen participation, education, energy and jobs) and that the Bank is seen as a valued and knowledgeable development partner (see Annex 11).

III. Country Engagement Model

44. **The proposed CPS is aligned with the WBG twin goals of ending extreme poverty and boosting shared prosperity and the Government's development priorities, as established in the END.** In line with the WBG twin goals, the strategy supports operations aimed at improving the enabling environment for private sector development and job creation; building resilience to external shocks; and, promoting equitable, efficient, transparent and

sustainable management of public resources and public service delivery. The WBG's proposed program of financing, knowledge and convening services has been designed to support the DR's priorities, as established in the National Development Strategy (END) and the Government's four year plan as well as the diagnostic of key challenges to poverty reduction and shared prosperity presented in this strategy. The program is coordinated with those of other key development partners, particularly the IDB. To maximize impact, the proposed development solutions leverage the comparative advantage of each institution of the WBG.

45. **This CPS applies a systematic filtering to define focus areas and activities,** including: (i) client demand/commitment; (ii) "line of sight" to the twin corporate goals; (iii) potential to achieve highest impact in the DR, in particular in shifting to a more sustainable and inclusive development path, in line with the diagnostic above; and (iv) WBG comparative advantage[42]. It also takes into account the assistance provided by other development partners (see Fig. 6). With such filters, the proposed program selectively supports five Results Areas.

46. **To strengthen the impact of its support, the WBG will do at least five things differently than during the previous CPS period**. First, the use of a systematic filtering process will allow the WBG to shift its program of support towards the most relevant areas and activities. Second, the Bank will intensify partnerships with local counterparts and external donors, building further on the strong coordination that already exists with various donors, notably the IDB. Third, the CPS will draw more on political economy and stakeholder analysis and introduce beneficiary feedback and/or citizen's engagement mechanisms in Bank projects as applicable to understand and address reform challenges better and draw on citizen's voices to strengthen results. Fourth, where feasible, the CPS will combine WBG engagements in a territorial approach to address challenges for marginalized communities and approach issues at the level of the island where relevant. Finally, this CPS is guided by the principles of flexibility and focus on results through tailored financial and knowledge development solutions by the WBG. The strategy is a joint effort from the IFC, MIGA and the World Bank. While proposing development solutions as one WBG, interventions have been selected based on each WBG institution's comparative advantage and client demand.

47. **In select areas, the WBG will endeavor to promote enhanced coordination with Haiti.** Under the previous CPS, the Bank produced the Quisqueya report on common growth and poverty reduction opportunities in the island in order to generate more and better information to inform policy decisions in the areas of competitiveness and economic relations with Haiti. This CPS will endeavor to support selected actions needed to promote enhanced coordination and collaboration between the two countries. Bi-national trade, investments, migrations, and remittances have been identified as the most critical linkages between the two nations. The WBG will coordinate closely with the EU, which is leading this agenda among donors on the DR side, and is therefore providing much of the basic institutional strengthening support as well as leadership in this dialogue. Among others, the Bank will contribute to efforts to eradicate cholera on the island, through coordinated health and water and sanitation programs both in Haiti and in the DR. The Bank will also foster a dialogue and knowledge exchange in the energy sector. The IFC program will focus on cross-border, private sector-led investment opportunities (e.g., CODEVI, Leopard Capital). IFC expects to continue supporting manufacturing opportunities in

[42] Comparative advantage was defined as measuring the WBG's global experience, its analytical understanding and the success of its engagement in a given area.

the context of a bi-national operation, and to support and catalyze integration across Quisqueya in new sectors such as energy, natural gas transportation, or the financial sector.

48. **Gender and governance considerations are critical to the engagement and will be mainstreamed in all activities.** Building on previous efforts to strengthen social accountability mechanisms and bring multiple voices to the table through dialogues that would press for greater transparency, the program will combine significant support for strengthening PFM systems while addressing governance challenges that can constrain the transparent and equitable delivery of quality public services under each of the proposed new lending operations. A key part of this will include building on past experiences to work with clients to mainstream more systematic citizen feedback mechanisms, combined with more open data, and better articulation of the "compact" or norms of service in key sectors across the WBG program. On gender, a Country Gender Analysis (CGA) completed in 2013 and a Gender Portfolio Review conducted by the World Bank in the lead-up to the CPS, which shows that about 15 percent of inequality in opportunities in the DR is explained by gender, inform this strategy (see Annex 14). The CPS will contribute to gender mainstreaming by consistently ensuring a stronger and more complete gender perspective in supported operations, including gender consideration in analysis, actions and monitoring and evaluation as applicable across the new pipeline. At the same time, the scope of actions will be expanded to include specific programs targeting female-headed households (FHH). Finally, greater dialogue on gender issues with national partner institutions will be fostered within the framework of the priority areas of the CPS.

49. **Continuing from the previous World Bank Group Strategy, work initiated in the DR on citizen engagement will be actively sustained.** As the DR has been among the pioneers in ICT-enabled citizen engagement platforms, the CPS will continue to assist clients in developing beneficiary feedback mechanisms, and enhance linkages between open data and civic engagement in service delivery as possible. Citizen engagement can be promoted at three levels: (a) through integration of more systematic citizen feedback and definition of norms into Bank operations on service delivery; (b) at the policy level via coalition-building initiatives and inclusive dialogues such as those around the Pact for Education, the Electricity Pact, the Fiscal Pact and the Caribbean Growth Forum, which prove to be powerful vehicles for civic engagement; and, lastly, (c) via capacity building for civic oversight of procurement (and third party) monitoring by civil society. Bank operations will continue to encourage citizen engagement for instance through the use of scorecards in CCT, civic platform pilots in the electricity sector, social compact and social audits in the health sector, etc.

50. **To enhance impact on poverty reduction, the CPS will seek to focus its interventions geographically on selected poor provinces of the country, combining various dimensions of support to targeted households in extreme poverty.** Integrated Social Protection and Promotion will target 14 provinces with the highest levels of extreme-poverty and extremely-poor households that tend to be in those rural areas. These households will be provided with an integrated package of services: human capital gaps, CCT, housing improvements, and skills-enhancement. The Bank is also targeting its ongoing municipal development support to the poorest municipalities. As for reducing poverty among female-headed households and increasing women's entry to the labor market, the proposed integrated social protection project and the proposed flexible employment services project would pay special attention to vulnerable groups, including poor women and female heads of households.

FIGURE 6: SELECTIVITY MATRIX OF THE WBG COUNTRY PARTNERSHIP STRATEGY

END Pillars	END General Objectives	Alignment with WBG Goals	Potential Impact	Demand for WBG	WBG Comp. Advantage in the DR	CPS Priority
Institutional Development	1.1. Efficient, transparent and result oriented public administration	Strong	Strong	Yes	High	High
	1.2. Rule of law and citizen security	Some	Some	No	Some	Low
	1.3. Participatory democracy and responsible citizenship	Strong	Strong	No	High	Medium
	1.4. Security and peaceful coexistence	Weak	Weak	No	None	None
Social Development	2.1. Quality education for all	Strong	Strong	Yes	High	High
	2.2. Health and integral social security	Strong	Strong	Yes	High	High
	2.3 Equal rights and opportunities	Strong	Strong	Yes	High	High
	2.4. Territorial cohesion	Some	Some	Some	Medium	Low
	2.5. Dignified housing (and water) in healthy environments	Strong	Strong	Yes	High	High
	2.6. National culture and identity in a global world	Weak	Weak	None	Low	None
	2.7. Sport and physical recreation for human development	Weak	Weak	None	Low	None
Productive Development	3.1. Macroeconomic stability that favours sustained economic growth	Strong	Strong	Strong	High	High
	3.2. Reliable, efficient and environmentally sustainable energy	Strong	Strong	Strong	High	High
	3.3. Competitiveness and innovation in an environment that encourages cooperation and social responsibility	Strong	Strong	Strong	High	High
	3.4. Sufficient and dignified jobs	Strong	Strong	Strong	High	High
	3.5. A productive structure that is sectorally and territorially articulated, competitively integrated in the global economy, and that takes advantage of the opportunities of the local market	Strong	Some	Some	High	Medium
Sustainable Development	4.1. Sustainable management of the environment	Strong	Strong	High	High	High
	4.2. Effective risk management to minimise human, economic and environmental losses	Strong	Strong	Strong	High	High
	4.3. Appropriate adaptation to climate change	Strong	Strong	Strong	High	High

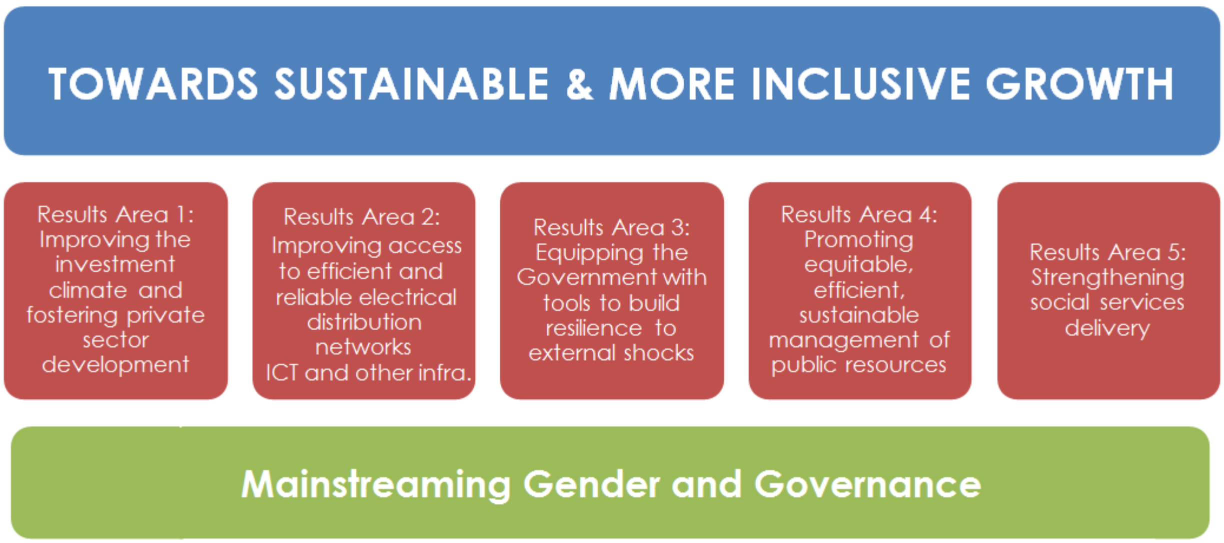
CPS Results Areas

- Promoting equitable, efficient, sustainable management of public resources
- Improving the investment climate and fostering private sector development
- Improving access to efficient and reliable electrical distribution networks, ICT and other infrastructure
- Strengthening social service delivery
- Equipping the government with tools to build resilience to external shocks

IV. Proposed World Bank Group Country Partnership Strategy

51. **The overall strategic goal of the CPS for FY15-18 is to support the Government's efforts to make growth sustainable and more inclusive.** The CPS will be organized around five strategic results areas over the next four years: improving the investment climate and fostering private sector development; improving access to efficient and reliable electrical distribution networks, ICT and other infrastructure; supporting the government in building resilience to external shocks; promoting equitable, efficient, transparent and sustainable management of public resources; and, strengthening social service delivery (Fig. 7).

FIGURE 7: WBG COUNTRY PARTNERSHIP STRATEGY IN THE DOMINICAN REPUBLIC



Results Area 1: Improving the investment climate and fostering private sector development

CPS Outcomes: (1) an improved climate for doing business for microenterprises and SMEs, measured by a shorter time for a company to register; and, (2) improved access to finance, measured, among others, by additional clients benefiting from SME finance in IFC-supported institutions.

52. **The CPS will support measures that foster a dynamic, competitive private sector that generates quality jobs**. Bank Group engagement will focus on avoiding a dual economy and a reliance on enclave activities, by strengthening value chains and backward linkages to the local economy, and by removing barriers and disincentives to formality by improving the investment climate for microenterprises and SMEs and access to finance.[43]

53. **This engagement will be delivered through an integrated suite of financing, knowledge and convening services by the WBG.** The WBG program will focus both on vertical support to specific sectors and on general horizontal support: specifically the WBG will

[43] See the 2013 World Development Report on Jobs, and the IFC 2013 Study on Jobs

indeed continue to help the DR strengthen the general business environment while fostering the development of specific sectors that can be drivers of growth. At the macro level, the program will include coordinated Bank-IFC reimbursable advisory services to strengthen the investment climate, the financial sector and corporate governance; subnational Doing Business analysis; possible additional knowledge services on innovation, and competition policy, and convening services via the Caribbean Growth Forum (CGF). At industry level, interventions will focus on the agribusiness and mining sectors to remove gaps in the value-chain, improve the business environment, reduce infrastructure gaps, foster higher entrepreneurship and innovation, and attract private investment.

54. **A better investment climate is necessary to enhance competitiveness and facilitate a more inclusive development of the private sector.** The Bank Group will advise the government in the selection of reforms priorities and the elaboration of action plans, focusing on reform areas susceptible to have the greatest impact in improving the investment climate in the country. For each reform area, the WBG will work with the government and key counterparts from the private sector to support the implementation of the Action Plans. Support activities will include technical assistance to promote better service delivery to the private sector, and capacity building.

55. **Enhancing access to finance will be important to foster more inclusive growth and more spillovers into the local economy.** The Bank will conduct a Development Financial Sector Assessment (D-FSAP) to provide a comprehensive diagnostic of obstacles to greater access to finance, followed by assistance to implement recommendations. The IFC will support microenterprises and SMEs, with a focus on financial inclusion, and targeting SMEs, women entrepreneurs, farmers, low-income households, and students. The IFC will explore providing credit lines for women-owned SMEs (via intermediary lending) and enhanced support to female micro-entrepreneurs through partner financial institutions. To increase competition in the financial sector, IFC will aim at supporting the conversion of some second-tier credit-unions, microfinance NGOs and cooperatives into full-fledged banks, strengthening both their capital base and governance, while the Bank is likely to work towards strengthening financial regulation and supervision and improving government programs. The IFC will also support local capital markets development by continuing to issue medium and long term local currency bonds, establishing needed benchmarks for the private sector, and using bonds proceeds to expand access to long term local currency financing for the private sector while providing a viable channel for domestic savings to be directed to productive long term investments.

56. **Budgetary constraints represent an opportunity for more public-private partnerships, potentially with IFC and MIGA support**. The government is keen to explore how to re-launch its PPP program to address critical infrastructure and services gaps. However, the DR's mixed experience with PPPs has led the Government to be wary of this approach, so that effective advisory services will be needed where opportunities arise, to strengthen the design of future PPPs and ensure their success.

57. **The WBG will support a more inclusive development of the agribusiness sector.** The program will aim to: (i) provide investment support for agricultural value-chains to facilitate collaboration between SMEs, smallholders and larger companies, thereby aiming to make agriculture more inclusive and a stronger source of rural poverty eradication; and, (ii) strengthen linkages between agriculture and the local tourism industry, and at making agriculture more resilient. This support will be achieved through a Bank lending operation, continuous dialogue and collaboration with key development partners and possible IFC investments and MIGA

guarantees. An assessment will also be conducted of how best to develop Climate Smart Agriculture in the DR to enable the country to better assess the geospatial impacts on agriculture of looming climate variability and increasing frequency and intensity of extreme events (rainfall, heat) and make investments in value-chains more resilient to climate and weather shocks.

58. **The WBG will also support a more transparent and inclusive development of the mining sector**. Support will focus primarily on developing a policy and strategy for the sustainable development of mining and providing guidance on international best practices, as well as setting up and implementing the EITI process in the DR. This focus on oil, gas and mining reform will allow the DR to develop its natural resource sector in a more strategic and sustainable manner. IFC will continue supporting the development of mining operations at the development and operation stages, with a focus on building responsible mining operations that maximize benefits to local communities and the country.

Results Area 2: Improving access to efficient and reliable electrical distribution networks, ICT and other infrastructure

CPS Outcomes: (1) improved efficiency and reliability of the electricity sector, measured, among others by a reduction in commercial losses; (2) improved connectivity through the deployment of a national broadband backbone between the main city of several provinces, measured, among others by an increase in the number of provinces interconnected through the national broadband network; and, (3) energy diversification.

59. **The CPS will aim to address issues related to access to efficient and reliable electrical distribution networks, ICT and other infrastructure services, major constraints to private sector development and competitiveness**. Reducing electricity sector commercial losses and providing a more reliable and continuous supply of electricity would have a large direct impact on enterprises, competitiveness, fiscal expenditures, and households. Improved connectivity would also enhance competitiveness through higher efficiency and innovation. In partnership with the European Investment Bank, the IDB and with potential IFC support on improving the generation mix via clean renewable sources, the Bank will explore opportunities for realigning fiscal incentives, reducing fossil fuel subsidies and supporting the achievement of an Electricity Pact in 2014, while bearing in mind the complexity of the political economy of the sector. The program will also focus on improving access to more efficient and reliable ICT services, given its importance for nationally integrated and inclusive growth, for the open data and civic innovation agendas and for overcoming the digital divide.

60. **First, the WBG will support strengthening governance, enhancing quality of service delivery, and reducing losses in the electricity sector.** This engagement will build on ongoing successful work aimed at rehabilitating distribution lines to improve electricity supply and at strengthening incentives for payment for services through community outreach and guaranteed 24-hour service where repayments are high, while intensifying the dialogue on the performance and governance of distribution companies, so as to ensure greater transparency and efficiency. The Bank will also provide support for hedging risks on fuel prices, for the Electricity Pact, and for strengthened management and oversight in the electricity sector. IFC will seek to mobilize financing for investments that help diversify the country’s generation matrix and introduce innovative off-grid generation models. IFC will also seek to support the development of new

liquid natural gas import and gasification infrastructure and promote greater energy efficiency via lending partnerships with local financial institutions.

61. **Second, the WBG will focus on improving access to more efficient and reliable ICT services.** This high priority area for engagement will be supported through a proposed Bank investment linked to the Caribbean Regional Connectivity Program (CARCIP).[44] The proposed project seeks to increase access to regional broadband networks and advance the development of ICT-enabled services. CARCIP can support existing Government's efforts in addressing the lack of supply of fixed broadband connectivity, particularly in remote and marginalized areas of the country, and contribute to providing universal and affordable access to all citizens. CARCIP will also support work on Open Innovation to build ICT skills, particularly among the poor and women, and foster a culture of entrepreneurship by involving citizens in identifying and solving their own problems through ICT solutions. MIGA will explore opportunities to support further projects that boost growth and jobs in the DR, including via its Small Investment Program.

62. **Finally, the WBG will also support selected infrastructure efforts.** This will include the rehabilitation of storm-damaged transmission lines and of large water resources infrastructure via the existing Emergency Recovery Loan. It may also be complemented by new knowledge services to support the conservation and management of water resources. MIGA will oversee its on-going toll-road guarantee to *Autopistas del Nordeste.* The IFC will contribute by mobilizing private financing to support firms that will provide infrastructure services and foster connectivity.

Results Area 3: Supporting the Government in building resilience to external shocks

CPS Outcomes: (1) improved DRM planning in the norms and procedures for public investment projects in light of climate change; and, (2) recovery from tropical storms Olga and Noel with increased resilience of infrastructure; these outcomes will be measured, among others, by the development of a national integrated information system for DRM and by the number of dams rehabilitated.

63. **The WBG will enhance the DR's capacity to manage the destructive effects of natural disasters by mainstreaming disaster risk management (DRM) in territorial planning and public finances.** Recent developments reflect political commitment to strengthen the institutional framework for DRM (including the preparation of a new DRM law) and shift the focus from effective response to natural disasters towards more proactive planning and up-front risk mitigation and prevention. Given the devastating impacts of natural disasters on the poor and the difficulty they face in recovering from disasters even in the medium-long term, efforts in this area would have a direct impact on poverty reduction. in coordination with the UNDP, Spanish cooperation, and other partners, the Bank will provide knowledge and convening services related to DRM planning and risk financing and insurance; as well as funding under the Forest Carbon Partnership Facility and grant-funded capacity building, and supporting participation of the DR

[44] International studies indicate that a 10 percent increase of broadband penetration triggers a 1.38-3.20 percent growth of GDP per capita.

in the Caribbean Catastrophic Risk Insurance Facility (CCRIF).[45] The Bank will also complete the on-going Emergency Rehabilitation Loan.

64. **The WBG will also support the government to hedge risks related to fuel prices.** The 2008 oil price spike dramatically increased generation costs and the need for fiscal transfers to cover the tariff-cost gap. To address the challenge of fuel price volatility the Government would like to strengthen its internal capacity to develop a commodity risk management strategy for the energy sector, so that it can approach the market on its own terms to secure appropriate hedging instruments. Bank technical assistance will support these efforts and the IFC will complement them by possibly mobilizing financing to support a more diversified generation matrix via renewables.

Results Area 4: Promoting equitable, efficient, transparent and sustainable management of public resources

CPS Outcomes: (1) a more efficient, effective, transparent and sustainable management of public resources at the national and local level, measured by an improved alignment of actual public expenditures with the original approved budget; and, (2) enhanced civil society capacity in budget analysis and oversight, measured by an improvement in the Open Budget Index.

65. **This CPS will support public finance management reforms aimed at setting up the institutional basis for better transparency, equity and efficiency in the allocation and use of public funds.** The authorities are designing or implementing a number of policy reform initiatives, which demonstrates their commitment to greater transparency, openness and equity in public policies (e.g., Fiscal Pact, Education Pact, Electricity Pact, Reforma Laboral). Capitalizing on research conducted during the previous CPS[46], this CPS proposes to continue building the knowledge base to inform government policy and institutional reforms necessary to strengthen public finance management, enhance transparency, and improve the sustainability and equity in the use of public resources, in partnership with local stakeholders and with donor partners such as the EU and IDB. Depending on Government's appetite, the Bank may also provide support for selected measures that strengthen overall fiscal management and fiscal space; the budgetary process; the quality of public expenditures and of tax policy; the strength of controls and accountability in the execution of public funds; the robustness of financial management, procurement and audit systems; the quality and openness of government data; and, finally, mechanisms and capacity for civic oversight. If the conditions are appropriate, the Bank might consider an Equity DPL to "lock in" important reforms that could make a significant impact on equity outcomes. Reforms in this area can foster a culture of transparency and accountability, encourage better quality and targeting of public services and ensure strong overall macroeconomic management to sustain growth and promote shared prosperity.

[45] In the event that a new DRM law, currently under consideration by Congress, is adopted and accompanied by significant improvements in the institutional DRM framework, a catastrophic deferred draw-down option (CAT-DDO) might be included among the disaster risk financing options to be presented to the DR.
[46] See PEFA and PEMFAR reports

Results Area 5: Strengthening social services delivery

CPS Outcomes: (1) improved quality of teaching through better teacher policies, measured by an increased number of teachers recruited under a new competitive system; (2) improved quality of learning through implementation of a robust student assessment system; (3) improved primary maternal health care for targeted women, measured by the number of pregnant women in selected regions with risk evaluation completed before week 15 of pregnancy; (4) improved vaccination rates for children according to quality standards in at least three regions of the country; (5) access to improved sanitation services for mostly poor people in the Puerto Plata area; (6) improved social protection coverage of, and support to, extremely poor households in high poverty provinces; and, (7) increased incomes and employment rates among participants in the expanded Temporary Employment Program

66. **The CPS will support improvement in the management and delivery of basic social services (including education, health, water and sanitation, and social safety nets) with a view to reducing vulnerability and enhancing social inclusion**. Improving the performance of the Dominican education system will require focusing on two core issues: teacher quality and the ability to diagnose problem areas and remedy them. Quality health services, especially at the primary level (mothers and children), are critical for achieving better health outcomes. Increasing access to improved sanitation services and strengthening the policy and institutional framework for the water and sanitation sector will lead to better quality and service, with direct positive impact on health and welfare. Improving the targeting and expanding the coverage of extremely poor households in the social protection programs (including youth) and the services offered to them will directly address extreme poverty but also help address inter-generational poverty by helping families invest in themselves, in their children and their assets.

67. **In the education sector, the Bank will support efforts focused on teacher policies, evaluation systems and early childhood development** through a new investment lending operation. The Bank's efforts will aim to strengthen the management of the education system by: i) strengthening teachers training programs and career development policies; ii) developing a comprehensive student evaluation system; iii) strengthening quality assurance standards of Early Childhood Development (ECD) institutions; and iv) enhancing the ministry of education's institutional capacity towards school management. The IFC will pursue its engagement with Universidad Organización y Método (O&M) and explore demand for further investments. The program will also include knowledge, convening and grant support as needed, in partnership with the IDB, EU, Spanish cooperation and UNICEF.

68. **In the health sector, the Bank will support on-going and proposed health reform to further improve access and quality of health services, and develop a strategy to reach the informal sector.** The Bank will expand the assistance currently provided to primary health care in three regions of the country via a results-based financing approach to additional regions. Moreover given that most births take place in hospitals, the Bank will pilot the results-based financing approach in hospitals, and enhance the coordination between primary health and hospital services to improve pregnancy risk management and the quality of care during deliveries. The Bank will also support enhancing health sector governance and spending efficiency, as well as to strengthen the capacity of the Ministry of Health to manage public health emergencies such as the recent outbreaks of cholera and Chikungunya. The elimination of cholera from Quisqueya requires cross border collaboration between Haiti and the DR in the

areas of surveillance, hygiene and prevention campaigns, health prevention and treatment, and water and sanitation improvements where needed, especially in rural areas and small towns across the Haitian border.

69. **Implementing inclusive social protection strategies that address the multiple dimensions of extreme poverty and link poor households to economic opportunities will be essential to reduce extreme poverty and economic vulnerability in the DR.** This approach begins with consolidating social safety nets and pursuing active labor market policies. It also includes improving the efficiency and effectiveness of the social protection system and particularly the flagship safety net *Progresando con Solidaridad*; pursuing efforts to protect the rights of poor and vulnerable Dominicans, including by documenting undocumented citizens; supporting a targeted, multi-sectoral approach that links CCT users to productive and service opportunities in such areas as entrepreneurship, skills enhancement and housing, thereby creating conditions for moderately poor households to exit the CCT; implementing a territorial strategy in selected provinces that combines various dimensions of support to targeted households in extreme poverty; as well as supporting flexible employment systems for poor unemployed persons, that can readily be expanded in times of economic crisis, and employment opportunities for poor idle youth. These activities have the potential to mitigate otherwise severe and long-lasting impacts of shocks on the poor and to build bridges to economic opportunities. They will be conducted in partnership with the IDB and other local and external partners, and build on the recently closed Youth Employment project[47]. The linkages to entrepreneurship may include coordination with IFC-supported microfinance institutions.

70. **Strengthening water and sanitation is fundamental for a healthier population.** Building on the on-going water project in touristic areas, the Bank will expand its support to the sector, which currently faces major challenges related to equal access, quality, sustainability, and clear policy direction. Moreover, the outbreak of cholera in Haiti has also spilled over to the DR—albeit with a much lower incidence—and solid water and sanitation programs will be essential to eliminate cholera and other water-borne diseases from the entire island. An assessment of the feasibility of policy reforms would be a key factor in deciding on the nature of further support. Water and sanitation should also be better integrated with water resources management. A well-targeted water supply and sanitation (WSS) improved access program combined with improved policy and institutional framework would have a significant impact on health, welfare and competitiveness. The Bank will work in close coordination with other local and international stakeholders (including Spain and France).

FINANCIAL PORTFOLIO AND EXPOSURE MANAGEMENT

71. **The overall financial envelope for the Bank's engagement is expected to be similar to that for the last CPS period, although the balance will shift significantly towards investment lending.** During FY09-13, the Bank approved US$600 million in new commitments, of which US$520 million were through Development Policy Loans (DPLs). These numbers compare to plans for US$547 million in total lending during FY09-13, including US$440 million

[47] The youth employment program, combining technical and life skills training with apprenticeships in private firms to insert vulnerable youth into the labor force, was highlighted as a success in the 2013 World Development Report on Jobs.

via DPLs. This reflects the top priority given to supporting the Government in successfully averting an increase in poverty following the global crisis, via a DPL series designed to strengthen social protection. During the new CPS period, it is expected that around US$550 million in new operations will be presented to the Bank's Board for approval. Actual delivery of the lending program will depend on DR's performance, IBRD lending capacity, demand from other borrowers, global economic developments and disbursement profiles that keep exposure within the country limits (Table 2). The Bank expects to rebuild the program most intensively in FY15 to respond to strong demand from the client. The program will focus on selected areas such as modernizing the public sector, improving social services and strengthening key infrastructure services for growth and job creation.

TABLE 2: PROPOSED BANK FINANCING PROGRAM FOR FY15-18

OBJECTIVE 1	OBJECTIVE 2
FY15	**FY15**
Electricity Distribution CARCIP	Social Protection Flexible Employment Systems Education Quality
FY16-18	**FY16-18**
Agriculture project Public Sector Modernization	Health APL 3 Equity DPL Access to Water

72. **The WBG's contribution to results in the DR in the early years of the new CPS will be primarily through the existing portfolio, and managing the implementation of the portfolio for results is a key priority**. The Bank's portfolio comprises five projects worth US$207.4 million as of August, 2014, with US$78m undisbursed (Table 3). The FY14 disbursement ratio as of June 2014 has risen to 27 percent, above the LCR average. The Bank is currently managing 12 trust funds for a total of US$3.7 million, of which US$2.2 million remain to be disbursed. Project effectiveness and implementation have been slowed down in the past by a lengthy approval process in Congress (on average 12 months), weak capacity, and binding budget ceilings. Historically, more than one-third of closed projects since 1980 and two out of five projects since FY10, have been rated unsatisfactory by IEG. However, quality is expected to improve as five project closures remain to be rated by IEG, that are all at least moderately satisfactory according to Bank staff assessment. A Country Portfolio Performance Review (CPPR) in March 2013 placed emphasis on improving the capacity of implementation units, through close implementation support as well as through fiduciary capacity building from the country office based team. The Bank has also had an active dialogue with the authorities to ensure adequate budgetary ceilings to enable disbursements. Going forward, the Ministry of Economy and the Bank have agreed to meet on a quarterly basis with all implementing units to monitor the portfolio and resolve common challenges quickly.

TABLE 3: WORLD BANK PORTFOLIO FY10-14

Fiscal year	2010	2011	2012	2013	2014
No. projects	10	9	7	6	5
Net Commitments	316.2	308.9	274.4	249.4	207.4
No. problem projects	0	1	2	2	1
Percent Value in problem projects	37.2	52.4	17.3	19.0	23.8
Disbursement ratio	23.5	13.4	33.6	20.9	22.4

73. **IFC's committed portfolio currently stands at US$208 million, the second-largest IFC program in the Caribbean**. In addition, mobilizations from other partners amounted to US$97 million (see Annexes 3 and 6). New commitments in FY13 reached a record high of US$164 million and include flagship transactions such as: (i) a US$100 million equity investment in InterEnergy Holdings, a power holding, together with IFC Asset Management Company; (ii) a US$30 million loan to Indomina in the Media industry; and (iii) a "Taino Bond", a first US$10 million equivalent local currency bond issue, with proceeds disbursed immediately to two mid-size financial institutions providing mortgage loans to low-income households and loans to SMEs. IFC has increased its advisory presence in recent years, notably with regard to corporate governance and access to finance. The overall focus of the portfolio is on renewable energy, financial inclusion and infrastructure, and recent investments are expected to produce new results throughout the new CPS time-frame in terms of energy matrix diversification, job creation, and increased access to financing. In the timeframe of this CPS, IFC expects to mobilize financing for new investments for an average total annual amount of US$50m per year.

74. **Support to the private sector is complemented by a MIGA guarantee approved in 2006 for US$107.6 million for a toll road** to the Northeast of the DR, covering a US$14 million equity investment and US$162 million bond issue for MIGA's client, Autopistas del Nordeste.

MANAGING RISKS

75. **The risks to the successful implementation of the CPS program are substantial.** The CPS program faces four types of risks: *political, capacity, exposure to exogenous shocks, and natural disasters risks.*

(i) Political economy factors could slow down implementation of reforms. With elections coming up in the spring of 2016, the risk that the new administration does not support some of the policy priorities promoted under the Bank Group program will need to be mitigated through dialogue and flexibility in the program. An important share of the proposed engagements addresses areas that are sometimes captured by vested interests, which may hinder the success of Bank operations (e.g., education, health, corporate governance, electricity sector). To mitigate this risk, the Bank will invest in knowledge services and intensive dialogue with relevant stakeholders, notably benchmarking, to support reforms and seek partnerships with champions in Government and a wide range of actors in the private sector, civil society and the donor community. The IFC will continue to exercise due diligence, emphasize corporate governance and apply best practices in environmental management and performance standards. Ultimately, all development solutions require local ownership and implementation, and the WBG will need to be very realistic about the change that can be achieved within the CPS period.

(ii) Weak technical capacity, budgetary constraints and complex procedures for project restructuring can affect the implementation of Bank-supported projects. The Bank and the Government will work closely together to mitigate the limited technical capacity by: improving design and quality at entry, drawing on lessons learned, and increasing the share of results-based financing in the portfolio; intensive implementation support, including via missions, local fiduciary support via training, and local consultant support in the Country Office for Bank projects; frequent portfolio reviews with the client to resolve common issues, and restructuring as needed. In light of the importance of restructuring and of delays in the process, the Bank is engaging in a dialogue to ensure that the restructuring process can be as streamlined as possible moving forward[48]. Budgetary constraints represent a challenge for Bank-supported financing to the extent that budgetary caps on investments constrain disbursements. This will be alleviated by aligning the program closely with core Government priorities, via support to strengthen the quality of public expenditures and an active dialogue on project financing.

(iii) Structural domestic challenges and weaknesses on the external side pose a significant risk to the Bank's ability to achieve results. With large electricity sector deficits, a narrow tax base, a growing public sector debt, and a relatively high fiscal deficit, the DR faces challenges to sustain growth. On the external side, persistent current account deficits and large external financing needs make the economy highly exposed to developments in international markets. In addition, changes in the Dominican Republic's sources of financing for oil could result in an increase in fuel import costs and a deterioration of the trade balance as well as possible repayment demands putting pressure on reserves. Finally, increasing depreciation pressures could at some point generate some market anxiety, especially if the DR's Central Bank is unable to maintain reserve levels above three months of imports. If these risks remain unaddressed they could jeopardize the DR's ability to reduce poverty and improve shared prosperity. Mitigation measures are embedded in the CPS program in the form of support to key reforms aimed at improving fiscal performance, equity outcomes associated with public spending, greater energy efficiency, and better debt management, as well as through support for more effective safety nets.

(iv) Exposure to looming climate variability and climate-related natural disasters could also set the country back. The DR is vulnerable to low frequency and high impact natural events that have historically been costly to address and which could potentially threaten fiscal sustainability and progress towards lower poverty and greater shared prosperity. To mitigate this risk, the WBG will support enhanced DRM practices in the country, as well as apply strong DRM practices to the investments the WBG will support. In case of major disaster, the Bank would make available emergency lending within the overall envelope by reallocating resources.

[48] Recently, interpretation of Government procedures suggested that project restructuring would potentially require approval in Congress, which would entail significant implementation delays.

ANNEX 1. RESULTS MATRIX

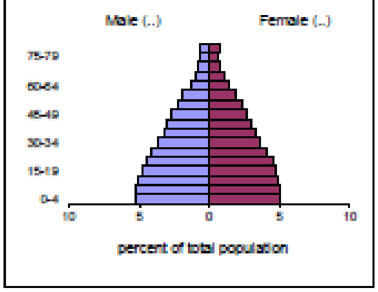
Country Development Goals (END)	CPS Outcomes	Indicators	WBG Program
Results Area 1: Improving the investment climate and fostering private sector development			
Macroeconomic stability; Competitiveness and innovation; Sufficient and dignified jobs; A productive structure that is sectorally and territorially articulated.	(1) an improved climate for doing business for microenterprises and SMEs (2) improved access to finance	(1) Improving the time for a company to register Baseline: 18.5 days (Doing Business (2014); Target: 9 days (2018) (2) Number of clients, including women entrepreneurs, benefitting from additional SME finance in IFC-financed institutions Baseline: 0; Target: Increased/improved financial services for at least 60,000 microfinance and SME clients, including women, by 2018 (3) Extension of term for fixed-rate mortgages available to for low and middle income families Baseline: longest fixed rate term for low and middle income families: 5 years (2013); Target: 10-year fixed rate mortgages available to low and middle income families by 2018.	DFSAP on Access to Finance and follow-up TA Reimbursable Advisory Services for Investment Climate, Competition and Logistics Proposed Agricultural Value Chains Project IFC Investments / Advisory MIGA Guarantees Trade Competitiveness Diagnostic CGF (On-going)
Results Area 2: Improving access to efficient and reliable electricity networks, ICT and other infrastructure			
Reliable, efficient and environmentally sustainable energy; Competitiveness and innovation	(1) improved efficiency and reliability of the electricity sector (2) improved connectivity through the deployment of a national broadband backbone between the main city of several provinces (3) energy diversification	(1) Reduction of commercial losses in selected circuits. Baseline and target to be determined in new project (2) Average Service Availability Index in selected circuits. Baseline and target to be determined in new project (3) Rehabilitation of storm-damaged transmission lines. Baseline: 0 (2013); Target: 10 kilometers (2015) (4) Provinces interconnected through a national broadband backbone network. Baseline: 0 provinces (2014); Target: 15 provinces (2018) (5) Increased diversification of energy, notably renewables, through IFC investments. Baselines and targets to be determined in new investments	Proposed Electricity Sector Management Project Emergency Recovery Loan (On-going) Proposed Caribbean Regional Connectivity Improvement Project IFC Investments MIGA Guarantees CGF
Results Area 3: Supporting the Government in building resilience to external shocks			
Sustainable management of the environment; Risk management to minimize losses; Adaptation to climate change	(1) improved DRM planning in the norms and procedures for public investment projects in light of climate change (2) recovery from tropical storms Olga and Noel with increased resilience of infrastructure.	(1) Development of a National Integrated Information System for DRM, and Baseline: 0 (2013); Target: System operational (2018) (2) Installation of a new telemetric network for managing water resource flows Baseline: 0 (2013); Target: System operational (2016) (3) Number of dams rehabilitated and built to enhanced DRM specifications. Baseline: 0/4 or 0 percent (2014) Target: 4/4 or 100 percent (2017)	Emergency Recovery Loan (On-going) Knowledge services for DRM planning and catastrophic risk insurance FCPF Financing for REDD
Results Area 4: Promoting equitable, efficient, transparent and sustainable management of public resources			

Country Development Goals (END)	CPS Outcomes	Indicators	WBG Program
Efficient, transparent and result oriented public administration	(1) a more efficient, effective, transparent and sustainable management of public resources at the national and local level (2) enhanced civil society capacity in budget analysis and oversight	(1) Improved alignment of actual public expenditures with the original approved budget, as measured by PEFA indicator ID-2 Baseline: D (2012); Target: C (2018) (2) Share of participating Local Governments with budgets aligned with priorities established in Municipal Development Plans Baseline: 0 (2013); Target: 70 percent (2017) (3) Improvement in the DR's Open Budget Index Baseline: 29 (2012); Target: 50 (2018)	Proposed Public Sector Modernization Project DR Public Expenditures Management Grant (EU-funded) GPSA Grant (On-going) Programmatic PEMFAR Municipal Development Project (On-going)
Results Area 5: Strengthening social services delivery			
Quality education for all; Health and integral social security; Equal rights and opportunities; Dignified housing (and water) in healthy environments	(1) improved quality of teaching through better teacher policies, (2) improved quality of learning through implementation of a robust student assessment system. (3) improved primary maternal health care for targeted women (4) improved vaccination rates for children according to quality standards in at least three regions of the country (5) access to improved sanitation services for mostly poor people in the Puerto Plata area (6) improved social protection coverage of, and support to, extremely poor households in high poverty provinces (7) increased incomes and employment rates among participants in the expanded Temporary Employment Program	(1) Increased percentage of new teachers recruited under a new competitive and selective system; Baseline: none (2013); Target: to be determined under Education project (2018) (2) Robust student assessment system including national and international assessments implemented Baseline: none; Target: new student assessment implemented in the first cycle of basic education and school-level results disseminated (2018) (3) Share of pregnant women from target population in Regions VI-VIII of the country with risk evaluation completed before the 15th week of pregnancy based on national protocols Baseline: 13 percent (2013); Target: 55 percent (2017) (4) Percentage of children under15 months with vaccination scheme completed in Regions VI-VIII according to national protocols Baseline: 35 percent (2013); Target: 70 percent (2017) (5) Access to improved sanitation services for mostly poor people in the Puerto Plata area -- Baseline: 0 (2013); Target: 128,000 (2016) (6) Share of eligible extremely poor Dominican households in 14 priority, high poverty provinces identified and incorporated in the conditional cash transfer program PROSOLI, and share of these households receiving support for improved housing. Baseline: to be determined by Integrated Social Protection and Promotion Project (2013); Target: 75 percent incorporated in PROSOLI (2018) Baseline: 0 percent of eligible poor households have dirt floors replaced by reinforced cement floors (2013); Target: 25 percent (2018). (7) Increase in incomes and employment rates for participants in the Temporary Employment Program (TEP) Baseline: zero difference with the control group (2014); Target: Incomes and employment of TEP participants are 30 percent higher than for the control group (2018)	Proposed Support to the National Education Pact Project Ongoing technical cooperation on teacher policies, ECD, and full-time schooling Support to IDEC Health Sector Reform APL2 (On-going) Proposed Health Sector Reform APL3 Water and Sanitation in Tourist Areas APL1 (On-going) Social Protection Improvement Project (ongoing) Proposed Integrated Social Protection and Promotion Project Proposed Flexible Employment Services project

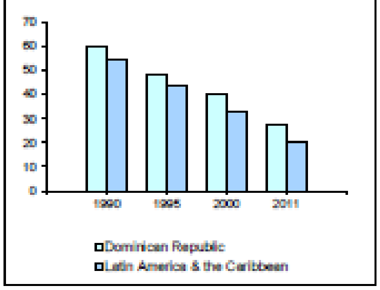
ANNEX 2. DOMINICAN REPUBLIC AT A GLANCE

Key Development Indicators	Dominican Republic	Latin America & Carib.	Upper middle income
(2012)			
Population, mid-year (millions)	10.3	581	2,391
Surface area (thousand sq. km)	*49*	*19,461*	*43,472*
Population growth (%)	1.3	1.2	0.8
Urban population (% of total population)	70	79	61
GNI (Atlas method, US$ billions)	56.3	5,232	16,598
GNI per capita (Atlas method, US$)	5,470	8,999	6,942
GNI per capita (PPP, international $)	9,820	12,008	10,639
GDP growth (%)	3.9	3.0	5.2
GDP per capita growth (%)	2.6	1.8	4.4
(most recent estimate, 2005–2012)			
Poverty headcount ratio at $1.25 a day (PPP, %)	2	6	8.4
Poverty headcount ratio at $2.00 a day (PPP, %)	10	10	19.5
Life expectancy at birth (years)	73	74	74
Infant mortality (per 1,000 live births)	23	16	16
Child malnutrition (% of children under 5)	3	3	3
Adult literacy, male (% of ages 15 and older)	89	92	96
Adult literacy, female (% of ages 15 and older)	90	91	91
Gross primary enrollment, male (% of age group)	112	115	111
Gross primary enrollment, female (% of age group)	102	111	110
Access to an improved water source (% of population)	82	94	93
Access to improved sanitation facilities (% of population)	82	81	74

Age distribution, 2012

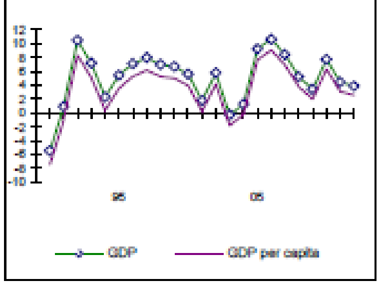


Under-5 mortality rate (per 1,000)



Net Aid Flows	1980	1990	2000	2012 [a]
(US$ millions)				
Net ODA and official aid	125	102	56	175
Top 3 donors (in 2010):				
European Union Institutions	0	10	13	81
Spain	0	1	16	50
United States	36	25	-19	36
Aid (% of GNI)	1.9	1.5	0.2	0.3
Aid per capita (US$)	21	14	6	17

Growth of GDP and GDP per capita (%)



Long-Term Economic Trends	1980	1990	2000	2012	1980–90	1990–2000	2000–12
Consumer prices (annual % change)	9.2	45.4	7.7	3.9			
GDP implicit deflator (annual % change)	11.7	50.5	6.9	5.2			
Exchange rate (annual average, local per US$)	1.0	8.5	16.2	39.2			
Terms of trade index (2000 = 100)	..	..	..	..			
					(average annual growth %)		
Population, mid-year (millions)	5.8	7.2	8.7	10.3	2.2	1.8	1.4
GDP (US$ millions)	6,631	7,074	23,997	59,047	2.8	6.3	5.5
		(% of GDP)					
Agriculture	21.8	14.5	7.2	6.1	0.4	1.9	3.2
Industry	30.6	34.0	35.9	31.7	3.3	7.1	2.4
Manufacturing	16.6	19.4	26.1	23.5	2.5	7.0	2.7
Services	55.8	59.6	56.8	62.2	3.1	5.9	7.1
Household final consumption expenditure	77.0	80.4	77.8	84.6	4.2	6.0	6.7
General gov't final consumption expenditure	7.6	4.3	7.8	8.1	0.8	7.0	4.9
Gross capital formation	25.1	25.1	23.3	16.4	3.6	11.7	1.7
Exports of goods and services	19.2	33.8	37.0	24.9	-0.2	8.3	1.1
Imports of goods and services	28.9	43.7	45.9	34.0	3.2	9.9	2.4
Gross savings	..	..	..	..			

Note: Figures in italics are for years other than those specified. .. indicates data are not available.
a. Aid data are for 2010.

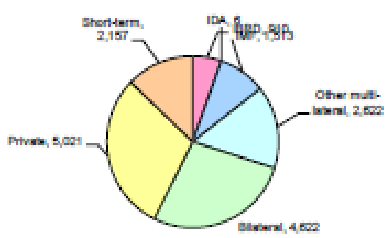
Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	**2000**	**2012**
(US$ millions)		
Total merchandise exports (fob)	5,737	7,717
Total merchandise imports (cif)	9,479	15,106
Net trade in goods and services	-1,888	-5,198
Current account balance	-1,026	-4,037
as a % of GDP	-4.3	-6.8
Workers' remittances and compensation of employees (receipts)	1,839	*3,650*
Reserves, including gold	818	*2,704*

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	13.2	13.7
Tax revenue	12.5	13.5
Current expenditure	9.4	14.1
Overall surplus/deficit	0.9	-6.6
Highest marginal tax rate (%)		
Individual	..	..
Corporate	*25*	*25*

External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	4,652	16,851
Total debt service	529	1,758
Debt relief (HIPC, MDRI)	–	–
Total debt (% of GDP)	19.4	28.5
Total debt service (% of exports)	4.8	10.9
Foreign direct investment (net inflows)	953	..
Portfolio equity (net inflows)	0	..

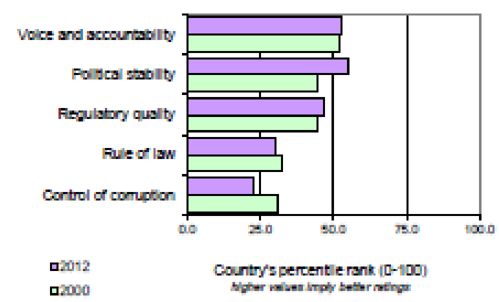
Composition of total external debt, 2012



US$ millions

Private Sector Development	**2000**	**2012**
Time required to start a business (days)	–	19
Cost to start a business (% of GNI per capita)	–	17.3
Time required to register property (days)	–	60
Ranked as a major constraint to business	**2000**	**2012**
(% of managers surveyed who agreed)		
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	*0.7*	..
Bank capital to asset ratio (%)	9.4	9.9

Governance Indicators, 2000 and 2012



Source: Worldwide Governance Indicators (www.govindicators.org)

Technology and Infrastructure	**2000**	**2011**
Paved roads (% of total)	49.4	..
Fixed line and mobile phone subscribers (per 100 people)	19	98
High technology exports (% of manufactured exports)	*1.3*	2.2

Environment		
Agricultural land (% of land area)	52	51
Forest area (% of land area)	40.8	40.8
Terrestrial protected areas (% of land area)	22.2	*22.2*
Freshwater resources per capita (cu. meters)	*2,350*	2,069
Freshwater withdrawal (billion cubic meters)	..	..
CO2 emissions per capita (mt)	2.3	*2.1*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	6.6	11.8
Energy use per capita (kg of oil equivalent)	866	727

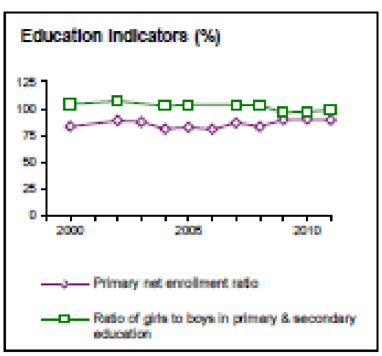
World Bank Group portfolio	**2000**	**2011**
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	292	851
Disbursements	39	53
Principal repayments	21	66
Interest payments	22	33
IDA		
Total debt outstanding and disbursed	14	7
Disbursements	0	0
Total debt service	1	1
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	92	182
of which IFC own account	41	176
Disbursements for IFC own account	3	23
Portfolio sales, prepayments and repayments for IFC own account	7	16
MIGA		
Gross exposure	182	100
New guarantees	114	0

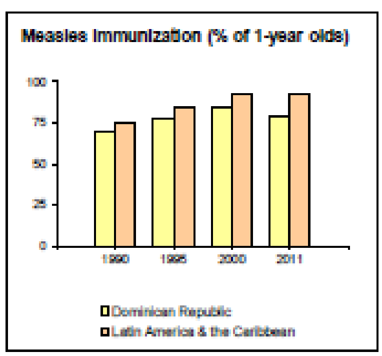
Note: Figures in italics are for years other than those specified. 12/4/13
.. indicates data are not available. – indicates observation is not applicable.

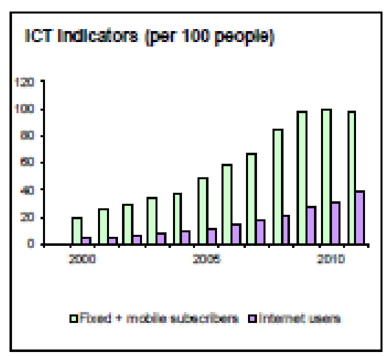
Development Economics, Development Data Group (DECDG).

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Dominican Republic			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2011**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	*12.2*	*5.0*	5.2	*2.2*
Poverty headcount ratio at national poverty line (% of population)	..	..	32.0	40.4
Share of income or consumption to the poorest qunitile (%)	*4.2*	*4.3*	3.7	*4.7*
Prevalence of malnutrition (% of children under 5)	*8.4*	*4.7*	3.5	*3.4*
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	83	89
Primary completion rate (% of relevant age group)	..	*63*	78	92
Secondary school enrollment (gross, %)	..	*43*	59	76
Youth literacy rate (% of people ages 15-24)	..	..	*94*	*97*
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	104	99
Women employed in the nonagricultural sector (% of nonagricultural employment)	32	34	37	*42*
Proportion of seats held by women in national parliament (%)	8	*12*	16	21
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	60	49	40	28
Infant mortality rate (per 1,000 live births)	46	38	32	23
Measles immunization (proportion of one-year olds immunized, %)	70	78	84	79
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	220	170	130	*150*
Births attended by skilled health staff (% of total)	*92*	*96*	98	*98*
Contraceptive prevalence (% of women ages 15-49)	*56*	*64*	65	*73*
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.4	1.0	1.0	0.7
Incidence of tuberculosis (per 100,000 people)	148	121	100	65
Tuberculosis case detection rate (%, all forms)	..	..	..	..
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	89	88	86	82
Access to improved sanitation facilities (% of population)	73	75	78	82
Forest area (% of land area)	40.8	40.8	40.8	40.8
Terrestrial protected areas (% of land area)	22.2	22.2	22.2	22.2
CO2 emissions (metric tons per capita)	1.3	2.0	2.3	*2.1*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	6.8	6.7	6.6	11.8
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	4.7	7.4	10.4	10.4
Mobile phone subscribers (per 100 people)	0.0	0.7	8.2	87.2
Internet users (per 100 people)	0.0	0.0	3.7	38.6
Households with a computer (%)	..	..	5.5	18.9







Note: Figures in italics are for years other than those specified. .. indicates data are not available. 12/4/13

Development Economics, Development Data Group (DECDG).

ANNEX 3. SELECTED INDICATORS OF WBG PORTFOLIO PERFORMANCE MANAGEMENT

Dominican Republic

Selected Indicators* of Bank Portfolio Performance and Management

As Of Date 7/10/2014

Indicator	2012	2013	2014	0
Portfolio Assessment				
Number of Projects Under Implementation [a]	7	6	5	0
Average Implementation Period (years) [b]	4.0	4.6	5.5	0.0
Percent of Problem Projects by Number [a, c]	28.6	33.3	20.0	0.0
Percent of Problem Projects by Amount [a, c]	17.3	19.0	9.6	0.0
Percent of Projects at Risk by Number [a, d]	28.6	33.3	40.0	0.0
Percent of Projects at Risk by Amount [a, d]	17.3	19.0	23.8	0.0
Disbursement Ratio (%) [e]	33.6	20.9	30.1	0.0
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	37	4
Proj Eval by OED by Amt (US$ millions)	1,267.4	84.1
% of OED Projects Rated U or HU by Number	36.1	25.0
% of OED Projects Rated U or HU by Amt	33.5	8.7

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

CAS Annex B3 - IBRD/IDA Program Summary **Dominican Republic**

As Of Date 7/10/2014

Proposed IBRD/IDA Base-Case Lending Program [a]

Fiscal year	*Proj ID*	*US$(M)*	*Strategic Rewards b (H/M/L)*	*Implementation b Risks (H/M/L)*
2015	DO CARCIP 1B - Dominican Republic	30.0		
	DO Distribution Netw orks Rehab and Loss	120.0		
	DO Flexible Employment System Project	20.0		
	DO Integrated Social Protect & Promotion	70.0		
	DO Support to the Nat. Education Pact	50.0		
	Result	290.0		
2016	DO Public Sector Modernization Project	20.0		
	Result	20.0		
Overall Result		310.0		

Dominican Republic: IFC Investment Operations Program

	2012	**2013**	**2014**	**2015***
Original Commitments (US$m)				
IFC and Participants	40.10	93.68	13.28	
IFC's Own Accounts only	40.10	83.68	13.28	
Original Commitments by Sector (%)- IFC Accounts only				
EDUCATION SERVICES	49.88			
ELECTRIC POWER		59.75		
FINANCE & INSURANCE	31.91	10.45	75.9	
INFORMATION	18.21		24.1	
OIL, GAS AND MINING		5.91		
OTHER (FOR NON-INVESTMENT PROJECTS)		23.9		
Total	100	100.01	100	0
Original Commitments by Investment Instrument (%) - IFC Accounts only				
Equity	18.72	65.66	24.1	
Guarantee	6.36	10.45	40.89	
Loan	74.92		35.01	
Quasi loan		23.9		
Total	100	100.01	100	0

* Data as of July 01,2014

Note: In addition, mobilization through the IFC Asset Management Company amounted to US$75.

Summary of Nonlending Services -Dominican Republic

As Of Date 7/10/2014

Product	*Completion FY*	*Cost (US$000)*	*Audience* [a]	*Objective* [b]
Recent completions		**3,885**		
DO Support to the National Development Strate	FY10	272		
Dominican Republic Policy Notes	FY10	135		
DR Report on the Observance of Standards a	FY10	10		
DO Energy NLTA	FY11	245		
DO Poverty Monitoring NLTA	FY11	132		
Improving the Quality and Efficiency of Public I	FY12	418		
Strengthening Public Interest Media in the DR	FY12	48		
DO Programmatic Institutional and Gover Rev	FY13	134		
DO Energy Policy Dialogue	FY13	59		
DR Capacity Building for Civil Society	FY14	793		
DO-Social Sectors NLTA (multisector)	FY14	1,103		
Ministerio de Economia, Planificacion y Desarr	FY14	88		
DO Poverty and Inequality NLTA	FY14	260		
Dominican Republic Public Expenditure Manag	FY14	188		
Underway		**585**		
Dominican Republic: Mainstreaming DRM and C	FY15	373		
Dominican Republic Trade Diagnostic	FY15	70		
Improving Competitiveness in the DR	FY15	93		
Dominican Republic Legal Framework for Secu	FY15	0		
Strengthening Capacity for Commodity Risk M	FY15	35		
DR PEMFAR2- Improving Equity Outcomes of t	FY15	13		
Planned		**337**		
DR - Public Expenditures Management Technic	FY16	337		

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

ANNEX 4. KEY EXPOSURE INDICATORS

Indicator	Actual			Estimated			Projected		
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total debt outstanding and disbursed (TDO) (US$m)[a]	10739	10603	11490	13465	15426	16851	16772	16037	15254
Net disbursements (US$m)[a]	..	..	..	..	..	..	..	..	..
Total debt service (TDS) (US$m)[a]	..	..	..	..	..	..	..	..	..
Debt and debt service indicators (%)									
TDO/XGS[b]	67.7	67.8	83.1	78.2	81.6	85.1	79.4	..	..
TDO/GDP	26.0	23.2	24.7	26.4	27.8	28.6	27.7	..	..
TDS/XGS	..	..	..	..	..	..	..	..	..
Concessional/TDO	20.4	25.3	25.7	24.6	25.0	28.7	32.1	35.2	36.6
IBRD exposure indicators (%)									
IBRD DS/public DS	4.7	5.0	5.9	6.9	6.8	7.9	3.4	2.8	3.2
Preferred creditor DS/public DS (%)[c]	33.6	36.5	26.0	31.2	31.4	34.5	31.8	46.3	36.5
IBRD DS/XGS	0.4	0.4	0.5	0.5	0.5	0.5	0.3	..	..
IBRD TDO (US$m)[d]	472	449	748	864	851	910	902	885	864
Of which present value of guarantees (US$m)									
Share of IBRD portfolio (%)	0	0	1	1	1	1	1	1	1
IDA TDO (US$m)[d]	9	9	8	7	7	6	5	5	4
MIGA									
MIGA guarantees (US$m)									

Source: Unified Survey exercise, 2013. Data may present some divergences with respect to the most recent figures produced by the IMF and Dominican authorities.

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

ANNEX 5. OPERATIONS PORTFOLIO (IBRD/IDA AND GRANTS)

Dominican Republic

Operations Portfolio (IBRD/IDA and Grants)

As Of Date 7/10/2014

Closed Projects	**46**
IBRD/IDA *	
Total Disbursed (Active)	125.13
of which has been repaid	5.41
Total Disbursed (Closed)	971.07
of which has been repaid	549.27
Total Disbursed (Active + Closed)	1,096.20
of which has been repaid	554.68
Total Undisbursed (Active)	81.98
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	81.98

Active Projects

Project ID	Project Name	Last PSR Supervision Rating: Development Objectives	Last PSR Supervision Rating: Implementation Progress	Fiscal Year	Original Amount in US$ Millions: IBRD	IDA	GRANT	Cancel.	Undisb.	Difference Between Expected and Actual Disbursements [a/]: Orig.	Frm Rev'd
P095863	DO Municipal Developmen	MU	MU	2010	20				15.90452	11.474521	
P106619	DO (APL2) Health Ref II	MS	MS	2010	30.5				12.93297	3.9929684	
P054221	DO APL1 Water&Sanit in T	MS	MS	2009	27.5				20.47188	20.471879	
P109932	DO Emergency Recovery &	S	MS	2008	100				26.89825	6.8982452	
P090010	DO Social Sectors Investm	MS	MS	2008	29.4				5.76875	-4.23125	5.76875
Overall Result					207.4				81.97636	38.606364	5.76875

Dominican Republic

Trust Fund #	Trust Fund Name	Grant Amount	Disbursed Amount	Available
TF010130	Dominican Republic: EITI Implementation	45,000.00	36,107.81	8,892.19
TF010462	Institutionalization of Robust Fiscal and Financial Management Capacities in the Public Administration	485,000.00	114,252.96	370,747.04
TF011524	EU Grant for the Dominican Republic Public Expenditure Management (RE)	436,550.00	226,897.59	209,652.41
TF011525	BE EU Funded Bank TA for the Dominican Republic Public Expenditures Management	511,160.00	389,595.34	121,564.66
TF011598	BE Grant for TF Administration of EU TF for Dominican Republic Public Expenditures Management	25,000.00	18,871.06	6,128.94
TF012827	LCR: Mainstreaming DRM and CC in Public Investment, Territorial Planning and Public Finances in the DR	600,000.00	259,178.00	340,822.00
TF014961	Dominican Republic Trade Competitiveness Diagnostic	93,000.00	70,945.12	22,054.88
TF015862	Good Governance Practices for the Dominican Republic Project	727,984.00	255,000.00	472,984.00
TF016280	Improving the distributional impact of social policies	30,000.00	17,991.55	12,008.45
TF016481	Strengthening Capacity for Commodity Risk Management in the Energy Sector in the Dominican Republic	50,000.00	21,690.63	28,309.37
TF016798	IMPROVING COMPETITIVENESS IN THE DR - RAS	125,000.00	84,521.89	40,478.11
TF017758	Dominican Republic. FCPF REDD+ Readiness Preparation	650,000.00	0.00	650,000.00
	Total	3,778,694.00	1,495,051.95	2,283,642.05

SAP Data as of August 19, 2014

ANNEX 6. STATEMENT OF IFC'S HELD AND DISBURSED PORTFOLIO

Dominican Republic
Committed and Disbursed Outstanding Investment Portfolio
As of 7/10/2014
(In USD Millions)

		Committed					Disbursed Outstanding				
FY Approval	Company	Loan	Equity	**Quasi Equity	*GT/RM	Partici pant	Loan	Equity	**Quasi Equity	*GT/RM	Partici pant
2012	Adopem	0	0.63	0	0	0	0	0.63	0	0	0
2012	Alnap	4.51	0	0	0	0	4.51	0	0	0	0
0/03	Banco bhd	13.34	0	5	0	0	8.34	0	5	0	0
2010	Cae	9.52	0	0	0	0	9.52	0	0	0	0
2008	Centro fin bhd	0	16.44	0	0	0	0	16.44	0	0	0
2012/14	Fondesa	9.13	0	0	0	0	9.13	0	0	0	0
2004	Grupo m	1.38	0	0	0	0	1.38	0	0	0	0
2013	Indicana holding	0	0	20	0	10	0	0	0	0	0
2013	Interenergy	0	50	0	0	0	0	50	0	0	0
2010	Linea clave	0	0	1.43	0	0	0	0	1.43	0	0
2005	Occidental ho	0	0	18.33	0	0	0	0	18.33	0	0
2007	Sans souci	7.24	0	8	0	0	7.24	0	8	0	0
2013	Unigold	0	0.84	0	0	0	0	0.84	0	0	0
2012	Universidad o&m	20	0	0	0	0	0	0	0	0	0
0/10/12/14	Wind	0	5.9	16	0.54	12	0	5.65	16	0.5	12
Total Portfolio:		**65.12**	**73.81**	**68.76**	**0.54**	**22**	**40.12**	**73.56**	**48.76**	**0.5**	**12**

* Denotes Guarantee and Risk Management Products.
** Quasi Equity includes both loan and equity types.

Note: In addition, mobilization through the IFC Asset Management Company amounted to US$75.

ANNEX 7. KEY ECONOMIC INDICATOR

Indicator	Actual						Estimate		Projected	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
National accounts (as % of GDP)										
Gross domestic product[a]	100	100	100	100	100	100	100	100	100	100
Agriculture	7	7	6	6	6	6	6	6	6	6
Industry	32	32	32	32	32	33	32	31	31	30
Services	61	62	62	61	62	61	62	63	63	64
Total Consumption	90	90	95	93	95	94	92	91	..	..
Gross domestic fixed investment	18	19	18	15	16	16	16	16	16	16
Government investment	..	..	..	..	..	..	..	..	..	..
Private investment	..	..	..	..	..	..	..	..	..	..
Exports of goods and services (GNFS)[b]	30	29	25	22	23	25	25	26	..	..
Imports of goods and services (GNFS)	38	38	39	30	34	35	34	32	..	..
Gross domestic savings	10	10	5	7	5	6	8	9	..	..
Gross national savings[c]	14	13	8	8	8	9	10	12	11	11
Memorandum items										
Gross domestic product (US$ million at current prices)	35965	41321	45796	46485	50980	55433	58921	60614	62933	64635
GNI per capita (US$, Atlas method)	3440	4110	4430	4630	4960	5160	5480	5670	..	..
Real annual growth rates (%, calculated from 90 prices)										
Gross domestic product at market prices	10.7	8.5	5.3	3.5	7.8	4.5	3.9	4.1	4.5	4.1
Gross Domestic Income	10.9	8.3	3.0	6.7	5.7	4.2	3.9	4.0	..	..
Real annual per capita growth rates (%, calculated from 90 prices)										
Gross domestic product at market prices	9.1	6.9	3.8	2.1	6.3	3.1	2.6	2.8	..	..
Total consumption	10.4	7.4	6.3	3.5	6.1	2.4	0.7	-0.5	..	..
Private consumption	10.4	7.4	6.3	3.8	6.3	2.6	0.3	-0.3	..	..
Balance of Payments (US$ million)										
Exports (GNFS)[b]	11177	11985	11699	10319	12345	14184	15076	16051	..	..
Merchandise FOB	6610	7160	6748	5483	6815	8362	8936	9651	10179	10842
Imports (GNFS)[b]	13756	15369	17982	14145	18497	20201	20612	19756	..	..
Merchandise FOB	12174	13597	15993	12296	15210	17302	17673	16873	17961	19168
Resource balance	-2579	-3384	-6284	-3826	-6152	-6016	-5536	-3705	..	..
Net current transfers	3144	3402	3513	3216	3124	3433	3373	3564	3652	3826
Current account balance	-1297	-2179	-4519	-2332	-4330	-4391	-4012	-2555	-2832	-3361
Net private foreign direct investment	1528	1667	2870	2165	2024	2277	3142	1991	2226	1953
Long-term loans (net)	344	180	496	759	1519	1165	1646	..	..	..
Official	262	89	712	1037	864	741	1051	337	..	..
Private	82	90	-217	-279	655	424	595	..	..	..
Other capital (net, incl. errors & ommissions)	-929	-363	1462	-1231	-3	578	-270	..	..	..
Change in reserves (increase, -)[d]	-344	-683	309	-638	-466	-339	548	-1142	-224	-274
Memorandum items										
Resource balance (% of GDP)	-7.2	-8.2	-13.7	-8.2	-12.1	-10.9	-9.4	-6.1	..	..
Real annual growth rates (YR90 prices)										
Merchandise exports (FOB)	..	..	..	..	..	..	..	..	..	..
Primary	..	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	..	..	..	..	..	..	..	..	..	..

(Continued)

Dominican Republic - Key Economic Indicators (Continued)

Indicator	Actual 2006	2007	2008	2009	2010	Estimate 2011	2012	Projected 2013	2014	2015
Public finance (as % of GDP at market prices)[e]										
Total revenue	15.9	17.3	15.7	13.5	13.4	13.2	13.8	14.6	15.0	..
Current expenditures	12.9	12.9	14.5	13.2	12.3	12.5	14.1	13.9	14.4	..
Primary balance, surplus (+) or deficit (-)	0.9	1.8	-2.3	-1.5	-0.9	-0.5	-4.2	-0.5	-0.2	..
Capital expenditure	3.3	4.1	5.1	3.6	3.8	3.6	6.5	3.7	3.6	..
Interest payments	1.2	1.6	1.7	1.8	1.9	2.1	2.4	2.3	2.6	2.4
Monetary indicators										
M2/GDP	27.8	28.6	25.9	27.8	27.0	26.7	26.7	27.0	..	..
Growth of M2 (%)	6.5	17.8	4.7	14.3	10.0	10.3	9.3	10.7	..	..
Private sector credit growth / total credit growth (%)	..	..	..	..	20.7	13.2	5.5	15.0	8.6	..
Private sector credit/total credit growth	3.1	23.0	-29.2	-22.5	50.4	21.3	-52.7	-11.2	..	..
Price indices(YR90 =100)										
Merchandise export price index	..	..	..	..	..	..	..	..	..	..
Merchandise import price index	..	..	..	..	..	..	..	..	..	..
Merchandise terms of trade index	..	..	..	..	..	..	..	..	..	..
Real exchange rate (US$/LCU)[f]	94.6	96.0	96.8	96.2	96.3	96.9	97.1	101.2	103.4	105.6
Real interest rates										
Consumer price index (% change)	7.6	6.1	10.6	1.4	6.3	8.5	3.7	4.8	3.9	4.2
GDP deflator (% change)	5.4	5.7	9.8	3.0	5.1	6.6	5.2	5.1	..	..

Source: DR Central Bank, IMF Article IV and World Bank staff calculations.

a. GDP at

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

ANNEX 8. CLIENT SURVEY AND STAKEHOLDER CONSULTATIONS

Client Survey[49]

In January 2013, 505 stakeholders of the World Bank in the DR were invited to share their opinions on the Bank's assistance to the DR via a client survey. Invitations were sent to persons in the offices of the President, the Vice President, Ministers, Congress; the judiciary branch; employees of a ministry, ministerial department, or implementation agency; local government officials or staff; independent government institutions; consultants/contractors working on Bank-supported projects/programs; project management units (PMUs); private sector organizations; media; NGOs and community-based organizations (CBOs); trade unions; faith-based groups; academia/research institutes/think tanks; bilateral and multilateral agencies. A total of 275 stakeholders responded to the survey (54 percent). Respondents were asked about general issues facing the DR; their overall attitudes toward the Bank; the World Bank's effectiveness and results; the Bank's knowledge work and activities; working with the World Bank; the Bank's future role in the Dominican Republic, and the Bank's communication and information sharing.

The FY13 country survey results in the DR suggest an environment where the World Bank has created strong and positive relationships to support development efforts on the ground. The findings also demonstrate strong alignment between the perceived development priorities and the areas where stakeholders believe the Bank should focus its attention and resources. Key findings with implications for the work on the ground include:

1. **Development priorities and the Bank:** Perceived development priorities have remained constant since the FY09 Country Opinion Survey. Public sector governance, corruption and education are top on the minds of stakeholders. Jobs are seen as critical for poverty reduction and energy is seen as the top factor for economic growth in the DR. In FY13, respondents indicated that education (66 percent) would contribute most to poverty reduction in the DR, followed by sustained growth/less inequality (31 percent), lower corruption (25 percent), and more jobs (25 percent). Not all country surveys find that stakeholders see a key role for the Bank in areas that are top priorities, but in the DR, stakeholders report that the Bank should play a key role in the areas considered top development priorities: governance, education, energy and reducing corruption, indicating that the Bank has value to add to the most critical issues that the country is facing.

2. **How the World Bank operates in the country:** Stakeholders have very positive views of the way the Bank operates on the ground in the DR. Ratings are very high related to the way the World Bank collaborates with government and the respect with which it treats stakeholders. The lowest ratings (relatively but not absolutely low) are related to the Bank's speed, timeliness and flexibility. When asked how the Bank can be of greater value to the country, nearly half added that it should reduce the complexity of obtaining financing.

3. **Sectoral effectiveness:** While ratings are relatively high for a range of sectoral areas that the Bank is involved in, ratings in the DR are relatively low for a few top priority areas that include jobs (5.4 on a ten point scale) and anti-corruption (5.3 on a ten point scale). These ratings are much lower than those for investment climate (7.1), and a top development priority, public sector

[49] The World Bank - Dominican Republic: Country Survey, FY2013 - Report of Findings. March 2013

governance (6.9). While ratings are down from FY05 country survey findings in education, health and corruption, they are similar to the FY09 ratings (in FY05, a greater share of respondents came from ministries where opinion tends to be most positive, often related to higher familiarity).

4. **Interactions outside of government:** When asked how the Bank can be of greater value in the DR, 49 percent of respondents said the Bank should reach out more to groups outside government. While ratings for the Bank's effectiveness at engaging outside of government are not low, they are significantly lower than ratings of collaboration with the Government. Similarly, while ratings for the Bank's knowledge products are very high, they are lower for stakeholder involvement during their preparation. Respondents report that the greatest barrier to reform in the country is inadequate citizen participation (followed closely by political pressures and then inefficiencies of government). In sum, issues related to outreach and citizen participation warrant further consideration.

Stakeholder Consultations

Extensive consultations were held with civil society in five cities in the DR and with the Dominican Diaspora in New York during April 2013, as a key element in shaping the concept for the FY15-18 CPS. Once the concept had been developed, further consultations were held in Santo Domingo in June 2014 to reconfirm that the strategy is well aligned with citizens' priorities.

Methodology: In April 2013, five civil society consultations were held in different cities in the DR—Santo Domingo (capital), Dajabón (north-west), Barahona (south-west), La Romana (east), and Santiago (north)—as well as with the Dominican community in New York, in order to identify priorities and recommendations for the design of the new Country Partnership Strategy. More than 250 people in the DR and 27 in New York participated from a variety of civil society organizations representing women, youth and student organizations, businesses and business associations, handicapped persons, faith groups, academia, labor unions, as well as other non-government and local government actors. Approximately one-third of participants in the DR and half in New York were women. The consultations in the DR were facilitated by an independent consultant and an NGO, Progressio, while the consultations in New York were facilitated by the City University of New York's Dominican Studies Institute (CUNY's DSI).[50] The consultations focused on two questions:

(1) Given the framework set forth in the country's National Development Strategy, what are the main challenges and opportunities that the World Bank should prioritize in its support?
(2) How should the World Bank address these priority areas in order to support the State and Dominican society in achieving development goals?

Findings: The most important pillar of the END for civil society was social development, followed by productive development, institutional development and lastly sustainable development. Within this first pillar, education was identified as a core driver of social and

[50] Findings are reported in full in: (1) "Civil Society Consultations: Final Report" by María del Carmen Tomé Valiente, Consultant, June 2013; (2) "Final Report of the Consultations with the World Bank", CUNY Dominican Studies Institute, April 2013; and (3) "Consulta del CPS con Sophie Sirtaine", Laura Abreu, Consultant, June 2014.

economic change and for all development. Participants asked the Bank to help with school infrastructure, and better access, quality and market alignment of education. They stressed the need for more inclusive, efficient and better quality health and social security systems, with free and guaranteed primary care, as well as protection for children and youth, the elderly and those with disabilities. Protecting women's rights and eradicating gender-based violence through education/ awareness campaigns was also stressed.

Within the productive development pillar, the consultations stressed the need to support MSMEs, especially in agribusiness and small-scale local development that links producers to markets. They noted the need for investments in logistics infrastructure (warehouses, transportation, etc.), and a focus on product quality and higher value-added to complete in global markets. Jobs for youth were stressed, together with the urgency need for efficient and cost-effective energy/electricity services.

With regard to institutional development, the consultations highlighted the importance of an efficient and transparent public administration system. There was strong and widespread demand for anti-corruption measures that reduce political patronage and impunity, for example with regard to public employment, and that strengthen control mechanisms and institutions promoting accountability. CSOs also proposed deepening democracy through civic oversight and requested the continuation of IPAC and support for empowering and building civil society capacity for monitoring the major government/society pacts (education, electricity and fiscal reform).

With regard to sustainable development, participants supported more environment-friendly policy reforms, reforestation campaigns, renewable energy investments, recycling, and more responsible mining (and in one case, no mining). DRM was also highlighted given the vulnerability to disasters.

While fewer suggestions emerged on how the Bank should engage, participants worried about the government's capacity to properly spend funds provided by the Bank and other multilateral organizations. They suggested strict control over the use of loan proceeds and urged compliance with commitments and expected results to prevent funds being used for clientelistic purposes.

Some difference in areas of priority emerged by location. For example, in Santiago, the top priority was social development, i.e. equal rights and opportunities for all, education and health, eliminating gender violence (sexual abuse and feminicides) and lowering maternal mortality. In Dajabón, participants focused primarily on production: support for small agribusiness producers (TA, microcredit, training, etc.); job creation, especially for women and youth; and better quality health and education. In Barahona, the focus was also on productive development, followed by social sectors, especially education (ECD and youth training for jobs) and health. Citizen security and immigration issues were also cited as priority areas. In La Romana, institutional strengthening and social accountability emerged as priorities. In Santo Domingo, fighting corruption and impunity was seen as fundamental, together with fiscal reform, citizen engagement, judicial reform, energy sector reform and better quality education. In New York, fighting corruption, linking small producers to global markets and improving the quality of health and education were emphasized.

Gender-disaggregated data for consultations in Barahona, La Romana and Santo Domingo pointed to similar patterns for women as for men with regard to productive and sustainable development, with a larger difference in terms of the emphasis placed by women versus men on institutional and social development: women were more likely to stress the need to control corruption and men were more likely to stress the need for education and opportunities for youth.

These overall findings were ratified in consultations led by the Country Director in Santo Domingo in June 2014 with 15 business and civil society, academic and business organizations representing a wide range of civil society actors and interests. Participants welcomed the presentation of the CPS diagnostic and proposed program, and emphasized the need for fiscal reform, transparency and accountability, strengthening civil society, supporting SME development and job creation, and electricity reform. They welcomed the Bank's knowledge and convening support.

Overall, the CPS consultations confirmed the priority of the five core objectives of the proposed CPS, and of support in key areas like education, health, employment, public sector modernization and electricity reform. They also confirmed the important of knowledge and convening services as complements to the Bank Group's financing. The consultations genuinely guided the WBG strategy in that they not only ratified priorities discussed with Government, but led directly to the inclusion of support for strengthening agricultural value chains, which had not been considered prior to the consultations. Thus the CPS consultations were a valuable complement to the findings of the END, (which itself was based on extensive nation-wide consultations), in guiding the WBG's strategy.

ANNEX 9. PARTNERSHIPS

Donor coordination has grown in strength as a result of a number of initiatives. First, there has been close coordination among several donor partners around recent and on-going dialogue processes, including IPAC, IDEC and the CGF. Second, the Bank serves as coordinator for a monthly exchange of information among donor partners. Third, donor agencies have prepared a matrix of donor support aligned around the objectives of the END that identifies support by END objective, type of engagement, region, year and counterpart agency, among others. This has proven valuable to MEPYD and other GODR agencies and to donors themselves in harmonising and aligning support. Fourth, donor partners have gathered around key themes and sectors (see Table). Each group is led by donors that play a key role in the respective area. Each group is drawing up a matrix that builds a consensus on key challenges and policy recommendations for the sector as well as detailed disaggregation of donor support to ensure harmonized support. Finally, donors are supporting GODR's efforts to resume government-led donor coordination tables by sector, which had fallen into disuse. The overall aim is to achieve more transformative, pro-poor change through effective partnerships.

	DONOR GROUPS	AECID	AFD	Canada	EIB	EU	FAO	GIZ	IDB	IFC	IICA	IMF	IOM	JICA	OAS	PAHO/WHO	UNDP	UNFPA	UNHCR	UNICEF	UN-Women	USAID	WFP	World Bank
1	Governance & Public Admin.	o				o			o			o		o	o		o							*
2	Human Rights & Migration	o		o		o		o					o		*	o	*	o	o		o	o		
3	Citizen Security, Justice & GBV	*				o			o						o		*	o		o	o	*		
4	Social Protection	o				o			*						o		*	o		o	o			o
5	Health, Nutrition, WSS	*	o			o	o	o	o					o		*		o		o		o	o	o
6	Education	*	o			o			o						o					*		o	o	o
7	Competitiveness & Jobs (youth)	o				o			o	*					o		o	*						o
8	Energy				o			o	*	o		o		o			o							*
9	Urban Development	o	*													o						o		
10	Agricultural & Rural Devt.	o			o	o	*		o	o	*			o		o	o						o	o
11	Environment, DRM & Climate Change	*	o		o	o	o	*		o				o		o				o		o	o	o
12	Binational Themes	o		o		*	o	o	o					o		o		o				o		o

Note: * = group coordinator(s); o = group member

While the Bank coordinates with a wide range of donors, some partnerships have been especially important for the Bank's work in the DR. These include partnerships with: (1) the European Union and USAID notably on governance issues, with the Bank implementing grant resources from these partners and coordinating policy discussions in these areas closely with them; (2) the IMF, in relation to macroeconomic management and financial sector soundness; (3) the UN system in various human development areas; and (4) important bilateral donors such as France and Spain in selected areas of basic infrastructure. However, the most wide-ranging partnership by scope and volume is with the IDB, the largest multilateral donor in the DR, whose strategic objective is to promote growth that is compatible with the generation of quality jobs to enable a sustained reduction in poverty. The Bank and IDB are coordinating their strategies closely over the next four years and jointly supporting several areas, including the electricity sector, social protection, active labour market policies, education, and public financial management reforms.

ANNEX 10. THE CARIBBEAN GROWTH FORUM (CGF) IN THE DOMINICAN REPUBLIC

The Dominican Republic Chapter of the CGF was launched in November 2012 under the coordination of the Minister of Economy, Planning and Development during an event with the participation of more than 170 participants from public, private and civil society sector. Other Government institutions involved are: Ministry of Industry and Commerce, National Competitiveness Council and the Ministry of the Presidency. Other donors involved included: the Inter-American Development Bank, the IFC, the European Union, the Canadian International Development Agency, the French Agency for Development, the Spanish Agency for International Cooperation, the German Embassy, the United States Agency for International Development and the Food and Agriculture Organization of the United Nations.

Following the launch, three working groups (Logistics and Connectivity; Investment Climate; Skills and Productivity) elaborated priority actions papers, that were delivered to the MEPYD on December 20, 2012 and subsequently placed on-line[51] for open consultation for one month. Over 700 representatives of the private sector and civil society provided feedback. The final version was posted online on February 11, 2013. The three working groups prioritized in total 14 objectives and 77 concrete actions. About 300 people participated in the elaboration of the action papers, of which 44 percent were from the public sector, 43 percent from the private sector and 13 percent from the civil society, academia and cooperation agencies.

Key reforms implemented during the first six months of the process include:

- ***Investment Climate:*** Presidential Decree 164-13 that stimulates the participation of SMEs in public procurement; development of the procurement e-portal and the creation of social oversight commissions for public procurement; the Superintendent of Securities has started developing the "Draft Law on the Securities Market 19-00"; legal reforms of the Customs Act, Law 28-01, the Company Law, the Bankruptcy Law, the Reciprocal Guarantees Act, the Factoring and Leasing Act, the Secured Transactions Law and the Law for the restructuring of the Ministry of Industry, Trade and SMEs; launching of the "Formalizate.gob.do" one-stop shop by the Vice-Ministry of SMEs to facilitate registration of new businesses in the National Office for Intellectual Property, the Chamber of Trade and Production and the General Directorate for Tax Administration; approval of a law to allow the placement of a new financing instrument for SMEs, the "Closed Fund for Business Development", and the establishment of a Guarantee Fund and a Fund for Financing SMEs with support from the Government.
- ***Logistics and Connectivity:*** development of the plan for the improvement of cross-border trade with Haiti; development of a Master Plan for Logistics to position the country as a regional hub; measures to reduce informality at the border with Haiti and the launching of the Electricity Pact process; a National and Regional Observatory on Freight and Logistics; improvement of the connectivity plans to improve access to the ports of Caucedo and Puerto Plata by means of developing ring-roads around Santo Domingo and Santiago.

[51] www.crecimientord.com

- ***Skills and Productivity:*** The Ministry of Industry and Commerce has initiated large capacity building programs for SMEs and public officials on quality control, occupation health and safety, and management; measures promoting SMEs' access to public procurement for the provision of goods and services at both central and municipal levels.

In addition the CGF has led to the signature of an inter-ministerial agreement for the coordination of policies aiming to improve the investment climate and to the establishment of an independent Observatory composed of more than 15 organizations from private sector, academia and civil society to monitor the implementation of the reforms in the months to come, showing that coordination and accountability are centerpiece of this administration.

ANNEX 11. GENDER NOTE

Gender equality in the Dominican Republic has improved in the last decades along several dimensions such as education, health, and female political representation and the policy and legal framework and institutions have also advanced towards ensuring equal rights and opportunities for men and women. However, there are still many challenges, particularly for women, in obtaining sufficient levels of autonomy, participating actively as citizens and accessing a range of human development opportunities.

<u>Legal and Institutional Framework:</u> The Dominican Republic has adopted and committed to a number of international treatises, passed national legislation, and created policies and institutions, that aim to reduce inequality among men and women. The country's *Constitution*, revised in 2010, contains ample mention of gender equality and women's rights and the state's responsibility in ensuring these. Nevertheless, Article 37 which outlaws abortion under any circumstances is viewed by many as a limitation on women fully exercising their sexual and reproductive rights. The *National Development Strategy 2010-2030 Law* includes the gender perspective as one of its cross-cutting pillars. The *Municipal Law* establishes a mandatory 4 percent of local government budgets destined to fund gender-focused activities (although rarely enforced). The Ministry of Women's Affairs was created in 1999 and now has 52 provincial and municipal law and a presidential decree instructed all state agencies and ministries to create an internal Office for Gender Equality and Development. Despite these institutional strides, the budget assigned to the Ministry is one of the lowest in all of the Government which significantly constrains its operations.

<u>Poverty and Gender:</u> Several different sources indicate that women are generally poorer than men in the Dominican Republic. CEPAL, a research center for Latin American studies, has published studies that show that despite sustained economic growth, female poverty rates exceed regional averages, even more so in rural areas. It also notes a strong correlation between women-headed households and poverty. The Social Protection Unique Beneficiary System's database contains 840,817 poor households, 65 percent of which are headed by women. The level of autonomy for women, as measured by disposing of personal income, is an indicator that reflects the difficulties and barriers faced by women to earn income through labor market activities, access to property or credit, etc. In 2010, 14 percent of men aged 15 years or older had no personal income, whereas the percentage rises to 32.6 percent for women in this segment of the population.

<u>Access and Quality of Social Services:</u> The National Office for Statistics (ONE) estimates that 13 percent of the population in 2010 did not read or write. This and many other indicators point to the dire situation for **education** in the Dominican Republic. When seen from a gender perspective, the data show there is a gender gap in favor of women in this area. More women than men enroll in the educational system at all levels, and the tendency reveals that the gap widens as the level of education rises. Studies show that 62 percent of university enrolment is female, while they remain a minority in vocational/technical institutes. This denotes occupational segregation by gender which responds to cultural prejudices and stereotypes in terms of which careers are traditionally suitable for men or women. In many cases, women study careers that are socially less valued and with lower remuneration. Although the State looks to address these issues in National Education Ten-Year Plan which establishes gender equality as one of the main

values to be instilled in the pre-primary, primary and secondary school system, gender matters were not taken into account in its Higher Education Ten-Year Plan.

Investment in the **health** sectors has also been traditionally low in the Dominican Republic. Of notable progress in the last decade was the new Social Security System in which public health insurance coverage increased from 7.2 percent in 2003 to 53.3 percent of the population in 2013. The main patterns of causes of death have been changing as the country transitions from the prevalence of transmittable diseases to non-transmittable. The main causes of death for women are circulatory system related (39.9 percent), tumors/growths (16.1 percent), transmittable diseases (9 percent) or other (7 percent).

Basic **health** indicators such as maternal and child mortality as well as child malnutrition have shown limited improvement and will fall short of the Millennium Development targets. High maternal and child mortality persist despite high coverage of prenatal care (94.5 percent of pregnant women attend at least four medical visits), and a high percentage of births in health centers and with medical assistance (95 percent). This can be partly explained by the low quality of services, where two-thirds of deaths are directly caused by obstetrics (toxemia, hemorrhage, etc.) The overall panorama is worsened when one considers that women do not have the option to abort and have very little access to contraceptives and family planning services. An additional factor to note is the high levels of adolescent pregnancies. Overall rates of fertility have slightly decreased from 2.7 children per mother in 2008 to 2.5 children in 2011, still above the regional average (2.37), and the fertility rate for adolescents is alarmingly high at 106.8 births for every 1,000 women aged between 15 and 19 in 2010, more than twice the regional average.

<u>Labor and Employment:</u> The Dominican labor market is characterized by persistent gender inequality with significant differences in the level of participation, access, occupational segregation, salary inequality and the absence of measures that address the need for women to reconcile their family and work lives. The percentage of global participation in the labor force is 65 percent for men and 48.8 percent for women. That being said, the female economically active population has slightly increased due to several factors: economic growth, lower fertility rates, higher schooling rates, new cultural patterns of inclusion, and the need for two household incomes to cope with inflation and declining real wages, among others.

The unemployment rate for women is twice that of men (over 20 percent). A condition that is worse in the young population where young women are particularly vulnerable despite receiving more school than their male peers – this may be attributable to the economy's deficiency in the creation of new jobs to absorb the economically active population.

An important occupational segregation exists – women are employed mainly in services (community and social services, health and education, and hospitality) whereas men participate for the most part in commerce, agriculture, manufactures, transportation and communication. Both men and women are increasingly working in the informal sectors (60.3 percent of men and 50.8 percent of women in 2011) where they have little job security or access to social protection.

<u>Gender-based Violence</u>

Gender-based violence is one of the main human rights violation issues in the Dominican Republic which affects primarily women. This phenomenon is not only a public health issue and barrier to human development, but also one of the main causes of death for women aged 15-49. The National Household Survey (ENDESA 2007) revealed that 1 out of every 5 women older than 15 years of age had been a victim of physical violence at some time, and the risks of suffering physical or sexual violence are higher during childhood and adolescence – most women reported being raped for the first time when they were between 15 and 19 years old. Women who have had fewer economic and educational opportunities and women who are employed tend to be more prone to gender-based violence. In 2012, 196 cases of feminicides were reported, occurring mainly in urban areas (Santiago, La Vega, Santo Domingo, San Cristobal), 65 percent of which were murders with firearms or bladed weapons.

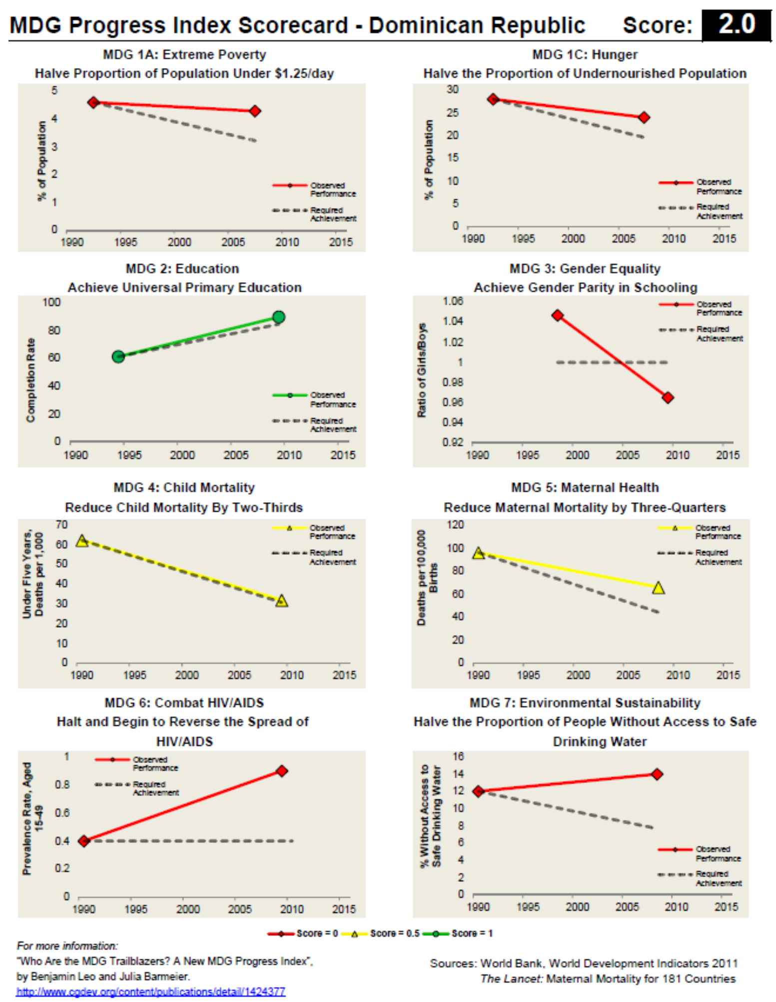
The Attorney General reported 72,199 reports of gender-based violence in its Special units for Violence Against Women. However, the judicial system does not have the requisite capacity and structure in order to attend to all reports in an efficient and timely manner. In 2012, a bill was presented to Congress for the prevention, attention to, sanctioning and eradication of violence against women but has yet to be passed.

Political Participation and Representation

Female participation in the country's political system has increased somewhat. In the Congress as well as local governments, the Dominican Republic has a quota system that establishes minimum numbers of female candidates (33 percent) – which has yet to be met. The number of women in the Chamber of Deputies has increased but still low at 20.8 percent, whereas in the Senate, female participation has been even lower with 3 out of 32 positions. The resulting overall percentage of participation in the legislative branch falls below the 33 percent established by law and the regional average of 23 percent (2011). At the local level, participation is even lower with only 7 percent of municipal governments headed by women, below the regional average of 10 percent. Out of 21 national ministries, only 3 are led by women and are usually related to socially assigned roles (education, women's affairs) although recently the Minister of Labor witnessed the appointment of a female leader. Within the Executive Branch, it is important to mention that Vice President and director of the Social Cabinet which manages all of the executive branch's social programs is a woman. The judicial branch participation shows improvement with the proportion of women judges increasing from 36.8 percent in 1999 to 50 percent in 2010.

ANNEX 12. MILLENNIUM DEVELOPMENT GOALS (MDGS) IN THE DOMINICAN REPUBLIC

There has been progress towards the Millennium Development Goals (MDGs) but challenges remain especially with regards to poverty, health and gender. The DR has achieved MDG2 with universal access to primary education. Good progress has also been made with regards to MDG4 as child mortality reduced by nearly two thirds between 1990 and 2013 from 60 to 27 per 1,000 births. The objective of reducing the share of the population without access to safe water and sanitation by half is assessed as having been met well ahead of the 2015 deadline. On MDG7, the country's forest cover is estimated to have risen by almost 7 percentage points to 39.7 percent during 2003-11, although deforestation in Haiti and a growing cross-border charcoal trade represent challenges for this indicator. Further, good progress was made on MDG8, notably with regard to expanding cellphone and internet coverage (to 90 and 40 percent, respectively, by 2010). However, decrease in poverty has been insufficient to reach the target (MDG1), while the DR is also lagging behind on health and gender MDGs. Between 1990 and 2012, maternal mortality rate (MMR) estimates decreased from 220 to 150 per 100,000 live births but remain much higher than countries with similar or lower incomes (an average of 80 in LCR in 2010). Ministry of Health audits point to deficiencies in services as the leading cause of maternal mortality. On MDG6, both tuberculosis (TB) incidence and HIV prevalence in the 15-49 age group decreased to 62 and 0.7 respectively in 2012. Cholera, which broke out in the DR following the outbreak in Haiti in 2011, decreased significantly from 20,851 in 2011 to 7,919 in 2012 and the cholera mortality rate dropped from 3.46 in 2011 to 0.67/100,000 inhabitants in 2012. Non-communicable diseases (NCDs) have emerged now emerged as the leading causes of death.[52] Controlling dengue and malaria, and more recently chikungunya, remain important challenges for the DR.



[52] MOH and PAHO/WHO, 2013. Basic Indicators of Health: DR.

ANNEX 13. DOMINICAN REPUBLIC: COUNTRY PARTNERSHIP STRATEGY (CPS) FY10-13 COMPLETION REPORT

Date of CPS: August 12, 2009

Date of Progress Report: December 21, 2011

Period Covered by the CPS Completion Report: July 2009 – June 2013

CPS Completion Report prepared by: Horacio Alvarez, Consultant

Under the guidance of: McDonald Benjamin, Country Manager

With contributions from members of the Dominican Republic Country Team

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Annex Tables

I. Introduction

1. The Country Partnership Strategy Completion Report (CPSCR) assesses the joint IBRD/IFC's assistance program in Dominican Republic (DR) over the period July 1, 2009 to June 30, 2013.[53] Specifically, the report briefly describes progress on country outcomes and the Bank's contributions to these, evaluates the achievements of CPS program outcomes, assesses World Bank Group performance in terms of the design and implementation of the program and draws lessons and recommendations for the preparation of the upcoming CPS (FY15-FY18).

2. This CPSCR concludes that overall progress towards achieving CPS outcomes was *Moderately Satisfactory*. Of the four Strategic Objectives (or pillars) under the CPS, three were rated Satisfactory or Moderately Satisfactory, while the fourth was rated Unsatisfactory, and the majority of the fifteen CPS outcomes were either achieved (six) or mostly achieved (two), while five outcomes were partially achieved and two outcomes were not achieved. Bank performance in designing and managing the implementation of the CPS program is rated as ***Good***. Moreover, during the CPS period, the World Bank Group supported the successful piloting of a range of initiatives that generated notable results for the citizens reached and are setting the strategic direction for lasting institutional transformations and changes in behaviors in such areas as social protection, primary healthcare services, reducing electricity distribution losses, civic engagement, and deepening access to finance. Activities under this CPS have thus set important foundations for future advances that are not fully captured in the results measured for this CPS period.

II. Country Level Development Objectives

3. At the start of the CPS Period in 2009, following strong growth in the previous two decades, the DR faced important challenges that threatened the prospects for continued rapid progress.[54] The main sources of vulnerability included a difficult fiscal situation worsened by the global economic financial crisis; high levels of poverty and inequality and limited capacity to implement counter-cyclical social policies; and competitiveness challenges due to a great extent to an inefficient energy sector and low skills levels. Moreover, the limited ability of public institutions to produce demonstrable results was leading to low and declining trust in Government.

4. In this context, the Government prepared the Dominican Republic's National Development Strategy (END). The Bank played an important role in this process, providing TA in the definition of objectives and indicators, benchmarking information and international best practices.

5. Important advances towards reaching the country's development objectives have been achieved since the early start of END implementation.[55] A national dialogue on corruption

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[53] The FY10-13 CPS was discussed by the Board of Executive Directors in September 2009 and revised in the CPS Progress Report, dated December 21, 2011.

[54] See the Dominican Republic – Country Partnership Strategy FY10-13. Report No. R2009-0208, 25th August, 2009.

[55] The information here draws on the Ministry of Economy, Planning and Development's (MEPyD's) "Progress Report on the Implementation of the National Development Strategy 2030 in the Dominican Republic".

under the Participatory Anti-Corruption Initiative (IPAC) was put in place and a range of follow-on actions such as a Citizen's Portal for budget transparency, helped improve the Open Budget Index for the DR. The system for procurement of medicines by the National Health System strengthened transparency and cost efficiency thus generating significant savings and quality improvements. The coverage, targeting and conditioning of social safety net transfers was strengthened and the coverage of Subsidized National Health Insurance was expanded to provide better safety nets for the poor and vulnerable. A National Pact for Education and the expansion of Early Childhood Development programs is focusing on improving quality of education and education outcomes. Some of the Bank's contributions to achieving progress on the client's development objectives are described in the next section together with progress against CPS outcomes and Strategic Objectives.

III. CPS Program Performance

6. **The WBG CPS was closely aligned with the END.** While the END covers four pillars with 19 general objectives, 57 specific objectives and 90 key performance indicators, the WBG's CPS focused on supporting a selected set of the Government's agenda. Under the END's pillar of institutional development, the objectives that the WBG's CPS sought to support accountability and efficiency of public resource utilization, and participatory policy formulation. Under the END's social development pillar, the CPS sought to support access to quality health services, access to better quality education, protecting the country's vulnerable population and strengthening the capacity of local governments. Under the productive development pillar of the END, the Bank Group's CPS sought to support the objectives of improving competitiveness and putting in place basic infrastructure for a better business enabling environment. Finally, under the sustainable development pillar, the WBG focused on improving the capacity for disaster risk management.

7. **The combination of financial, knowledge and convening services brought to bear by the World Bank Group contributed to significant results for citizens and successfully piloted a range of initiatives that set the strategic direction for lasting institutional transformations.** These include the successful implementation of results-based financing for primary health care, shifting the Bank's support e.g. from purchasing vaccines to ensuring that children are vaccinated according to quality protocols, thus realigning incentives towards quality and results, and Government is expanding this methodology throughout the health care system. Similarly, the successful implementation of social compacts with citizens in poor neighborhoods to reduce electricity losses by rewarding high electricity cost recovery with 24 hour service has proven extremely successful in the project areas supported by the Bank, and the electricity utilities are expanding this approach across the networks with multi-donor support. The significant expansion in coverage, targeting and conditioning of cash transfers under the social safety net to over 90 percent of the extreme poor identified in the targeting database, has enabled the government to achieve significant reductions in vulnerability of the poor at a low cost (0.5 percent of GDP), and poverty rates barely rose following the 2008-09 global crisis, when compared to the earlier financial crisis in the DR. The Participatory Anti-Corruption Initiative brought together public, private and civil society actors to address the perceptions of weakening controls of corruption and to prioritize actions to strengthen governance and transparency. Its model of citizen engagement and oversight of agreements to ensure they were indeed fulfilled spurred a successful approach that was subsequently adopted in the education sector through the Dominican Initiative for Quality Education (IDEC) and in the broader

Caribbean through the Caribbean Growth Forum (CGF). Finally, IFC's trailblazing local currency Taino Bond issue not only contributed to a far broader set of investments by IFC that has greatly increased the number of poor in the DR with access to finance, but also spurred the creation of a brand new market for five year fixed term SME and housing loans, thereby greatly reducing risks for borrowers.

8. The overarching objective of the FY10-13 CPS was to support the country in reducing its vulnerability to internal and external factors while producing results for its citizens. The strategy sought to "give special emphasis to protecting the poor while enhancing competitiveness and strengthening public institutions for performance accountability in the country." The CPS had four Strategic Objectives: (i) strengthen social cohesion and improve access to and the quality of social services; (ii) promote competitiveness in a sustainable and resilient economic environment; (iii) enhance the quality of public expenditures and institutional development; and (iv) build capacity and constituencies for reform. Achievements were uneven across the Strategic Objectives: the first objective, which received the vast majority of the FY10-13 lending program, was the most successful and was rated satisfactory, with the majority of its outcomes achieved. The second Strategic Objective was the least successful with various outcomes partially achieved or not achieved. The third and fourth Strategic Objectives saw moderately satisfactory progress towards achievement of related outcomes. Overall out of a total of fifteen CPS outcomes, six were achieved, two were mostly achieved, five were partially achieved, and two were not achieved. Overall, the CPS performance is rated of ***Moderately Satisfactory***.

Table 1: Summary of CPS Outcome Ratings by Strategic Objective

Strategic Objectives	Achieved	Mostly Achieved	Partially Achieved	Not Achieved	Total	Overall Rating
!. Strengthen social cohesion and improve access to and the quality of social services	3	1			4	S
2. Promote competitiveness in a sustainable and resilient economic environment	1		2	2	5	U
3. Enhance the quality of public expenditures and institutional development	1		2		3	MS
4. Build capacity and constituencies for reform	1	1	1		3	MS
Total	6	2	5	2	15	MS

Strategic Objective 1: Strengthen Social Cohesion and Improve Social Services; Rating: *Satisfactory*

9. The first Strategic Objective of the FY10-FY13 Country Partnership Strategy focused on strengthening social cohesion and improving access to and quality of social services. It placed greater emphasis on the social sectors than the previous CPS had, so as to protect vulnerable segments of the population in light of the global crisis. A combination of lending programs supported the achievement of results under this objective. These included a new programmatic DPL series for the social sectors (Performance and Accountability of Social Sectors – PASS 1, 2 &3), a Public Finance and Social Sector DPL, Additional Financing to the Social Sectors Investment Program (PIPS), the Second Phase of the Health Sector Reform APL (PARSS2), as well as the ongoing Early Childhood Education and Youth Development SILs. The Bank complemented this with a Programmatic Social Sector NLTA throughout the CPS period to support the social sector reform agenda, together with other services such as the CCT (*Solidaridad*) Impact Assessment. IFC investments in health, education and access to finance yielded results that complemented those achieved via Bank engagements. Overall, three of four CPS outcomes under this Strategic Objective were achieved, while the fourth was mostly achieved, leading to an overall rating of Satisfactory for this Strategic Objective.

10. Outcome 1: Improved quality of mother and child healthcare services, was *mostly achieved*. This reflects that two of the three indicators were surpassed or mostly achieved, while the third was not achieved, although it is on track for 2015. During the CPS period, the number of pregnant women in Regions VI and VIII of the DR with a risk evaluation completed before the 15th week of pregnancy, based on national protocols, rose from 0.43 percent to 18.8 percent, more than half way towards a target of 30 percent, and progress continues to be made following the CPS period. The share of children under 15 months of age with completed vaccination scheme required by national protocols rose from a baseline of 0 percent to 46.7 percent by 2013, versus a target of 40 percent. Moreover, since there are many doctors who still do not systematically register data in the Clinical Management System (CMS), the real increases are believed to be underestimated.[56] Regional Health Service Centers in two pilot regions assisted by the Bank did produce significantly higher registrations of CMS data compared to other regions, but as yet no region is producing monthly reports using the Single Management System of Medicines and Inputs (SUGEMI), so this indicator was not achieved as of the end of the CPS period. However, the system has been designed and the Health Reform APL 2 targets these reports to be generated using the SUGEMI as of 2015. The maternal health and vaccination results were obtained via a results based financing mechanism designed under the Bank's APL2 that has created incentives for better behaviors among primary healthcare services by linking transfers to results and to quality (through compliance with protocols). Indeed, Government plans to extend this methodology to eight regions of the country with Bank and IDB support, and has requested Bank support under the new CPS to introduce the methodology to the hospital system. In addition to the above targeted outcomes, IFC investments in *Hospiten* hospitals translated into services for over 130,000 patients (of which 80,225 were women) and support for 452 jobs, 76 percent of which (345 jobs) were held by women.

11. Outcome 2: Increased access to and quality of education, was *achieved*. The Early Childhood Development project, together with the PASS DPL Series and Programmatic Social Sector NLTA supported GODR in achieving noticeable advances towards country development goals in this area. Verification under the CCT program shows that enrollment rates among children of beneficiary families reached 96 percent in 2012 for children in primary education (surpassing the original target of 85 percent), although enrollment for CCT-beneficiaries' children in secondary education was reportedly lower at 32 percent in 2012 than the 42 percent

[56] Targets for these two indicators were revised with the establishment in 2011 (after the CPS was launched) of the Clinical Management System used to gather the data, and aligned with targets set in the Health Reform APL 2.

rate in 2009, possibly due to challenges of data comparability around this indicator. The verification also demonstrated that attendance rates for beneficiary children enrolled in primary school reached 94.2 percent in 2012, up from 93.7 percent in 2009, while attendance for CCT beneficiary children enrolled in secondary education rose from 87.1 percent in 2009 to 93.5 percent in 2012. Furthermore, early childhood education enrollment rates of the poorest 5-year-olds increased from 51 percent to 71.3 percent for the lowest quintiles, exceeding the 69 percent target.[57] The ECD project built and furnished classrooms and provided learning materials, earning support from parents who were more willing to enroll their children due to the improvements. The Bank also supported the introduction of new student evaluation standards for: pre-primary education (ECD), the first cycle of Basic Education, the second cycle of basic education and secondary education. The Bank, along with other donors, supported the *Iniciativa Dominicana para una Educación de Calidad* (IDEC), a dialogue among Government, private and civil society actors to prioritize and monitor actions to improve the quality of education with the increased funding available (4 percent of GDP), that was an essential precursor to the very successful conclusion of a National Pact for Education, for which the Bank provided technical support. IFC support complemented these results via a $20 million investment to support private university outreach to mid/low-income families via *Universidad OM*.

12. Outcome 3: improved coverage and quality of social protection programs, was *achieved*. Again through a mix of instruments that included the PIPS, PASS DPLs, and the Programmatic Social Sectors NLTA, the Bank supported the Government in achieving the country development goal of protecting the country's vulnerable population through a major increase in the percentage of households in extreme poverty covered by Conditional Cash Transfer (CCT) programs. These increased from 51 percent in 2009 to 91 percent in 2011, surpassing the target of 85 percent. The number of households receiving conditional cash transfers more than doubled from 228,052 in 2005 to 622,537 in December 2011. Another benefit, for which no targets were set in the CPS, but represents a good indicator of strengthened social protection programs is that the share of transfers that were conditioned rose to 70 percent during this period. The projects furthermore contributed to quality improvements in the CCT programs by, for example, updating the country's national targeting system (SIUBEN) and broadening its coverage to transfers beyond *Solidaridad*. The program also helped to provide national identity documents to 201,000 people by 2013, which has given them access not only to social programs but to a wide range of opportunities, such as the ability to avoid restrictions to education for their children, to register marriages and property and to access formal financial services. Finally, beneficiary assessments (which previously did not exist) were conducted through scorecards and customer satisfaction studies to assess the quality of attention and service of the CCT programs. They reveal that *Solidaridad* beneficiaries are mostly satisfied or very satisfied with health services, education benefits, the welfare service provider network, CCT service personnel and community liaisons. Looking forward, CCT program funding has been ensured as social protection planning was included in the approved Multi-Annual National Public Investment Plan 2011-2014, and transfers have been in line with budgeted amounts

[57] The target was lowered from 86 percent to 69 percent in a formal 2010 restructuring of the ECD project in light of dramatic increases in the cost of construction materials (cf. ICR Report No. ICR00002039). The 20 percentage point increase in ECD enrollment still represents a significant increase in opportunities for the poorest 5-year-olds.

13. IFC contributed via the development of private sector solutions for the poor. In response to the global crisis, IFC focused on serving underserved market segments via financial inclusion ("including the excluded") for microenterprises and SMEs, women in rural areas, and mortgages for low income households to enable them to increase incomes, smoothen consumption and upgrade their living conditions. Through its support to ADOPEM, IFC financing and Advisory Services supported close to 200,000 loans for over $100 million and the opening of over $14 million in savings accounts primarily for low-income people, 80 percent of whom are women. At end-2012, IFC's clients Banco BHD and Adopem had a total of 409,000 MSME loans outstanding worth $619 million. Moreover, to broaden its impact on MSMEs and low income housing finance, IFC applied innovative instruments in the DR, such as the IFC Capitalization Fund – managed by the IFC Asset Management Company (US$25 million for MSMEs with BHD), and the Taino Bond.[58] IFC issued the Taino Bond in December 2012 for RD$390 million (around $10 million), with proceeds directly on-lent to local financial intermediaries (La Nacional and FONDESA), thereby expanding access to long term finance for micro, small, and medium enterprises and creating an unprecedented five-year fixed rate mortgage for low income households in the DR. The Government is now looking to microfinance, entrepreneurship support and housing support as key elements of a strategy to graduate poor people out of safety nets to economic self-reliance, and has requested WBG support in this area.

14. Outcome 4: improved the employability of poor at-risk youth was *achieved*. In this respect, the Youth Development Project, trained 35,800 youths (exceeding the project's targets) through the Ministry of Labor's youth training program "*Juventud y Empleo*" in both life skills and technical skills, with training linked to internships. Via this project, tThe Ministry of Labor also created a pilot temporary employment program "*Santiago Trabaja*", which reached 4,335, exceeding the target of 4,000 beneficiaries. Additionally, INFOTEP, the National Institute for Technical and Vocational Training, successfully delivered 400 learning courses for at-risk youth. Moreover, the final impact assessment indicates that at least 65 percent of beneficiaries are employed or self-employed 6 months after graduation exceeding the target for the indicator; a (a follow-up survey showed that 71.8 percent of the 2008-09 cohort was employed,[59] so the outcome is considered as having been ***achieved***.

Strategic Objective 2: Promote Competitiveness in a Sustainable and Resilient Economic Environment; Rating: *Unsatisfactory*

15. The CPS' second Strategic Objective aimed to promote competitiveness in a sustainable and resilient economic environment. The World Bank and IFC supported this Strategic Objective with a blend of lending and non-lending support. The Bank's lending program included an Electricity Distribution and Rehabilitation SIL, a Power Sector Technical Assistance Loan (TAL), an Emergency Recovery and Disaster Management Loan, a Water and Sanitation in Tourist Areas APL, an Energy Sector TAL and a Financial Sector TAL. In addition, the Bank delivered a host of non-lending services including the Treasury's Country Banking Services, a Dominican Republic-Haiti Quisqueya Growth and Poverty report, support for DR Living Standards Measurement and for the DR National Strategy for the Development of Statistics, a

[58] This was the first domestic placement by an international triple-A rated issuer in the DR.

[59] See ICR Report No. ICR00002860, December 2013.

Poverty and Inequality NLTA and DR Index Insurance Regulatory and Policy Capacity Building, and Policy Notes. IFC contributed to this strategic objective via its investments in energy (including investments in the *Línea Clave* natural gas distributor and a Sustainable Energy credit line for *Banco BHD*); tourism and trade (expansion of the Punta Cana airport and Caucedo Port, and a trade finance credit line for *Banco León*) and telecommunications (expansion of WIND Telecom). The Multilateral International Guarantee Agency (MIGA) also supported the country's competitiveness by continuing to provide political risk insurance guarantees for the Santo Domingo - Samaná toll road. Overall, since the majority of CPS outcomes under this Strategic Objective were partially achieved or not achieved, this Strategic Outcome is rated as ***Unsatisfactory.***

16. Outcome 1: A broader information base (data and facts) for informed policy decisions in the areas of macro-financial stability, competitiveness and economic relations with Haiti, was *Achieved.* The Bank supported the National Statistical Office (ONE) in producing a National Strategy for the Development of Statistics that allows ONE to assess the availability and utilization of data, harmonize and better integrate the data, identify deficient critical areas that are fundamental to track the progress towards the goals in the National Development Strategy, and link the production of data with evidence-based policy making. ONE has greatly valued the capacity building and strategic support that is shaping its activities and has requested continuing support from the Bank under the new CPS. A key result in this CPS period was achieved through the TA that enabled the DR's Poverty Committee to build consensus around and establish the new official poverty measurement methodology for the DR that is now used by the country. The Treasury's Country Banking Services have also helped enhance the Central Bank's investment capabilities for the management of foreign exchange reserves, which contributes to country development goals of reducing risks and achieving greater economic stability. In the same vein, the TA provided through the Financial Sector TA Loan served to strengthen prudential regulation and supervision of the banking system, contributing to greater financial stability. Other key Bank products that have expanded the Government's information base for policy making include two sets of Policy Notes in 2010 and 2013; an analysis of public expenditures conducted jointly with the Ministry of Economy, an Equity Assessment that was finalized in 2013 and disseminated early in 2014, generating extensive public debates on how to reduce poverty; e-conferences on Free Trade Agreements; Index Insurance Regulatory and Policy Capacity Building for the development of index-based insurance, and a Country Economic Memorandum (CEM) entitled the DR-Haiti Quisqueya Growth and Poverty Report, analyzing the foreign trade and migration linkages in the island. Therefore, while no indicator with baseline or target values was assigned to this outcome, it is considered ***achieved*** given the important progress made on broadening the information base for informed policy decisions.

17. Outcomes 2 and 3: Improved management of the water and sanitation sector and better performance of selected water and sanitation corporations, were *not achieved*. The Water and Sanitation in Tourist Areas Project has accompanied the Government in establishing a National Water Council and in designing the Water and Sanitation Strategy as well as drafting the Water Law. Approval of the draft law has, however, been delayed by intense debates given its sensitivity and the embedded institutional reforms, and therefore the Water and Sanitation Strategy remains to be adopted. Thus far, only one of the three utilities has a draft of a business and modernization plan modernization; the local water and sanitation corporations (CORAAs) have yet to sign the envisaged business performance agreements. However, with continuing

Bank project support, progress in institutional development is beginning to gather momentum, notably via capacity building to strengthen performance.

18. Outcome 4: Increased efficiency in power distribution and quality of electricity service, has been *partly achieved*. Large improvements in the Cost Recovery Index (CRI) from 53 percent to 67 percent for the largest of the three electricity distribution companies (EdeSur) outweigh the slight decreases in CRIs for EdeNorte and EdeEste, but overall progress on this efficiency indicator still fall short of the 75 percent target envisaged in the CPS. It should be noted that (a) improved data management and cleaning of databases meant the data used to measure performance were more reliable than the data used to generate the baseline in 2010, and (b) the CRI targets are system-wide, and that within the project areas supported directly by the Bank project, affecting around 5 percent of customers, significantly larger improvements were achieved in reducing distribution losses.[60] Better progress was also made with regard to the quality of electrical service, as measured by the Average Service Availability Index (ASAI), which reached or exceeded targets for all three companies, with hours of available electricity rising from a baseline of 73-75 percent to 74-92 percent, depending on the utility, although this project-level indicator of quality of service was not included in the CPS results matrix. There has been an improvement in Bank support to the sector, with the recently closed Electricity Distribution Rehabilitation Project rated as Moderately Satisfactory compared to the Unsatisfactory rating for the earlier Power Sector TAL. On the IFC side, financing for the energy sector, including for the compressed natural gas distributor Linea Clave, and for a $20 million Sustainable Energy credit line to *Banco BHD*, have emphasized energy efficiency and addressing climate change issues by helping small industries convert from heavy fuel oil to natural gas. This in turn has decreased vulnerability to international oil prices, reduced carbon emissions and generated financial savings, improving the DR's competitiveness.

19. Outcome 5: Mainstreaming disaster risk management (DRM) into the Ministry of Economy, Planning and Development, was *partially achieved*. It was supported by the Emergency Recovery Loan (ERL) and Additional Financing, as well as non-lending TA in the areas of Adaptation to Climate Change and Disaster Risk Management as well as Avian Influenza Prevention. Significant delays in the program implementation resulted in only partial achievement of outcomes within the CPS period, although progress has accelerated more recently under the ERL and NLTA and outcomes should be achieved within the new CPS period. With Bank TA, the DRM law was revised and is currently being considered by Congress. GODR has opted for a Territorial Planning Information System with a DRM focus instead of a National Integrated Information System for DRM, and it has defined actors and institutional roles for the system and prepared specifications for the technical design of the system. GODR has also explored risk financing alternatives, engaged IDB support for risk financing and is evaluating entry into the Caribbean Climate Risk Insurance Facility. In terms of investment planning for resilience, Bank-supported rehabilitation of over 12,000 hectares of

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[60] For example, in the Cristo Rey neighborhood of Santo Domingo, commercial distribution losses were reduced with the project from over 70 percent to less than 20 percent and 24-hour electricity service is provided, leading neighboring areas to request to be included in the Bank-supported project. An indicator for distribution losses originally included in the FY10-13 CPS was dropped as it was not included in the Electricity Distribution Project, due to questions of reliability of the data at the time, and since it distribution losses are reflected in the CRI.

irrigation already exceed project targets, with another 10,000 hectares planned, all with a more disaster resilient investment design than was in place before. Dam safety has improved through rehabilitation works and the establishment of dam safety management rules for two main dams. Due to implementation delays, the upgrading of hydro-meteorological weather observation is only now being procured. However, the Avian Influenza Prevention NLTA successfully establish early warning systems, reducing reporting times of poultry diseases at the local level from 7 days to one day, far better than the target of 4 days.

20. Beyond the above outcomes, IFC investments have provided important additional support for strengthening competitiveness. With $20 million in financing for the expansion of the Punta Cana airport (serving 2.5 million passengers in 2013, and with its expanded capacity now beginning to serve as a logistical hub for trade in perishable cargo from South and Central America to Europe), $17.5 million for the expansion of the Caucedo port (now handling over 1 million TEU containers, and designed to handle post-Panamax cargo shipping), and a $5 million trade finance credit line to *Banco León*, IFC has continued supporting major improvements to the country's competitiveness in the tourism and trade areas. IFC has also promoted increased competition in telecommunications with its support for the expansion of WIND Telecom (US$16 million subordinated debt plus US$12 million B-Loan).

Strategic Objective 3: Quality of Public Expenditures and Institutional Development; Rating: *Moderately Satisfactory*

21. The third strategic objective of the CPS was to enhance the quality of public expenditures and institutional development. Bank lending in this area included the Programmatic PASS DPL series, a Municipal Development Loan (PRODEM), and to a lesser degree the Health Sector Reform Loan (PARSSII). A robust portfolio of NLTA, above and beyond those planned in the CPS, also contributed to these outcomes in the areas of: Improving the Quality and Efficiency of Public Expenditures; Social Sectors; Improving Performance Accountability by Strengthening the DR's Supreme Audit Institution; Strengthening Civil Society; Public Expenditures Management, and Institutionalization of Robust Fiscal and Financial Management Capacities in the Public Administration. An Institutional and Governance Review is also being finalized. IFC has complemented efforts to strengthen public governance with initiatives that strengthen corporate governance in the private sector, working with the *Bolsa de Valores* (stock market) and the American Chamber of Commerce in the DR to build skills and awareness of best practices and partnering with the Bank on regulatory improvements for the banking sector. With one CPS outcome achieved and two partially achieved, this Strategic Objective is rated as ***Moderately Satisfactory***.

22. Outcome 1: improved budget management, is rated as *partially achieved*. Bank support under DPL series and NLTA ensured that the execution of social expenditure was successfully protected despite the international crisis at the start of the CPS period and the recent fiscal issues facing the Government through the performance agreements signed between MEPYD and the Ministries of Finance, Public Administration, Health and Education for health and education priority investment programs. Although not measured in the CPS, this is an important element of the improvement in budget management. On the CPS indicators within the Public Expenditure and Financial Accountability (PEFA), performance did not improve: Indicator 1 (actual budget expenditure compared to original approved budget) showed no change between 2007 and 2012 (based on data as of 2011), while the country's score on the PEFA indicator that measures variance in budgeted versus expenditure compositions worsened from C in 2007 to a D+ in the 2012 PEFA. At the same time, a subsequent Bank-led Public Expenditure Management and Financial Accountability Review (PEMFAR) documented important advances in the public financial management system since late 2011 that are not captured by the 2012 PEFA but that indicate improved budget management and credibility.[61] These include: the use by all central government agencies of the integrated financial management system (SIGEF) and the beginning of a roll-out to decentralized and autonomous agencies; the design of a Municipal SIGEF; the introduction and automation of a more detailed Chart of Accounts aligned with the Budget Classification System and with the coding of goods and services procured; the establishment of budget ceilings; the implementation of a platform (known as UEPEX) for managing external funds; the capturing of a larger share of government revenues in the Single Treasury Account; strengthened controls in procurement, internal audit and in external audits by the Supreme Audit Institution, which has started publishing online audit reports as soon as they are approved by the members of plenary as well as citizen-friendly reports. Moreover, budget monitoring by civil society organizations has improved significantly since the Participatory Anti-Corruption Initiative, and the DR's Open Budget Index has increased from 11 in 2008 to 14 in 2010 and 29 in 2012. Thus the successful protection of social expenditures which was the underlying objective, and the documented implementation of reforms since 2012 that strengthen budget credibility, lead to a rating of Partially Achieved for this CPS outcome as of the end of the CPS period, in spite of the PEFA ratings as of 2012 (that were based on data as of late 2011).

23. Outcome 2: Significant progress in the move toward performance-informed budget management was *achieved*. With support from the PASS DPL series and the Programmatic Social Sector NLTA, the Government adopted a Multi-Annual National Investment Plan in the Public Sector 2011-2014 designed to close gaps in the supply of education, health and nutrition services. PEFA indicator 11 on orderliness and participation in the annual budget process, and PEFA indicator 12 on a multi-year perspective in fiscal planning, expenditure policy and budgeting, improved from D scores in 2007 to B+ and C+, respectively. Furthermore, the signing of inter-ministerial performance agreements shows progress in the preparation of budget documents with accurate and timely performance information loosely linking inputs to outputs, outcomes and entitlements. These results complement the successful piloting of results-based financing in health (see above).

24. Outcome 3: increase rural poor municipalities' management capacity and is rated as *partially achieved*. Support in this area was provided primarily by the Municipal Development Project (PRODEM). Of the 15 rural municipalities participating in the PRODEM project, five pilot municipalities have benefited from systematic capacity building in areas including but not limited to procurement, financial management, human resource management strategic planning and community outreach. This has led to significant behavioral changes in management and citizen participation, as well in transparency and accountability.[62] Moreover, the national government now integrates the Municipal Action Plans of the pilot local governments into the

[61] The World Bank: Public Expenditure Management and Financial Accountability Review (PEMFAR) for the Dominican Republic. 2014.
[62] This is reflected in a draft independent evaluation report commissioned for the Mid-term Review in April 2014.

national budget planning process. However, project implementation setbacks due to project management deficiencies, capacity shortages at national and local levels, and widespread institutional shortcomings at the local level have led to less progress to date than expected relative to the baseline.

Strategic Objective 4: Capacity and Constituencies for Reform; Rating: *Moderately Satisfactory*

25. The fourth Strategic Objective of the CPS aimed at building capacity and constituencies for reform. This objective was included after extensive consultation with Government officials and civil society. It recognizes that addressing development challenges in the DR requires the involvement of non-Government actors. This Strategic Objective was supported by the PASS DPL series, which supported the budget transparency portal, and by the Municipal Development Project, which supported local participatory budget capacity-building initiatives. Non-lending assistance included an Institutional Development Fund (IDF) for Congressional Oversight, NLTAs for Strengthening Civil Society and Programmatic Social Sector support, Gender Mainstreaming Capacity and Advocacy, Access to Information and Downward Accountability in the DR, Improving Performance Accountability in the DR by Strengthening Congressional Oversight, Demand Side Governance, and the USAID-funded Strategic Partnership for Transparency, Social Accountability and Governance. Finally, the Bank's convening services played a critical role in supporting important national dialogue processes in education (IDEC), inclusive growth (the Caribbean Growth Forum–CGF) and corruption (Participatory Anti-Corruption Initiative–IPAC). With one CPS outcome achieved, one mostly achieved and one partially achieved, this Strategic Objective is rated as ***Moderately Satisfactory***.

26. Outcome 1: Strengthened congressional budget oversight capacities, was *partially achieved*. The IDF-financed Congressional oversight strengthening grant supported the work of the House of Representatives' Office of Budgetary Analysis, Monitoring and Evaluation (OASEP), training legislators on best practices in Congressional supervision through the upgrade of the Legislative Information System, and TA to develop an institutional plan to transform the OASEP into a bi-cameral Congressional Permanent Advisory Office (OPA) for budget oversight. Although the OPA has not been established, as initially envisioned by the Government, OASEP's role in improving congressional oversight has been significantly strengthened: the office is now staffed with merit-based personnel and has been producing trimestral reports on budget analysis and budget execution that are distributed to various legislative committees in the House of Representatives.

27. Outcome 2: strengthening civil society capacity for budget analysis and monitoring, was *achieved*. As reported in the CPS Progress Report, the Civil Society Public Budget Observatory of a local NGO called Centro Juan Montalvo published six budget analysis reports and 18 regional technical bulletins on the national budget using *Portal del Ciudadano* (budget transparency portal) data, in cooperation with the Civil Society Commission on Poverty and Fiscal Policy of the *Foro Ciudadano*, a coalition of more than 150 CSOs. The Observatory also trained nine community groups on monitoring budget execution and over 100 people on fiscal pacts and budget processes. The Observatory also developed a work plan for transparency and accountability that resulted in a pact signed by all presidential candidates in 2012, formalizing the commitment to dedicating 4 percent of GDP to education, which has been honored by the new Administration. Finally, an integral part of the IDEC, IPAC and Caribbean Growth Forum dialogue processes (described under Strategic Objective 4) has been the post-dialogue monitoring of compliance with agreed actions, and civil society strengthened its oversight capacity as a result of these processes.

28. Outcome 3: Enhanced participatory planning at the local level was *mostly achieved*. Progress towards this outcome was made with the Municipal Development Project (PRODEM). PRODEM's five pilot municipalities concluded participatory planning processes and prepared Municipal Development Plans that were approved by their corresponding Municipal Councils. At the same time, the indicator related to establishment of a budget transparency portal was achieved and the *Portal del Ciudadano* was launched on August 30, 2011. It is linked to the Government's Financial Management Information System (SIGEF) and provides data on revenues and expenditures for each central institution. A total of 12,204 visits were registered in the 12 months to September 2012. The information in the portal could usefully be upgraded to include local governments, state-owned enterprises and other government-funded entities, among other improvements. The Government has also prepared easy-to access budget execution reports, known as the citizens' budget ("*Presupuesto Ciudadano*"), although they can benefit from increased dissemination.

29. Achievements under this fourth Strategic Objective of building coalitions for reform, and indeed under all four Strategic Objectives of the CPS, were supported by the Participatory Anti-Corruption Initiative (IPAC). This highly successful contribution goes beyond any CPS performance indicator of success. The IPAC is a unique approach to combatting corruption: it established a broad participatory mechanism under which representatives from Government, civil society and the private sector worked together to establish priorities anti-corruption actions. With technical support from the Bank and other donor partners, the IPAC developed 30 recommendations, identified progress milestones and established a consortium of 14 civil society organizations to monitor and audit implementation and inform citizens of the progress. Among the 20 recommendations fully achieved to date, IPAC has resulted in greater budget transparency and access to budget information, better integration between procurement and financial management, as well as major progress on creating a single treasury account, among other accomplishments.

30. Not only has the IPAC methodology attracted international attention, but the Bank has drawn on it to embark on a wider, multi-stakeholder participatory initiative in 14 countries in the Caribbean called the Caribbean Growth Forum. The CGF aims to foster equitable, inclusive and sustainable growth by identifying priority policies and actions that enhance private sector led growth. The CGF was launched in the DR in November 2012 with the participation of 170 representatives from the public sector, donor community, private sector, academia and civil society, applying the IPAC methodology to build consensus on priority actions for promoting growth through enhanced logistics and connectivity, investment climate, and skills and productivity. In May 2013, the Minister of Economy, Planning and Development launched the implementation of the Action Plan developed in the CGF process. A first public accounting of progress was held in November 2013. Similarly, the IDEC, cited above under the first Strategic Objective, also followed the IPAC methodology, involving a dialogue between government and civil society, supported by donor partners, that was designed to build a consensus around monitorable priority reform actions for enhancing quality in the education sector. These priority actions were adopted by the Ministry of Education in April 2013 and integrated into its annual operating plans and monitoring systems. IDEC adopted similar civic oversight tools to those developed by the IPAC, and the first semiannual public accounting of progress was held in August 2013. The Bank has played a critical convening and knowledge provider role in supporting all three of these best-practice dialogue processes.

31. Further initiatives to strengthen participatory budgeting included the World Bank - USAID Strategic Partnership for Transparency, Social Accountability and Governance. This Externally Funded Output (EFO) financed training for 21 CSOs in two provinces on the Participatory Budgeting Quality Assessment Tool to build capacity for social accountability in relation to local level participatory budgeting. The Bank's Access to Information and Downward Accountability in the DR grant also enabled vulnerable marginalized groups in ten communities to benefit from the Access to Information Law in the DR and strengthened their capacity to express their voice, participate in policy discussions, demand accountability and monitor government services, as documented in a recent impact evaluation.[63] Finally, a pilot program implemented through the Government's Information Technology Office (OPTIC) conducted a participatory budgeting SMS mobile technology survey program in two municipalities that increased participation rates in budget deliberation to one-third of citizens versus one-fifth in non-pilot areas.

IV. Bank Group Performance

Bank Group Performance Rating: *Good*

CPS Design

32. The strategic objectives defined under the FY10-FY13 CPS were strongly aligned with the country objectives formalized in the National Development Strategy 2010-2030 (END). Each CPS objective corresponds directly to either one or two of the four END strategic pillars, as the CPS results chain clearly illustrates,[64] demonstrating a clear understanding of the country's needs and its development challenges. The CPS addressed the need to reduce the country's vulnerability to shocks following the 2008-09 global crisis while delivering results for citizens. It was also aligned to the political cycle, which has allowed time to consult and ensure proper alignment of the upcoming CPS with the new Administration's priorities.

33. Lessons learned from the FY06-FY09 CAS Completion Report were incorporated in the design of the FY10-FY13 CPS. In particular, it was suggested that the new CPS focus on a few key sectors with potential for success and where Bank advice is appreciated, and that it set realistic and measurable objectives and targets. These lessons were taken into account in the FY10-FY13 CPS results framework, which tightly linked results to interventions. However, several indicators lacked baseline data and many had to be revised during the CPS Progress Report as the scope for results under problem projects narrowed. Other indicators (e.g. for budget predictability or electricity cost recovery) were defined in a system-wide manner that went beyond the projects' spheres of influence, so they ultimately understated the projects' impact.

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[63] Emmanuel Skoufias: "Empowering the Poor with Information: Evidence from the Dominican Republic. The World Bank, 2014.

[64] Refer to CPS FY10-FY13 Report Figure 4.

34. Risks were properly identified in the CPS design. The CPS was prepared in the context of the global financial crisis and built in flexibility to allow for adjustments in the event of a halt in the Government's reform program or a significant deterioration in macroeconomic conditions. The CPS program's flexible approach envisioned a balance between investment and policy-based lending, which could be modified if change in circumstances warrant, as happened with the additional Public Finance and Social Sector DPL in FY10. Apart from economic risks, the CPS design considered implementation risk (e.g. effectiveness delays) and operational risks (e.g. project implementation challenges in procurement and financial management), and proposed mitigation measures including close portfolio monitoring and capacity building, which proved essential in practice in light of delays and challenges in implementation capacity.

35. A mid-term Progress Report was conducted and determined only few adjustments in the program were necessary. Changes in the strategy identified by the CPS Progress Report focused on strengthening efforts to improve the performance of existing operations and increasing the delivery of knowledge services. In the process, some indicators were revised downwards to ensure greater realism, notably in light of extended effectiveness delays in the Congressional approval process and implementation delays.

36. IFC similarly aligned its strategy to the National Development Strategy by organizing its support along four strategic pillars: (i) Financial inclusion, through investment and advisory services to financial institutions to improve access to finance for MSMEs and households; (ii) Competitiveness, through investments that support infrastructure, trade logistics, education and regional integration, and advisory services in areas such as Corporate Governance; (iii) Climate Change, through continued support to the energy sector, direct and through financial institutions; and (iv) Resilience to crisis, through the deepening of the local capital markets and support to the diversification of the country's economy. Alignment with other donors and development partners was also considered in the program design.

CPS Implementation

37. During the FY10-FY13 CPS period, the Bank Group exceeded its originally planned lending and non-lending program. The indicative lending program set forth in the CPS proposed a total of $500 million, the bulk of which related to social programs through the PASS DPL series ($370 million). The PASS DPL series supported significant policy reforms in social protection that strengthened safety nets for the poor in the post-global crisis environment, and reflects the quality of the Bank's policy dialogue with the Government during this period. While the CARCIP regional connectivity project for $27 million was postponed and a final DPL for $70 million was dropped in the 2012 election year, a new DPL (Public Finance and Social Sector Development), approved during the first fiscal year for $150 million and additional financing for the emergency recovery loan (US$20 million) brought the total lending envelope to $600 million during FY10-13, amounting to record levels of Bank support in a CPS period to the DR.

38. The Bank delivered a range of knowledge services that have generally been highly valued by Government and other counterparts and leveraged its convening services to great effect. Technical assistance has been funded by the Bank's own budget resources and trust funds, as well as by donor partners, demonstrating the Bank's ability to effectively leverage other sources of financing. These targeted knowledge services complemented the lending program, particularly in the areas of social sector performance reform, public sector management and demand for improved governance. They also included South-South exchanges, as well as highly innovative leveraging of the Bank's convening powers through such best practices initiatives as IPAC, IDEC and the CGF, which were all launched during the CPS period (the latter two are still on-going). [65]

39. Project implementation was below expectations. As the previous discussion has indicated, several important results were achieved during the CPS period, notably with the successful PASS DPL series. However, of the five SILs that closed during FY10-12, three were rated Moderately Satisfactory and two were rated Unsatisfactory. The current portfolio of five operations for $207.4 million includes one project that is Satisfactory, three that are Moderately Satisfactory and one that is Moderately Unsatisfactory. The Bank's implementation support and CPPR consultations have identified weaknesses in relation to project management, effectiveness delays due to the time taken by the Congress to approve new loans, procurement delays due to capacity constraints, binding budget ceilings linked to efforts to contain fiscal deficits by curbing public investment, and (in the case of the Power Sector TAL and the first Health APL, rated Unsatisfactory at closing) Government commitment. The Bank and Government have worked to build capacity, adjust budget ceilings and better align the latest health and electricity operations with Government priorities—and the electricity operation closed with an MS rating while the ongoing Health APL2 is also showing positive results at this stage. Proactive restructuring and intensive implementation support have served to improve the ongoing portfolio as well as obtain improved ratings for projects closed during FY13 (to MS for two investment operations and Satisfactory for the PASS DPL series) compared to FY10-12. The Bank and Government have also undertaken an assessment of procurement issues and committed to an action plan to enhance procurement performance, including the use of the Bank's procurement plan tracking system (SEPA), rolled out in 2012, to enhance timeliness and transparency of procurement processes. A final, key observation is that the Bank-supported portfolio of investment projects was maintained through the electoral period and political transitions, and the Bank has built favorable relationships with new counterparts. Although significant effectiveness delays and slow project start have influenced negatively THE completion of activities and the attainment of some CPS targets within the CPS period, a sound program of ongoing activities is in place for the new CPS period.

40. During the CPS period, IFC average annual investment activity increased to $42 million in FY10-FY12 compared to $27 million in FY07-FY09, and were complemented by a range of Advisory Services. IFC's portfolio size increased from $170 million in June 2009 to $215 million in March 2013 (in 19 active investment projects, with $139 million outstanding and $12 million in Syndicated B loans for which IFC is the lender of record). The portfolio is more diversified today in terms of sectors (new investments in education, local capital markets, microfinance, energy efficiency, natural gas, housing finance) and clients (7 new clients). During FY10-13, IFC committed 16 investments for a total of $184 million and secured an additional mobilization of US$87 million (US$75 million from AMC and US$12 million B loans). Leading sectors include infrastructure (52 percent), followed by the financial sector (36 percent), and manufacturing and services (12 percent). Most operations have been aligned with the CPS' second Strategic

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[65] For IPAC see www.ipacrd.org. For the CGF, see: http://caribgrowth.competecaribbean.org/ For IDEC, see http://www.minerd.gob.do/idec/Pages/sobre_idec.aspx

Objective, namely to Promote Competitiveness in a Sustainable and Resilient Economic Environment. As of 2012, IFC's clients were supporting over 12,000 jobs, of which 5,458 were held by women. In addition in 2012, IFC's clients reached over 92,000 patients and made $34 million in taxes and other payments to the government, as well as $36 million in purchases from domestic suppliers. IFC lending and investments have been complemented by a range of advisory services projects in such areas as access to finance (ADOPEM – microfinance targeted to women), energy efficiency (BHD – energy efficiency credit line) and corporate governance awareness and capacity building.

V. Key Lessons and Recommendations

41. Knowledge and convening services were important complements to the lending services in the Bank's overall program for achieving results. The success of dialogues such as the IPAC, where the Bank galvanized civic engagement to advance the anti-corruption agenda; the CGF, where the Bank and donor partners are helping to build consensus around priorities for inclusive private sector-led growth; and the IDEC to enhance quality in the education sector, demonstrates the effectiveness of leveraging the Bank's convening power in impactful initiatives that require minimal financing. Similar efforts in other sectors can be considered in the forthcoming CPS where opportunities arise. Moreover, an impressive number of AAA products and of trust-funded activities, often in partnership with other donors, were delivered during the CPS period, many of which complemented the lending program in significant ways. Those trust-funded activities that were more peripheral to the Bank's program received less implementation support. The new CPS should therefore attempt to ensure that lending, grants and technical assistance are bundled around core objectives in ways that are mutually reinforcing. The Bank should also be clearer at the outset of its knowledge services as to the indicators of success of the activity, the key audiences and best modes of delivering messages to those audiences, and the opportunities for partnerships that can be built in the course of preparing and delivering knowledge services.

42. A range of operational and political economy factors have contributed to slow implementation of Bank-financed projects and these need to be mitigated to the extent feasible in the forthcoming CPS. Key factors include long effectiveness delays due to delays in Congressional approval of loans; project management and capacity constraints; turnover in project management on both the Bank's side and the client's side; bureaucratic hindrances in both the design and implementation of projects on both the Bank's and the client's side that need to be reduced and factored into disbursement projections; overly ambitious outcome indicators in some cases; and severely binding budget ceilings for the projects, including for projects that were being successfully restructured only to find that execution rates were capped to improve the country's fiscal situation. Project design should also take into account the effort required to create consensus and achieve inter-institutional coordination, which are critical for project implementation and policy reforms. More generally, political economy analysis should underpin program and project design more often, as was made clear, for example, with the stalled strategic and legislative agenda in the water and sanitation sector, but which is important more broadly in the context of the institutional fragmentation and vested interests that projects inevitably operate in in many countries, such as the DR.

43. Monitoring and Evaluation needs to be strengthened in the next CPS. The current CPS results framework included indicators with no baseline data, indicators that had to be adjusted as they were unduly optimistic, indicators that the Bank's operations could not influence sufficiently relative to other factors, indicators with insufficient periodicity to be able to monitor progress continuously, and a lack of reliable data collection or monitoring systems that made it harder to evaluate progress. In several cases, these challenges carried over from the CPS to the CPS Progress Report, although in others corrections were made, notably in light of improved baseline data or overambitious targets. In one case, the Health APL2, the linkage of financing to indicators has helped to align incentives with results and gradually encouraged improved data collection, offering a valuable lesson for the new CPS.

Table 1. Summary of CAS Program Self-evaluation

CAS Outcome	Outcome Indicators (baselines and targets)	Status and Evaluation Summary	Lending and Non-lending Activities that contributed to the outcome	Lessons and Suggestions for the new CAS
I. Strategic Objective One: Strengthen Social Cohesion and Improve Access to and Quality of Social Services				
Outcome 1: Improved quality of mother and child healthcare services in the target population *Status*: **Mostly Achieved** *Justification:* Two of the three indicators were achieved or mostly achieved; while the third was not achieved, it is under way and expected to be achieved by 2015.	<u>Revised Indicator 1</u>: 30% of pregnant women with a risk evaluation completed before the 15th week of pregnancy in at least 2 regions (by 2013) <u>Baseline</u>: 0.43% based on Clinical Management System data from the two PARSS2 regions	<u>Revised Indicator 1:</u> ***Mostly Achieved*. Risk evaluation of pregnant women, based on national protocols: 18.8% in 2013;** number has risen to more than half way to the target and continues to improve. The use of the Clinical Management System has increased in the pilot regions, but there are still doctors who do not always systematically register data (so the true value of the indicator is believed to be higher). Also, data entry has been delayed in health centers that do not have regular access to the internet, i.e. information tends to be uploaded into the CMS periodically instead of during medical consultations (Source: Clinical Management System). Data from the impact evaluation of the Solidaridad CCT program show that their beneficiaries have on average 2.9% higher incidence of prenatal check-ups during the first trimester (Source: Social Protection Evaluation Survey 2010 and 2011).	<u>Lending</u>: Health Sector Reform II (FY10) - $30M; L*atest ISR Rating: Moderately Satisfactory*; Health Sector Reform I (FY03) - $30M, *ICR Rating: Unsatisfactory* PASS DPL Series FY10, FY11, FY12) - $370M, *ICR Rating: Satisfactory*	Multi-sectoral and multi-institutional efforts help institutionalize major changes in delivering and monitoring services. Reliable health information systems are essential for improving health services. Compliance with the CMS system only improved after several government entities coordinated efforts to provide sensitization workshops, training, logistical and technical support. Results-based financing also helps because the two regions participating in the Health Sector Reform Project accounted for significantly higher registrations of CMS information compared to the other regions. Promoting greater coverage and quality of health, education, and nutrition services for the poorest through the CCT program can help prioritize investments, in particular by protecting "supply gap closing" programs in the

	Revised Indicator 2: 40% of children under 15 months with vaccination scheme completed according to national protocols (by 2012) Baseline: 0% based on Clinical Management System Data from the two PARSS2 regions	**Revised Indicator 2:** *Achieved.* **Childhood vaccination: 20.2% (end-2012) and 46.7% in 2013;** The number improved rapidly after 2011, and exceeded the target in 2013. Moreover, as the use of the CMS continues to be limited, the true number treated could be even higher. One main issue is that nurses usually administer immunizations in health centers but doctors have access to the CMS and the computer in the health center so coordination needs to be improved among health staff to ensure that vaccination data are not just manually registered in the immunization books but also in the CMS (Source: CMS). For children beneficiaries of the CCT program Solidaridad, the percentage increased from 26.1% in 2010 to 28.5% in 2011, respectively 8.3 and 11.3 percentage points higher than for comparable households that do not benefit from the program (Source: Social Protection Evaluation Surveys 2010 and 2011).	**Lending**: Health Sector Reform II (FY10) - $30M; *latest ISR Rating: Moderately Satisfactory*; Health Sector Reform I (FY03) - $30M, *ICR Rating: Unsatisfactory* PASS DPL Series FY10, FY11, FY12) - $370M, *ICR Rating: Satisfactory* **AAA**: Programmatic Social Sector NLTA (FY10, FY11, FY12, FY13)	budget.
	Indicator 3: Number of regions producing monthly reports on the number of poor individuals who were prescribed a medicine at the first level of care and actually received medication within 48 hours	**Indicator 3:** *Not Achieved.* **Single Management System of Medicines and Inputs (SUGEMI): No monthly reports (11/2/2012).** No reports yet but the consultancy on the conceptual design of the information system for medicines and hospital inputs, which will	**Lending**: Health Sector Reform II (FY10) - $30M; *latest ISR Rating: Moderately Satisfactory*; Health Sector Reform I (FY03) -	Establishing an information system to facilitate regular production of reports for medicines takes time and effort, because the process requires consultations and coordination among stakeholders to make sure that they are all on board and

	Target: Single Management System of Medicines and Inputs (SUGEMI) and its corresponding information system in place and training provided to facilitate production of reports by at least one region (2013) Baseline: No monthly reports (2009)	facilitate the development of the reports and the reporting system, has been finalized. The Health Reform APL 2 targets the generation of these reports for 2015. As a response to this report's findings, various activities and processes in the DR are underway or are being put in place, such as a consultancy to develop and pilot an integrated management system for medicines and medical inputs in two regions, so this target is likely to be met with delays.	$30M, *ICR Rating: Unsatisfactory*	have the appropriate incentives to submit the requisite information, a series of careful assessments to make sure the conceptual design is appropriate, and then follow-up processes/actions to develop the system and then training and monitoring to ensure that the system will generate the required information.
Outcome 2: Increased access to and quality of education *Status:* **Achieved** *Justification:* Two out of three targets were fully achieved or exceeded; progress was made on Indicator 1 although baseline data were unavailable and a different methodology was used in year-on-year calculations that render the data more difficult to compare.	**Revised Indicator 1**: CCT and education: Increase in the share of children of CCT program that: (i) are enrolled in, and attending basic education; and (ii) are attending secondary education. Baseline: Enrollment for CCT Solidaridad children in Basic Education: 95.20% (2009); Secondary Education (First Cycle): 42.20% (2009). Attendance (80% of school days) for CCT Solidaridad children in Basic Education: 93.70% (2009); Secondary Education: 87.10% (2009). Note that 2009 indicator data is based on the household survey from the impact evaluation while 2012 information is based	**Revised Indicator 1:** ***Mostly Achieved*****. CCT and education:** Enrollment rates among children of beneficiary families reached 95.90% in 2012 for children in primary education (surpassing the original target of 85%). Enrolment rate for CCT children in secondary education is 32% in 2012. Attendance rates for beneficiary children enrolled in primary school reached 94.20% (near universal attendance), exceeding the target. Attendance for CCT beneficiary children enrolled in secondary education was 93.50% in 2012.	**Lending**: PASS DPL Series (FY10, FY11, FY12, FY13) - $370M; *ICR rating: Satisfactory;* **AAA**: Programmatic Social Sector NLTA (FY10, FY11, FY12, FY13)	Challenges are particularly critical at the secondary level (and end of primary) where most drop-outs occur. Revising the incentive structure provided by the CCT program (putting more weight on secondary education, and potentially exploring options for transfers targeted to the youth themselves) could also help increase enrolment and attendance.

	on administrative data from the program (for enrollment) and on spot checks for attendance. Although the data are not strictly comparable, they demonstrate that the targets of the CCT program, both in terms of enrollment and in terms of attendance, were met.			
	Revised Indicator 2: ECD net enrollment of poorest children increases to 69% by end of project. Baseline: 51% enrollment.	**Revised Indicator 2:** ***Achieved.*** **ECD enrollment: 71.26% (8/30/2011)** As reported in the ICR, the enrollment rate of the poorest 5 year-olds increased from 51% to 69%: enrollment of this age group for the lower quintiles reached 71.26% by Project completion. Through the construction of classrooms and the provision of furniture and learning materials to the classrooms, the target was surpassed.	**Lending**: Early Childhood Education (ECD) (FY03) - $42M; *ICR Rating: Moderately Satisfactory*	The evaluation of project component I showed that parents were enrolling their 5-year-olds because they perceived that schools were cleaner and safer, and because enrolment was free. Parents appreciated improvements in management at the school level, better treatment of parents, and a more welcoming environment and orientation for students.
	Indicator 3: New student evaluation standards start being implemented. Baseline: No new student evaluations in place.	**Revised Indicator 3:** ***Achieved.*** Four Resolutions from the Ministry of Education were signed between 2009 and 2011 validating new student evaluation standards for: pre-primary education (ECD), the first cycle of Basic Education, the second cycle of basic education and secondary education. As reported in 2011 CPS Progress Report. Student evaluation standards for secondary education were validated (Resolutions No. 668-2011 and No. 605-2011)	**Lending**: PASS DPL Series (FY10, FY11, FY12) - $370M; *ICR rating: Satisfactory* **AAA**: Programmatic Social Sector NLTA (FY10, FY11, FY12, FY13)	Student evaluation is an important mechanism to promote quality, which the DR will need to complement with concerted efforts to improve quality in the coming years, including promotion of early education, improvements in infrastructure and material, improvements in management processes, implementation of the student evaluation, lengthening of the school day, and promoting greater teacher development and evaluation systems.

Outcome 3: Improve the coverage and quality of social protection programs (CCT program) *Status*: **Achieved** *Justification*: Both indicator targets achieved/exceede d.	<u>**Revised Indicator 1**</u>: % of households in extreme poverty participating in CCT program; Target: 85% (12/2013). <u>Baseline</u>: 51% in 2009.	<u>**Revised Indicator 1:**</u> ***Achieved.*** **Households in CCT Program: 91% (7/31/2012)**; By 2012, 91% of extreme poverty households were covered by the CCT program, exceeding the target. The number of households receiving conditional cash transfers has increased from 228,052 in 2005 to 655,000 in December 2012, reaching upwards of 818,000 households when taking into account the Bonogas (subsidized gas) and Bonoluz (subsidized electricity) programs.	<u>**Lending:**</u> Social Sectors Investment Program (FY08) - $19.4M, AF Social Sector Investment Program (FY10) - $10M, *latest ISR rating: Moderately Satisfactory.* PASS DPL Series (FY10, FY11, FY12) - $370M, *ICR rating: Satisfactory* <u>**AAA:**</u> Programmatic Social Sector NLTA (FY10, FY11, FY12, FY13)	The combination of instruments (DPL for institutional change and policy reforms, SILs for capacity building and institutional strengthening, and NLTA for key policy advice) and the multi-sectoriality of the team (HD/PREM/SD) helped build a strong alliance between finance, economy and the social cabinet to "use" the CCT reforms to promote deep reforms for increased quality and efficiency of public expenditure in the social sectors (targeting, results-focus, multi-annual planning, protection of key investments, transparency of budget, and social accountability mechanisms). Now the challenge is to further consolidate the instruments, and to generalize the use of these instruments to other elements of the Social Program, health and education sectors. In the coming years, the challenges will be (1) for the program to switch to the second SIUBEN census of the poor, (2) for other programs to adopt the national targeting system when they select their beneficiaries, (3) for the Government to rationalize some of the other social assistance programs to avoid duplications and fill gaps in coverage, (4) for the country to institutionalize the Social Protection system, anchoring it in a shared regulatory and legal framework

				and in institutionalized institutions for payment (ADESS) and targeting (SIUBEN) of programs, and (5) to keep adjusting the CCT program to respond to changing conditions (e.g. with a greater focus on secondary education, as primary enrolment targets have been achieved), and (6) to keep using the targeted CCT program to promote greater quality and coverage of basic health and education services.
	Indicator 2: Beneficiaries assessment of the overall quality of attention and service of CCT program (1 beneficiary perception survey at the end of the PASS DPL in 2013). Baseline: No beneficiary assessment scorecards conducted as of July 2010.	**Indicator 2:** ***Achieved.*** **Beneficiary Assessment**: The number of community-scorecards completed by beneficiary committees, as a share of total number of community-scorecards distributed, was 78.5% in 2012. Building on the pilot for community scorecards supported by our portfolio, the Government has decided to scale up the community scorecard process to the entire territory, as a core element of its management processes. Customer Satisfaction Studies, supported by the SPIP, have shown that Solidaridad's beneficiaries are mostly satisfied or very satisfied with health services, ILAE and the RAS; and even more satisfied with the service personnel and the local outreach agents known as *enlaces comunitarios* (July 2012).	**Lending:** Social Sectors Investment Program (FY08) - $19.4M, AF Social Sector Investment Program (FY10) - $10M, *latest ISR rating: Satisfactory* PASS DPLS Series (FY10, FY11, FY12) - $370M. *ICR rating: Satisfactory* **AAA:** Programmatic Social Sector NLTA (FY10, FY11, FY12, FY13)	When provided with the relevant mechanisms, beneficiaries have effectively organized to evaluate the quality of services received (education, health, payment system, and CCT program itself). Because committees were set up to address grievances or requests, this process has resulted in the effective resolution of most issues raised by beneficiaries (most were of a very local nature, and the committees were able to fix the problems). In the coming years, it will be critical for the program to effectively mainstream this tool and the committees, thereby building civil society capacity for accountability and improving the impact of the programs by resolving issues.

Outcome 4: Improve employability of the poor at-risk youth *Status:* **Achieved** *Justification for status*: The components implemented by the MoL (youth training program) were fully achieved in such an efficient way that with the savings, the MoL was able to launch an additional program (temporary employment program). Moreover, the percentage of employed beneficiaries exceeded the 65% target.	**<u>Revised Indicator 1</u>**: At least 65% of beneficiaries employed or self-employed 6 months after graduation	**Revised Indicator 1:** ***Partially Achieved.*** 71.8% of the 2008-09 cohort of graduates were employed or self-employed, based on a follow-up survey under the impact evaluation (2013), exceeding the target.	**<u>Lending</u>**: Youth Development Project (FY06) - $25M. *ICR rating: Moderately Satisfactory*	Although it is much desired for numerous institutions participating in the Employment and Social Safety Nets to work in coordination, ensuring articulation and integration as well as sustainability of the programs, in practice this is difficult to achieve and success depends deeply on the capacity and ability of implementation support and constant monitoring to take the project's design into practice. Stability of the staff in charge of implementation is very important. The Ministry of Labor implemented the programs through a PIU which was operating since 2001. The implementation of MINERD's component was led by Adults Directorate whose department head changed every 6 months on average. The contrasting results achieved can be considered as evidence of the relative capacities of the implementing agencies and the importance of the PIU's in the achievement of the goals, which is highly correlated to the stability of trained people with direct hands-on experience performing these activities.

II. Strategic Objective Two: Promote Competitiveness in a Sustainable and Resilient Economic Environment				
Outcome 1: Government has access to a broader information base (data and facts) for informed policy decisions in the areas of macro-financial stability, competitiveness and economic relations on the Hispaniola island by 2013 *Status:* **Achieved** *Justification*: No baseline or numerical indicators were defined for this outcome, which would render this outcome difficult to assess. However, based on the support provided to the national statistical office and to the adoption and use of a unified definition of	No indicators established in CPS or CPS Progress Report.	The 2010 Policy Notes were extremely well received not only by the government but also by private institutions, academia and other donors, and continue to be distributed by the local office as they remain relevant to current challenges. A second set of 2013 policy notes has informed strategic decisions for the new CPS.	**AAA/Grants**: A first set of Policy Notes were edited and presented during the summer of 2010. The elaboration of a new series of policy notes was launched in May 2012 and a first set were jointly prepared with the IDB and shared with Government in a "Dialogue Day" on core development issues with more than 100 senior government, IDB and World Bank officials in March 2013.	The technical advice and convening power of the Bank to support the process of developing a poverty methodology based on international standard practices has positively influenced the outcomes (poverty methodology, knowledge exchange, technical capacity building of local institutions, empowerment of the national statistical office and it is important well in advance to plan for the sustainability of the poverty committee.
		The conclusions of a macro level index insurance technical feasibility study are informing the design of index contracts and the implementation of a macro scheme.	**AAA/Grants**: DR Index Insurance Regulatory and Policy Capacity Building: The Macro-level index-based insurance feasibility study final report was submitted in December 2012, while progress on the meso and micro level index based	

poverty, together with a wide array of analytic and advisory services delivered in the areas of macro-financial stability, competitiveness and economic relations with Haiti, a rating of achieved can be justified.			insurance studies have been delayed due to lack of available data.	
Outcome 1 Cont.		A South-South exchange with Singapore was promoted to enhance knowledge on free trade agreements.	**<u>Dialogue</u>**: E-conferences on free trade agreements: In September 2011, at the request of Minister Montas, and following a conversation between President Fernández and President Zoellick, two e-conferences on International Experiences on Free Trade Agreements, Lessons for the DR were organized with senior Dominican Government officials and experts in the area of trade and economy, the.CEO and Registrar of the Singapore	The fact that E-conferences on free trade Agreements were not originally contemplated in the CPS, and were a client-driven initiative demonstrates the need to build in some flexibility in country strategy to ensure responsiveness to client demand with just-in-time services.

			International Arbitration Centre, as well as WB DR Country Team members.	
		The National Statistical Office (ONE) has been undertaking an assessment of the production and use of statistics across key national institutions and economic sectors to produce a national plan to guide the production of statistics to (i) assess the availability and utilization of data; (ii) harmonize and better integrate the data across users and producers, (iii) identify critical areas for which very little or no data are being produced and that are fundamental to track progress with and achievement of the goals stated in the National Development Plan and (iv) link the production of data with evidence-base policy making. A first draft of the Plan has been produced as of 2013.	**AAA/Grants**: DR National Strategy for the Development of Statistics:	
		Support for living standards measurement has contributed to: creation of the Inter-institutional Technical Poverty Committee, comprising nine national and international institutions (October 2010); agreement on a consensus poverty measurement methodology, endorsed by the signature of high level representatives of the different institutions (July-August 2012); and capacity building on monetary and	**AAA/Grants**: The DR Living Standards Measurement project closed on January 29, 2013.	Involving several institutions in a consensus process is likely to cause delays in the project, as has been the case of the Inter Institutional Poverty Committee, integrated by several ministries and international organizations. However, although broad participation in policy/methodological changes takes more time and is more cumbersome, it can lead to stronger consensus building.

		non-monetary poverty measurement, micro-simulations and poverty analysis; report on poverty profiles in the DR and micro-simulation case studies to assess the impact of public policies on poverty.		
Outcome 1 Cont.		AAA on poverty and inequality has contributed to enhanced poverty measurement and poverty analysis related capacities at the local level. The new official poverty measurement methodology applied by the DR has also benefited from the technical insights and overall guidance of experienced WB staff on the assumptions and steps followed.	**AAA/Grants**: Poverty and Inequality NLTA has provided technical guidance and advice on poverty methodology, measurement and tracking to the Poverty Committee, and an Equity Assessment was completed in 2013 and widely disseminated in February 2014, generating extensive and continuing public debates on poverty reduction.	

		While there has been a deepening of the trade relations between Haiti and the Dominican Republic (one-sixth of whose exports go to Haiti), it is not possible to attribute this to the Quisqueya report. Public awareness of areas for improving public expenditures was increased via the Bank's NLTA, which involved joint analyses with the Ministry of Economy. Treasury activities have increased Central Bank's investment capabilities for the management of foreign exchange reserves, training financial managers, as reported in 2011 CPS Progress Report.	**AAA**: Dominican Republic-Haiti Quisqueya Growth and Poverty Report: The report analyses the foreign trade and migration linkages in the Hispaniola Island in a context of two neighboring countries with divergent development patterns. Improving the Quality & Efficiency of Public Expenditures in the DR NLTA; The NLTA included joint Government-Bank analyses of the full fiscal cycle from planning through monitoring and evaluation as well as sectoral analyses in key sectors such as electricity. Treasury activities in support of the Central Bank were designed to strengthen debt and asset management.	Knowledge products that involve two countries/governments and may reflect more positively on one over another need increased sensitivity in gaining buy-in and clearance processes.

Outcome 2: Support an enabling environment for improved management of the water and sanitation sector *Status:* **Not Achieved** *Justification*: The target for the one indicator for this outcome was not achieved.	**Revised Indicator 1**: Adoption of a National Water & Sanitation Strategy Baseline: No National Water & Sanitation Strategy implemented as of May 2009.	**Revised Indicator 1**: ***Not Achieved.*** A National Water & Sanitation Strategy and a draft law, although drafted, have not been adopted.	**Lending**: Water and Sanitation in Tourist Areas Project APL1 (FY09) - \$27.5M; *Latest ISR Rating: Moderately Satisfactory*	The process of passing the Law has again been tortuous, and has again experienced delays with the change of Government and now intense debates given the sensitive topics it deals with, including institutional reforms. Water sector laws sometimes take years and several attempts and versions before they are adopted. Ministerial support and leadership in building coalitions for reform is essential to move sector reform ahead.
Outcome 3: Improved performance of W&S Corporations in Puerto Plata region and in two additional Corporación de Acueductos y Alcantarillados (CORAA). *Status:* **Not Achieved** *Justification for status*: The targets for the both indicators for this outcome were not achieved.	**Revised Indicator 1:** Business Plan and modernization plan completed for the participating W&S corporations. Baseline: No business or modernization plans in place.	**Revised Indicator 1:** ***Not Achieved.*** Business plans have been contracted but not finalized. Only one of the three CORAAs has a business and modernization plan in draft as of 2013. It is expected that these plans will be in place by the close of the Bank's project in 2015.	**Lending**: Water and Sanitation in Tourist Areas Project APL1 (FY09) - \$27.5M; *Latest ISR Rating: Moderately Satisfactory*	On the Strengthening of the CORAAs, main lesson was the need to build in quick results in the planning to gain commitment and support, given the medium term results of the business plans. Greater participation by the CORAAs could have been pursued, even as capacity was built in the CORAAs.

	Revised Indicator 2: The W&S corporations comply with the objectives of the operational and business performance agreements. Baseline: No operational or business performance agreements in place.	**Revised Indicator 2**: ***Not Achieved.*** Performance agreements have not been signed. These will depend on the completion of the business plans.		
Outcome 4: Energy - Increased efficiency in power distribution and generation to improve quality of the service *Status:* **Partially Achieved**	**Revised Indicator 1**: Cost Recovery Indices (CRI) per company (EdeNorte, EdeSur, EdeEste): Baseline / Target	**Revised Indicator 1**: ***Partially Achieved.*** Cost Recovery Indices per company (EdeNorte, EdeSur, EdeEste), of which Edesur is the largest:	**Lending**: Electricity Distribution Rehabilitation Project (FY08) - $42M; *ICR Rating: Moderately Satisfactory*, Power Sector Technical Assistance Project (FY05-11: $7.3M), *ICR Rating: Unsatisfactory* **AAA/Grants**: Energy NLTA	The electricity sector improvement requires a long term commitment by the Government beyond the 4 year period of the administrators. The sustainability of the sector cannot be achieved in one or two years. On the other side, the installation of generation plants takes a long time (4 to 8 years and even more in the case of hydro power plants) so results cannot be achieved nor measured in shorter periods. A programmatic scheme could be advisable in these cases, and requires an integrated strategy addressing various dimensions of energy generation, transmission and distribution as well as improved utility management and appropriate pricing of electricity and targeting of subsidies. Efforts should be geared towards strengthening the capacity and governance of sector institutions, such as the Superintendency of Electricity (SIE) and the *Comision Nacional de Energia* (CNE). Assistance must be coordinated with other agencies and donors (IADB, IMF) to succeed in the de-
Justification: The CRI for the largest of the three distribution companies (EdeSur) increased substantially so progress was noted, however none of the targets has been reached yet.	Basline (data from Dec. 2010): / Target: EdeNorte: 63% / 71% EdeSur: 53% / 75% EdeEste: 62% / 75%	(Data as of 05/31/2013) EdeNorte: 61.9% EdeSur: 68.2% EdeEste: 59.9%		

				politicization of the tariff and the introduction of a control and supervision mechanism of energy costs and tariffs led by civil society.
Outcome 5: Disaster risk management mainstreamed into Ministry of Economy, Planning and Development *Status:* **Partially Achieved** *Justification*: Two of the three targets for the three indicators under this outcome were partially achieved.	<u>**Revised Indicator 1**</u>: Disaster Risk Management, aspects included in territorial and investment plans by end of 2013. <u>Baseline</u>: No current National Information System for DRM for the production of geo-information related to risk; outdated norms for the elaboration of public investment projects; lack of a set of vulnerability and risk indicators developed at the local scale, or guidelines for the elaboration of risk scenarios and risk management strategies at the municipal level; no current National Disaster Risk Financing Strategy.	<u>**Revised Indicator 1**</u>: ***Partially Achieved.*** A DRM law has been drafted with Bank TA and submitted to Congress to strengthen the overall DRM framework. Instead of a National Integrated Information System for DRM, GODR opted for a Territorial Planning Information System with a DRM focus. Actors and institutional roles have been defined and adopted for the system, and specifications prepared for the technical design of the system. Investment plans: DRM aspects are beginning to be included in investment plans, e.g. for hospitals, and are expected to be included systematically in territorial and investment plans by 2016. Bank support has led to the rehabilitation of more than 12,000 hectares of irrigation (already exceeding the ERL project target of	<u>**Lending**</u>: Emergency Recovery Loan (ERL) (FY08) $80M, Emergency Recovery Loan Additional Financing (FY12) $20M, *Latest ISR Rating: Satisfactory* <u>**AAA/Grants**</u>*:* Disaster Risk Management NLTA	While the National System has reached important achievements in terms of disaster preparedness and response, as well as in raising awareness for risk reduction, further efforts are needed to improve more upstream territorial and investment planning for disaster prevention and mitigation and to improve coordination and capacity within public institutions to consider risk in development planning an decision-making processes.

		11,577 hectares), with further investment plans for an additional 10,000 hectares under the ERL by 2015, all with a more disaster risk resilient design than before the 2007 disasters that triggered the ERL. Municipalities: A diagnostic has been undertaken of DRM information in selected municipalities and proposals defined for categorization of municipalities and risk assessment by hazard type. National Strategy: GODR has explored risk financing alternatives, engaged IDB support for risk financing and is evaluating entry into the Caribbean Climate Risk Insurance Facility.		
	Revised Indicator 2: Dam safety management framework updated and operational. Baseline: Four dam facilities damaged and without updated operations procedures in January 2008.	**Revised Indicator 2**: ***Partially Achieved.*** Dam safety has been improved through rehabilitation works and the establishment of dam safety management rules for two main dams under CDEEE's responsibility. The same activities are on-going for four more large dams under INDRHI's purview. This is expected to be completed in 2015.	**Lending**: Emergency Recovery Loan (FY08) $80M, Emergency Recovery Loan Additional Financing (FY12) $20M, *Latest ISR Rating: Satisfactory* **AAA/Grants**: Disaster Risk Management NLTA	The NLTA has defined several priorities which should be followed: (i) Develop the newly-created National Integrated Information System for DRM; (ii) Coordinate the update of Public Investments norms and procedures for DRM; (iii) Integrate DRM in territorial Planning System; (iv) Develop an integrated cost-effective and sustainable disaster risk financing strategy and (v) promote donors coordination in DRM. The development of the IWRMD (Integrated Water Resources management and Development) principles at a watershed level would contribute to improve the sustainable management of water

				resources for multiple uses (WSS, irrigation, tourism, hydropower, flood control), the coordination of entities and consequently DRM.
Outcome 5 Cont.	<u>**Revised Indicator 3**</u>: Improved access to more adequate and reliable weather and river flow data of decision-makers with responsibility on risk management by 2013. <u>Baseline</u>: In 2007, tropical storms Olga and Noel damaged stations that monitor river flow data and weather observations; there were no existing stations for watershed monitoring and early warning of potential disaster conditions.	<u>**Revised Indicator 3**</u>: ***Not Achieved.*** The upgrading of hydro-meteorological weather observation is under procurement and is expected to be in place by 2015.	<u>**Lending**</u>: Emergency Recovery Loan (FY08) $80M, Emergency Recovery Loan Additional Financing (FY12) $20M, *Latest ISR Rating: Satisfactory* <u>**AAA/Grants**</u>*:* Disaster Risk Management NLTA	
III. Strategic Objective Three: Enhance Quality of Public Expenditures and Institutional Development				
Outcome 1: Improve budget management *Status:* **Partially Achieved** *Justification*: Social protection	<u>**Indicator 1**</u>: Budget allocations are adequate to meet entitlements under social programs and budget in social sectors is executed as programmed, as evidenced by PEFA indicators 1&2 (Credibility of budget)	<u>**Indicator 1:**</u> ***Partially Achieved.*** No improvement in PEFA indicator 1 in 2012 PEFA (with data as of 2011); worsening in indicator 2 from C (PEFA 2007) to D+ (PEFA 2012).	<u>**Lending**</u>: PASS DPL Series (FY10, FY11, FY12) - $370M *ICR Rating: Satisfactory* <u>**AAA/Grants**</u>: NLTA Quality of Public Expenditures (FY10) (partners: IDB, EU),	The DPL series was critical in promoting both (1) a multi-year programming for investments in social services, which continues to this date, and (2) effectively protecting core social services despite fiscal constraints brought about by the global economic crisis. In the future, continuing to

expenditures were successfully protected and executed; the the broader PEFA indicators 1 & 2, which had been designated as the evidence for budget credibility, either did not improve or worsened as of 2011, but a subsequent PEMFAR has documented significant progress in these areas.	<u>Baseline</u>: Indicator 1: D Indicator 2: C (2007) <u>Target</u>: Equivalent to "A" score in identified sectors (2013) following assessment of entitlements.	Indicator 1: D (PEFA 2012) Indicator 2: D+ (PEFA 2012) The objective was to protect allocations in particular for social expenditures, even though a broader budget indicator was used. The execution of social expenditure was indeed successfully protected throughout the period and beyond, with the execution of social expenditure for the closing of supply gaps protected despite the fiscal crisis. Moreover, a subsequent PEMFAR documents significant improvement on budget credibility as of 2013, reflected in a new, more detailed chart of accounts to be able to match budget and procurement data, the expanded application of a Single Treasury Account, strengthening of internal and external controls, the signing of Inter-Ministerial Performance Agreements related to health and education investments, and a significant improvement in the country's Open Budget Index. .	Programmatic Social Sectors NLTA (FY10, FY11, FY12, FY13)	promote the use of Performance Agreements, and linking the "priority" status of programs in the budget to these Performance Agreements will be very important to continue to foster a medium-term planning approach and a focus on results. The core social programs are very well positioned for such an effort, and could set the examples for other sectors in the coming years. This will require collaboration between Finance, Economy, Public Administration and line ministries. The Social Cabinet could be a key player in promoting this focus. At the same time, the effective protection and execution of social expenditures occurred in a context of weakening overall budget management.
Outcome 2: Significant progress in the move toward performance-informed budget management *Status:* **Achieved.**	**<u>Indicator 1</u>**: Introduction of a credible multi-annual plan and budget framework social sectors (FY2013) <u>Baseline</u>: Under development (2009) <u>Target</u>: Covers social sectors (FY13)	**<u>Indicator 1:</u>** ***Achieved.*** Government approved Multi-Annual National Investment Plan in the Public Sector 2011-2014, aimed at closing gaps in the supply of education, health and nutrition services. This is the first step to developing a Medium-Term Expenditure Framework. PEFA indicators 11 &	**<u>Lending:</u>** PASS DPL Series (FY10, FY11, FY12) - $370M ICR *Rating: Satisfactory* **<u>AAA/Grants</u>**: Programmatic Social Sectors NLTA (FY10, FY11, FY12, FY13)	

Justification: Both indicators under this outcome reached their targets.		12 improved from Ds in 2007 to B, C+ respectively, in 2010, and to B+ and C+ in 2012.		
	Revised Indicator 2: Accurate and timely performance information loosely linking inputs to outputs, outcomes and entitlements is presented in budget documents. Baseline: None in 2008 budget Target: Coverage for priority health and education programs (FY13)	**Revised Indicator 2:** ***Achieved.*** Five performance agreements covering priority health and education programs signed between respective sectoral ministries and the Ministries of Economy, Planning and Development; Finance; and Public Administration. The Government is exploring the idea to expand this approach to all other priority programs in all sectors (making it a precondition for being given "priority" status in the budget).	**Lending:** PASS DPL Series (FY10, FY11, FY12) - $370M *ICR Rating: Satisfactory* **AAA/Grants**: Programmatic Social Sectors NLTA (FY10, FY11, FY12, FY13)	
Outcome 3: Increase rural poor municipalities' management capacity *Status:* **Partially Achieved** *Justification*: Progress has been made under this indicator, but targets have not	**Revised Indicator 1**: The 15 participating rural municipalities demonstrate basic capacity in procurement, FM and HR management (revised number of municipalities to bring in line with project document). Baseline: During Project preparation (2006-2008) a sample of five municipalities was assessed and found to lack transparent or well-	**Revised Indicator 1**: ***Partially Achieved.*** Five pilot municipalities and their corresponding municipal districts have concluded institutional diagnostics, formulated their Institutional Action Plans and initiated activities to improve basic capacities. They have received institutional strengthening training in the following areas, among others: financial management (budgeting, financial reporting, and financial information systems), procurement, human resources,	**Lending**: Municipal Development (FY10) $20M, *Latest ISR Rating: Moderately Unsatisfactory*	Capacity issues at both the national and local levels are significant. Where possible, subcontracting should be contemplated while strengthening capacity to design and monitor at the ministerial level. Also, given widespread institutional failure at the local level, a CDD operation focussed on both the demand side (collective action) and the supply side (municipal/district capacity and adequate enforcement of rules and regulations from national level) seems to be a more

been reached.	organized internal processes and procedures, personnel policies, or automated revenue or accounting systems.	institutional planning, municipal services management, and environmental management. This has led to significant behavioral changes in management and citizen participation, as well in transparency and accountability. Moreover, the national government now integrates the Municipal Action Plans of the pilot local governments into the national budget planning process.		feasible alternative approach.
IV. Strategic Objective Four: Build Capacity and Constituencies for Reform				
Outcome 1: Strengthened congressional budget oversight capacities *Status:* **Partially Achieved** *Justification*: The objective set forth in the indicator has been reached but only for the House of Representatives, not for the Senate or, as envisioned, for one office that serves both chambers.	**<u>Indicator 1</u>**: Creation of a Congressional Advisory Office (OPA) that is staffed with merit-based personnel and periodically releases budget analysis reports (FY13). <u>Baseline</u>: Congressional Permanent Advisory Office (OPA) created in 2003 but not operational.	**<u>Indicator 1</u>**: ***Partially Achieved.*** While a bi-cameral Congressional Advisory Office has yet to be created, there is now an Office for Budget Analysis, Monitoring and Evaluation (OASEP) for the House of Representatives, staffed with merit-based personnel. It releases budgetary reports every trimester to the Budget, Public Debt, and Tax Committees and to the Audit Office.	**<u>AAA/Grants</u>**: Improving Performance Accountability in the Dominican Republic by Strengthening Congressional Oversight	Since the project scope included both chambers of Congress: Senate and House of Representatives, the technical assistance would have been more effective had both chambers been involved and not only the House of Representatives. For future similar projects, a full-time project coordinator should be assigned to oversee implementation as the House of Representatives' Planning and Institutional Development office is understaffed and manages numerous donor-funded projects.

Outcome 2: Strengthened civil society's capacities for budget analysis and monitoring *Status:* **Achieved** *Justification*: The target under this indicator has been reached.	Indicator 1: Active permanent observatory of the budget run by coalition of CSOs in place Baseline: 1 CSO running Social Policies Observatory including basic public budget and social expenditures analysis reports (FY09) Target: Expanded Public Budget Observatory including budget process monitoring and systematic publication of monitoring reports as measured by online website and by number of CSOs trained in budget analysis and monitoring (FY13).	Indicator 1: ***Achieved.*** As stated in the 2011 CPS Progress Report, the Centro Juan Montalvo Civil Society Public Budget Observatory published budget analysis reports (6), and 18 regional technical bulletins on budget using the *Consulta Amigable* data in cooperation with the Civil Society Commission on Poverty and Fiscal Policy of the *Foro Ciudadano*, which involves more than 150 CSOs; trained 9 communities groups on budget execution monitoring and trained more than 113 people on Fiscal Pact/Budget processes.	**AAA/Grants**: Demand Side Governance NLTA (FY10, FY11, FY12), USAID Strategic Partnership for Transparency, Social Accountability and Governance (FY12, FY13) , Governance Partnership Facility Grant	The Participatory Anti-Corruption Initiative gave a real impulse to supply side reforms through a coalition of 14 CSOs that established an Observatory of the Participatory Anti-Corruption Initiative (IPAC) and published 4 monitoring reports on the Government's progress in the implementation of the anticorruption action plan.
Outcome 3: Enhance participatory planning at the local level *Status:* **Mostly Achieved**	**Revised Indicator 1**: All 15 participating municipalities are using participatory budgeting procedures to prepare annual budgets (based on the criteria of the participatory budgeting law)	**Revised Indicator 1**: ***Partially Achieved.*** Five pilot municipalities have haven been trained on participatory budgeting, concluded their participatory budgeting processes and the resulting Municipal Development Plans have been approved by the corresponding municipal councils.	**Lending:** Municipal Development Project (FY10) - $20M *Latest ISR Rating: Moderately Unsatisfactory*	

Justification: Of the two indicators defined for this outcome, one was achieved and the other has been partially achieved, with further progress under way.	Baseline: 2009: Nearly 65% of the thirty potential Project municipalities are implementing the MPB to some degree. The quality of the municipalities' application of the MPB instruments varies.			
	Indicator 2: Public access to web-based interface linked to Financial Management Information System (SIGEF) by 2013. Baseline: No budget transparency portal available as of 2009.	**Indicator 2: *Achieved.*** As of the 2011 CPS Progress Report, The SIGEF-informed budget transparency portal, *Portal del Ciudadano Dominicano*, was functioning (launched on August 30, 2011). It provides monthly updated information on both spending and earnings for each central institution.	**Lending**: PASS DPL Series (FY10, FY11, FY12) $370M *ICR Rating: Satisfactory* **AAA/Grants**: Strengthening Civil Society NLTA, Programmatic Social Sector NLTA (FY10, FY11, FY12, FY13)	The transparency portal provides a useful tool for civil society to review the budget and hold the Government accountable. It also serves to build a culture of transparency in government. The design of the portal should draw more on feedback from civil society to increase its usefulness to citizens.

Table 2. Planned Lending Program and Actual Deliveries (FY10-13)

CAS PLANS (August 12, 2009)			STATUS (Actual, Dropped or Forwarded)	
Year	Project	IBRD (US$ Millions)		IBRD (US$ Millions)
2010	**FY 10 Planned**		**FY 10 Actual**	
	DO Additional Financing to Social Sectors Investment Program	10.0	DO Additional Financing to Social Sectors Investment Program	10.0
	DO Health Sector Reform Second Phase APL2 (PARSS2)	30.0	DO Health Sector Reform Second Phase APL2 (PARSS2)	30.0
	DO Municipal Development Project	20.0	DO Municipal Development Project	20.0
	DO-1st Performance & Accountability in Social Sectors DPL (PASS1)	150.0	DO-1st Performance & Accountability in Social Sectors DPL (PASS1)	150.0
			Public Finance and Social Sector Development Policy Loan	150.0
	Subtotal FY10	**210.0**	*Subtotal FY10*	**360.0**
2011	**FY 11 Planned**		**FY 11 Actual**	
	DO-2nd Performance & Accountability in Social Sectors DPL (PASS2)	150.0	DO-2nd Performance & Accountability in Social Sectors DPL (PASS2)	150.0
	Subtotal FY11	**150.0**	*Subtotal FY11*	**150.0**
Subtotal FY 2010 - 2011		**360.0**	Subtotal FY 2010 - 2011	**510.0**
PROGRESS REPORT PLANS (December 21, 2011)			**STATUS (Actual, Dropped or Forwarded)**	
Year	Project	IBRD (US$ Millions)		IBRD (US$ Millions)
2012	**FY 12 Planned**		**FY 12 Actual**	
	DO-3rd Performance & Accountability in Social Sectors DPL (PASS3)	70.0	DO-3rd Performance & Accountability in Social Sectors DPL (PASS3)	70.0
	CARCIP	27.0	*On hold*	0.0
	DO Additional Financing to Emergency Recovery & Rehabilitation	20.0	DO Additional Financing to Emergency Recovery & Rehabilitation	20.0
	Subtotal FY12	**117.0**	*Subtotal FY12*	**90.0**
2013	**FY 13 Planned**		**FY 13 Actual**	
	Budget Support (To examine PASS related agenda priorities)	70.0	*Dropped*	0.0
	Subtotal FY13	**70.0**	*Subtotal FY13*	**0.0**
Subtotal FY 2012-2013		**187.0**	Subtotal FY 2012-2013	**90.0**
	Total FY 2010-2013	**547.0**	Total FY 2010-2013	**600.0**

Table 3. Planned Non-Lending Program and Actual Deliveries (FY10-13)

	CAS PLANS (August 12, 2009)	**STATUS**
2010	DO/HT Hispaniola CEMA	*Forwarded to FY12 (DR-Haiti Quisqueya Growth and Poverty Report)* *Additional Actual Products* DR Insolvency and Credit Rights - Report on the Observance of Standards and Codes (ICR-ROSC) DR Policy Notes DO Support to the National Development Strategy DR ROSC - Update
2011	DO Avian Influenza Prevention NLTA DO Program Institutional & Governance Review DO Adaptation to Climate Change and Disaster Risk Management NLTA	DO Avian Influenza Prevention NLTA *Scheduled for Delivery FY13* DO Programmatic Social Sectors NLTA *Additional Actual Products* Treasury's Country Banking Services NLTA DO Poverty Monitoring NLTA DO Energy NLTA
	PROGRESS REPORT PLANS (December 21, 2011)	**STATUS**
2012	DO Programmatic Social Sectors NLTA DO Institutional Development Fund for Strengthening Congressional Oversight DO Energy Sector and Investment NLTA DO Adaptation to Climate Change and Disaster Risk Management NLTA DO Competitiveness NLTA Treasury's Country Banking Services NLTA DR-Haiti Quisqueya Growth and Poverty Report DO Strengthening Civil Society NLTA	DO Programmatic Social Sectors NLTA DO Improving Performance Accountability in the Dominican Republic by Strengthening Congressional Oversight *DO Energy NLTA Delivered FY11* DO Adaptation to Climate Change and Disaster Risk Management NLTA *Dropped* *Completed FY11* DR-Haiti Quisqueya Growth and Poverty Report DO Strengthening Civil Society NLTA *Additional Actual Products* Access to Information and Downward Accountability in the Dominican Republic Strengthening Public Interest Media in the DR DO Improving the Quality & Efficiency of Public Expenditures in the DR NLTA
2013	DO (U) Quality & Efficiency of Public Expenditures NLTA DO Programmatic Social Sectors NLTA DO Strengthening Civil Society NLTA	*DO Improving the Quality & Efficiency of Public Expenditures in the DR NLTA Delivered FY11* DO Programmatic Social Sectors NLTA DO Strengthening Civil Society NLTA *Additional Actual Products* DR Living Standards Measurement DR Index Insurance Regulatory and Policy Capacity Building (Scheduled for Delivery FY13) Improving Performance Accountability by Strengthening DR Supreme Audit Institution Public Expenditures Management NLTA (Scheduled for Delivery FY13) Broadband Infrastructure Feasibility Studies Institutionalization of Robust Fiscal and Financial Management Capacities in the Public Administration Poverty & Inequality NLTA (Scheduled for Delivery FY13) DO Programmatic Institutional and Governance Review (Scheduled for Delivery FY13) Dominican Republic National Strategy for the Development of Statistics (NSDS) DR Policy Notes 2012 (Scheduled for Delivery FY13)

ANNEX 14. MAP OF THE DOMINICAN REPUBLIC