Office of Evaluation and Oversight

Extended Country Program Evaluation

Dominican Republic 2013-2020

IDB | IDB Invest

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RE-566
November 2021

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Inter-American Development Bank

Contents

Preface

The Office of Evaluation and Oversight (OVE) has prepared its IDB Group Country Program Evaluation (CPE) for the Dominican Republic for the period 2013-2020, covering two strategic planning periods. It is OVE's fifth independent evaluation of the IDB Group's program in the Dominican Republic. Previous evaluations covered the periods 1991-2003 (document RE-306); 2004-2008 (document RE-371); 2010-2013 (document RE-453); and 2013-2016 (document RE-505).

As set out in the Protocol for Country Program Evaluation (document RE-348-3), the main goal of CPEs is to "provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank's overall strategy and program of country assistance." This evaluation, like others of this type, aims to analyze the IDB Group's relationship with the Dominican Republic from an independent and comprehensive standpoint, with the twofold purpose of strengthening accountability and sharing lessons learned to inform the Bank's future support and, in particular, the next country strategy.

This CPE carefully examines the design, implementation, and outcomes of operations approved or active between 2013 and 2020, taking the national context and applicable strategic documents into account. To this end, OVE has analyzed country data, studied project documents, and conducted some 120 interviews with the country's authorities, project execution units, members of civil society and the private sector, representatives of other development agencies, Bank managers who supervise the program with the Dominican Republic, and IDB Group staff in the Bank's Country Office and at Headquarters. Due to the COVID 19 pandemic, country missions were replaced by digital interaction. OVE is grateful to these counterparts for their participation and collaboration, which enabled a rich exchange of information and reasonable access to verify the program's outcomes, albeit remotely.

In addition, this evaluation is part of a pilot conducted under the update to the Protocol for Country Program Evaluation. Through this update, OVE proposes introducing two new outputs that would replace CPEs: Independent Country Program Reviews (ICPRs) and Extended Country Program Evaluations (XCPEs) such as this, which unlike CPEs, cover an extended period and are thus more consistent with program development timeframes.

Acknowledgements

This document was prepared by Alejandro Soriano (Team Leader), Andrea Rojas-Hosse, Orlando Vaca, and Melanie Putic, under the direction of Ivory Yong, OVE Director, and Monika Huppi, Senior Adviser.

Abbreviations

AFD	Agence Française de Développement [French Development Agency]
CCF	Contingent credit facility
CCLIP	Conditional credit line for investment projects
CID	Country Department Central America, Haiti, Mexico, Panama and the Dominican Republic
CPE	Country Program Evaluation
CUT	Cuenta Única del Tesoro [Treasury single account]
DGII	Dirección General de Impuestos Internos [Internal Revenue Service]
FASE	Fondo de Asistencia Solidaria al Empleado [Solidarity Fund for Employee Assistance]
IGR	Investment grant
IMF	International Monetary Fund
INAPA	Instituto Nacional de Agua Potable y Alcantarillados [National Water and Sewerage Institute]
INV	Investment loan
ITBIS	Impuesto sobre Transferencias de Bienes Industrializados y Servicios [tax on transfers of goods and services]
LAC	Latin America and the Caribbean
LBR	Loan based on results
MSMEs	Micro, small, and medium-sized enterprises
NSG	Nonsovereign guaranteed
OVE	Office of Evaluation and Oversight

PBL	Policy-based loan
PBP	Programmatic policy-based loan
PCR	Project completion report
PEFA	Public expenditure and financial accountability
PPP	Public-private partnership
RBF	Results-based financing
SDL	Special development line
SG	Sovereign guaranteed
SIGEF	Sistema Integrado de Gestión Financiera [Integrated Financial Management System]
SIUBEN	Sistema Único de Beneficiarios [Uniform System of Beneficiaries]
SMEs	Small and medium-sized enterprises
SRS	Servicios Regionales de Salud [Regional Health Services]
TCG	Technical cooperation grant
TFFP	Trade Finance Facilitation Program
UTEPDA	Unidad Técnica Ejecutora de Proyectos de Desarrollo Agroforestal de la Presidencia de la República [Technical Execution Unit for Agroforestry Development Projects]
WDI	World Development Indicators
XSR	Expanded Supervision Report

Executive Summary

The Dominican Republic has the largest economy of the Bank's borrowing member countries in Central America and the Caribbean. Between 2013 and 2019, the Dominican economy grew at an annual average rate of 6%, the second highest in Latin America and the Caribbean. Nevertheless, this growth has been volatile in the face of exogenous factors such as climate phenomena and, more recently, the global COVID-19 pandemic. After Haiti, the Dominican Republic is the Caribbean country most vulnerable to seismic and meteorological events. Until the onset of the pandemic, economic growth had succeeded in translating into a significant reduction in poverty. However, the pandemic rolled back part of the progress: consumer spending, construction, and tourism suffered record declines.

The steps taken to mitigate the effects of the pandemic—including transfers to the population and an expansionary monetary policy—raised the fiscal deficit even further. The country's tax burden (on the order of 14%) is among the lowest in the region, and there is strong demand for social services, electricity at subsidized rates, and minimum spending guarantees in areas such as education (4%). The country's largest exports—all inclusive tourism, primary mining, and goods assembled in free-trade zones—create limited local linkages. Numerous tax exemptions prevent growth from raising the tax-to-GDP ratio. At the same time, most of the economy is characterized by low productivity and limited training for quality employment.

The Bank's strategies with the country set objectives in three priority areas: fiscal, social, and productive. In the fiscal area, these objectives focused on the tax system, public expenditure and investment, and the electricity sector (due to its fiscal effect). In the social area, they focused on social protection, health, and education. In the productive area, they focused on the country's competitiveness and productivity, productive infrastructure, quality jobs, and resilience to climate change (but only in the agricultural sector). These objectives were relevant to the country's needs and its development plan but in practice proved to be poorly focused (covering a wide range of needs) and overly ambitious (involving objectives which the program did not succeed in advancing as expected).

The program comprised 157 operations for US$4,784,800,000, which was in line with the planned financial scenario. The program addressed all strategic objectives but was partially aligned with four of them. The program's support for the ambitious objectives was weakened even further by cancelations and delays in the planned continuity of support. In all, 66% of total disbursements was channeled through policy-based loans (PBLs), but the reforms promoted by these loans were not deep enough to achieve the objectives. In addition, they were organized into series, most of which were not completed. At the same time, IDB Invest's contribution over the period was very low, being limited to operations with financial intermediaries as its other forms of support were canceled.

There was limited programming of operations: almost half had not been anticipated in the annual Country Program Documents. Moreover, in the case of PBLs, the approved operations involved amounts that were twice as high as anticipated, mitigating the financial effect of a potential truncation of these programmatic series. The Dominican Republic has broad, favorable access to international sovereign debt markets (issuing dollar-denominated instruments with maturities of more than 20 years), having continued to enjoy broad access even after the onset of the pandemic. Against this backdrop, the Bank was the country's largest source of nonreimbursable resources, and their use was significant for promoting public policies and plans, such as the National Infrastructure Plan, which the Bank recently supported through a survey of the country's infrastructure needs until 2030.

The execution challenges persisted: a sovereign guaranteed investment loan took some 12 months longer to execute than the average timeframe in the Bank's Country Department Central America, Mexico, Panama, and Dominican Republic. The investment portfolio included quasi-budgetary support components, which were executed while planned parallel institutional strengthening actions were being delayed. At the same time, the IDB Invest portfolio only included financial intermediaries, while support was canceled for other objectives such as productivity and competitiveness or energy at the request of clients in an environment of high market liquidity. Furthermore, there was no close collaboration with the public sector that could prevent design problems in public-private risk allocation, resulting in the cancelation of two legacy road projects from the previous period.

The evaluability of the country strategies had limitations: for 75% of the progress indicators, there were no updated data as of 2020, and for 60% there were no updated data as of 2019 (prior to the pandemic). With regard to the country systems, not only do the monitoring and evaluation systems pose challenges, but the country's capacity in terms of auditing and public procurement is also not in line with its development level.

In the fiscal area, the Bank helped to partially advance the public expenditure and investment objectives and, to a lesser extent, the electricity sector objectives, but did not succeed in promoting the deep reforms that were needed. The area included objectives regarding the tax system, but the Bank's contribution was thwarted by a failure to achieve the tax objectives of the only PBL (2013). Conversely, the Bank made a partial contribution in public expenditure and investment—contributing to their management systems but not to their quality– and in the electricity sector—supporting investments to reduce electricity losses, but not rate reforms or regulations to promote improvements in the sector's service quality and environmental impact.

In the social area, the Bank played an important role in social protection, financing as much as 25% of the country's social transfers and supporting the strengthening of the system. However, challenges persist in terms of verification of compliance with health conditionalities, and the improvements made in targeting social assistance expenditures were set back in 2019. Similarly, the Bank helped to consolidate the health care model (completing a PBL series in support of the sector's reform, in addition to investment loans), also with mixed outcomes due to challenges in service quality. In water and sanitation, it also helped to improve access, despite the failure of a sector reform process. By contrast, its contribution in early childhood education was marginal, as shown by the cancelation of a large part of the program, while there is no evidence that the program had any effects on the quality of education.

In the productive area, the Bank helped to solidify reforms and institutions as well as legal frameworks (including the recent approval of a regime for public-private partnerships (PPPs) to promote competitiveness and access to credit (completing a PBL series in support of a sector reform). However, the program's contribution to the objectives of increasing local productive linkages for exports, business innovation, and creating quality jobs was less significant. Furthermore, the program's contribution to the objective of improving the country's production infrastructure was limited, mainly taking the form of interventions in the electricity and logistics sectors. The program's contribution to the objective of boosting resilience to climate change (which continues to be a key development challenge given the country's high exposure to natural disasters) was minor.

The country strategies also identified four crosscutting issues—including the use of information and communications technology—but their level of integration into the program fell below its potential. Lastly, there are still significant risks that could affect the continuity of the outcomes, including high turnover of technical staff and limited country ownership of certain reforms (which has led the country to decide, against expectations, not to continue four of the period's six PBL support series), as well as fiscal pressures and a lack of evaluative evidence on key issues to help build the consensus required to promote needed reforms.

In view of these findings, arising from an evaluation of the IDB Group strategies and program over an extended period, OVE makes the following recommendations:

1. **Focus the new country strategy on key challenges for the country on which the IDB Group has amassed experience and is able to provide continuity toward their resolution.** The objectives were overly ambitious and not focused enough. The greatest contribution was made in areas in which the country undertook to carry out a reform process and the IDB Group was able to provide continuous support for its implementation. Therefore, OVE recommends: (i) focusing the objectives of the next country strategy on a few areas in which the IDB Group has already amassed experience of value to the country, including through the portfolio in execution and programmatic series that have not yet been closed; and (ii) in the event of interruption of the reforms needed to achieve these objectives, explain the reasons for this in the annual programming exercises and propose actions aimed at resuming their continuity.

2. **Boost the role of knowledge products in supporting the country to resolve key issues for its development.** The country has achieved high growth levels and enjoys broad financing access in the markets. In this context, the Bank has shown that it can also add value through knowledge products such as its recent survey of infrastructure needs or its assistance with the country's digital transformation plan. Therefore, OVE recommends: (i) ensuring that the country strategy sets strategic objectives in areas in which the IDB Group is also able to add value based on knowledge; and (ii) given the potential of this knowledge for the IDB Group's contribution, ensure that the programming envisages its production, facilitates its dissemination, and boosts its use in agreement with the country.

3. **Recover IDB Invest's participation in supporting a majority of the priority areas identified in the country strategy.** The country strategies envisaged a role for IDB Invest that failed to materialize: In a high-liquidity context, IDB Invest did not

succeed in making any contribution beyond the financial sector, despite having broader value-adding potential. The recent approval of a regime for PPPs could unlock new opportunities. Moreover, in line with its attempts to date at providing support and the country's needs, IDB Invest could support a socially responsible private sector that promotes gender perspectives and climate change mitigation. Therefore, OVE recommends: (i) more effectively outlining in the country strategy how the IDB Group will promote the catalytic role of IDB Invest in support of the strategic objectives; and (ii) ensuring that IDB Invest has or, if necessary, develops a comprehensive value proposition that emphasizes the nonfinancial additionality considerations that are valued by the Dominican private sector.

4. **Improve the evaluability of the new country strategy, ensuring that it is monitored in a timely fashion and the planned evaluations are conducted.** Monitoring posed challenges with respect to 75% of the indicators selected under the country strategy, partly because these indicators were based on ad hoc surveys that are not frequently updated. Along similar lines, several initiatives supported by the IDB Group included planned final evaluations that were not performed, and the program had a high prevalence of country ownership challenges, partly due to a lack of evidence on the effectiveness of various approaches. Therefore, OVE recommends: (i) improving the evaluability of the results framework in the new country strategy, ensuring that the progress indicators selected for monitoring can be measured as frequently as necessary; and (ii) ensuring that the evaluations planned under the program are carried out and encouraging the continued use of this evidence to improve future actions and boost country ownership of the successful intervention models promoted by the program.

01

Country Context 2013-2020

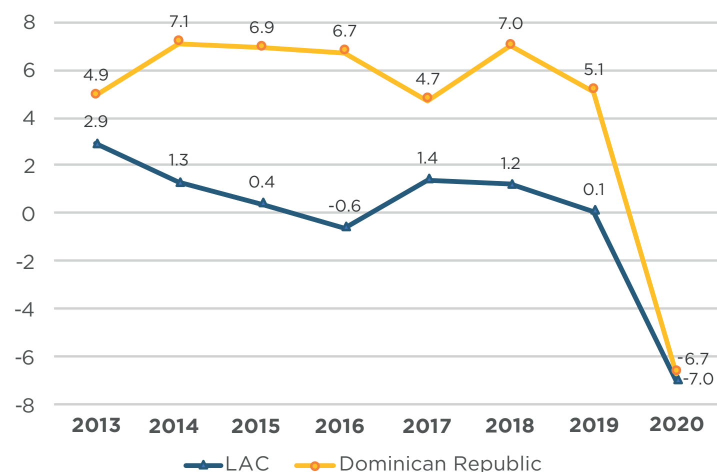
1.1 The Dominican Republic has the largest economy of the Bank's borrowing member countries in Central America and the Caribbean. The country occupies nearly two thirds of the Caribbean island of Hispaniola, which it shares with Haiti. Similar in size to Costa Rica, it has 10.8 million inhabitants,[1] mostly young (about 50% the population is 25 or younger) and concentrated in urban centers (74%). In addition, approximately two million Dominicans have moved abroad, primarily to the United States (72%) and Spain (12%), where they maintain ties with the country and from where they send significant flows of remittances (on the order of 7% of the GDP) to their families.[2]

A. Macroeconomic situation

Figure 1.1

Annual GDP growth (%)

Source: IMF, World Economic Outlook.



1.2 Between 2013 and 2019, the GDP of the Dominican Republic expanded at an annual average rate of 6%, the second highest in Latin America and the Caribbean (LAC).[3] Gross capital formation (which grew at an annual rate of 8.5% between 2013 and 2019) was the component most responsible for this expansion, followed by consumer spending, which rose at an average rate of 4.8% over the same period.[4] With a nominal per capita GDP of US$8,282, similar to the LAC average, the Dominican Republic is already considered a medium-high income country according to the World Bank classification. Against this backdrop, the

1 United Nations Population Fund (UNFPA), 2020.

2 Organization for Economic Co-operation and Development (OECD)/Economic, Administrative, and Social Research Center (CIECAS), 2017. Instituto Nacional de Migraciones de la República Dominicana (INMRD), 2020.

3 International Monetary Fund (IMF), 2020.

4 Central Bank of the Dominican Republic (BCRD), 2021.

Dominican Republic has been transitioning from an agriculture- and assembly-based economy with little local added value to an economy based on services and extractive activities.[5]

1.3 However, this growth has proven volatile in the face of exogenous factors such as climate phenomena and, more recently, the global COVID-19 pandemic.[6] The Dominican Republic is one of the countries most vulnerable to natural disasters. The climate risk index ranks it 12th out of 181 countries in terms of direct losses due to climate events over the past 20 years.[7] In 2020, the COVID 19 pandemic forced a greater discontinuity in the country's growth path. The global lockdowns and border controls affected key engines of growth, with a reduction in private domestic consumption (estimated at 3.4% of GDP) and exports (including tourism, which posted a 43% drop). The government implemented mitigation measures that included an active domestic and tourist testing program, cash transfers to encourage job continuity and worker protection, and reductions in the benchmark rates and bank reserve requirements.

1.4 The balance of trade continued to be negative, with poor export diversification and limited local linkages. The trade deficit averaged 4.6% of GDP between 2013 and 2019. Economic openness—measured by the sum total of exports plus imports as a percentage of GDP—has been declining: it was 35.4% in 2019, compared to 62.6% in 2000.[8] In 2018, tourism services were already the leading export item (46%), followed by medical equipment (15%), gold (14%), electrical products (10%), and textiles (9%).[9] The main trading partner is the United States, which receives 54% of the country's exports of goods and is the primary source of tourism to the Dominican Republic.[10] Local value added is limited: 56% of exported goods originate in free-trade zones, where only about 20% of inputs are local,[11] while tourism activity is mostly of the "all-inclusive" type, which limits productive linkages.

5 The service sector is predominant in the makeup of the GDP (59.9% in 2019), while the weight of agricultural activities has declined (5.2% in 2019). Mining industry (primarily gold) accounted for 4.5% of GDP in 2017, compared to 0.7% in 2000. Extractive Industry Transparency Initiative (EITI), 2018.

6 The previous declines in growth were associated with the economic ravages caused by two hurricanes (in 2017) and the effects of a drought in the country's north (in 2019).

7 Germanwatch, Global Climate Risk Index 2019.

8 World Development Indicators (WDI). World Bank. https://data.worldbank.org/indicator/TG.VAL.TOTL.GD.ZS?view=chart&locations=DO

9 Atlas of Economic Complexity, Harvard, 2018: https://atlas.cid.harvard.edu/countries/65/export-basket

10 The United States, together with Canada and Haiti, account for 76% of exports of goods.

11 Consejo Nacional de Zonas Francas de Exportación, 2019.

1.5 Economic performance benefited from a resilient external position that helped cushion a variety of shocks. The current account deficit improved between 2013 (-4.1%) and 2019 (-1.3%). Even though the increase in oil prices in 2018 put pressure on the deficit, the effect was cushioned (resulting in a deficit of -1.4% of GDP) by the strength of the United States economy, which boosted tourism and remittances (with the latter reaching a record 8% of GDP). In addition, foreign direct investment averaged 3.3% of GDP between 2013 and 2019,[12] driven by the tourism, commerce, real estate, and mining sectors. Even against the backdrop of the 2020 pandemic, the recovery in remittance revenue (which, following an initial decline, exceeded the 2019 total by 16%),[13] the rise in gold export prices, and the decline in import outflows (both on the order of 15% with respect to 2019) partly offset the drop in tourism.

1.6 Despite efforts at reform, the Dominican Republic continues to have a tax burden of about 14% of GDP, the second lowest in LAC. The country's low tax revenue levels are associated with a high level of exemptions (5.1% of GDP in 2019), technical weaknesses in tax administration, and high tax evasion levels (associated with high levels of informality and complex tax compliance procedures). The start of the 2013-2020 period was still marked by the effects of the global financial crisis. Until 2012, the country had a stand-by arrangement with the IMF, committing to fiscal reforms that introduced new tax obligations and raised the base for taxes such as the ITBIS.[14] This only had a moderate impact on tax revenue intake. In addition, as the country resumed its pace of growth, ITBIS exemptions increased. These exemptions continued to be the country's largest tax expense, followed by preferential tax rates for fuels, deductions on assets, and corporate income tax incentives, which were granted on the basis of an examination whose technical quality was uneven.

1.7 The electricity sector continued to be a significant fiscal burden, in addition to imposing service restrictions that affect the entire society. The public distribution utilities[15] operate under a rate model that does not reflect their costs, thus requiring a fiscal contribution that exceeds 1% of GDP and varies as a function of the price of oil and the economic cycle. About two thirds of this contribution is deposited into a general fund that prevents

12 WDI, World Bank, Economic Commission for Latin America and the Caribbean (ECLAC) Data Repository 2019.

13 OVE, based on data from the BCRD.

14 The tax on transfers of goods and services (ITBIS) is a general, "value added" type of tax on consumption. Data, World Bank, 2018.

15 EDEESTE, EDENORTE, and EDESUR account for 78% of the electricity used in the country.

the resources from being properly targeted.[16] Electricity losses fluctuate around 30%, and service is subject to frequent outages, which have encouraged self-generation using fossil fuels. Since 2019, the State has also expanded its role in power generation, mostly coal-based, seeking to lower the cost of the energy dispatched to the grid.

1.8 Despite fiscal consolidation efforts, the public debt has continued on an upward path. Between 2013 and 2020, the nonfinancial public sector debt rose by close to 20 percentage points of GDP, reaching 56.6% of GDP, while the consolidated debt, including central bank debt, reached 69.1% of GDP. All told, 77% of the total debt is denominated in foreign currency (compared to an average of 54% in LAC), increasing its vulnerability to exchange rate fluctuations.[17] In 2020, the sovereign debt in foreign currency maintained the same credit rating it had in 2015 2016, but with a negative outlook. Nevertheless, the Dominican Republic continues to have broad access to the capital markets (Annex I, Table I.11).[18]

B. Social development

1.9 Until the onset of the pandemic, economic growth had led to a significant reduction in poverty. The poverty rate dropped from 40.5% in 2010 to 21% in 2019 (20% urban, 25.4% rural).[19] This progress was the result of several years of economic growth and active social protection policies. Extreme poverty also declined significantly, from 9.3% in 2013 to 2.8% in 2019. In 2020, the pandemic reduced both employment and remittances, raising the poverty rate to 23.4% and the extreme poverty rate to 3.5%.[20]

1.10 However, the country still faces inequality challenges, including in territorial and gender terms. In the aggregate, the inequality index stood at 43.9 in 2018, which despite being an improvement over 2014 (45.5), remains one of the highest in LAC. Notwithstanding the increase in average income, the prevalence of undernourishment was estimated at 6.4% (more than 600,000 people) for 2016-2018. In addition, there are

16 This covers, among other things, general subsidies and investments required by the sector.

17 Section based on Public Credit Statistics as of March 2021.

18 Since 2013, the Dominican Republic has issued bonds in United States dollars for US$20.3 billion with an average maturity of 20.7 years and at an average cost of 5.94%. Even after the onset of the pandemic, the Dominican Republic issued bonds in dollars for US$6 billion with an average maturity of 21.4 years and at an average cost of 5.2%. In June 2021, the Dominican Republic also succeeded for the first time in placing debt in local currency under local legislation in international markets, achieving a subscription of more than US$1.8 billion.

19 Section based on data from the Ministry of Economy, Planning, and Development (MEPyD), 2020.

20 Bulletin of Official Statistics on Monetary Poverty in the Dominican Republic. MEPyD. 2021.

pronounced territorial inequalities, particularly in the country's west, close to the border with Haiti, where 87.3% of the immigrant population originates.[21] Moreover, the country continues to face gender equality challenges. In 2018, the labor market participation gap was 25.7%: 52.8% for women versus 78.5% for men. Although there is a legal framework that establishes gender parity, women are a minority in government, heading only 18.2% of the ministries and participating in limited numbers in the Senate (9.4%, versus 24.5% in LAC). The violent death rate for women in 2018 was 3.0 per 100,000 and thus still high, although lower than the 4.6 per 100,000 recorded in 2011.

1.11 These inequalities are also evident in areas such as health care. Public expenditure on health care is relatively low (2.54% of GDP in 2018), and life expectancy at birth (73.9 years) is below the average for LAC (75 years). The Dominican Republic is among the 10 LAC countries with the highest maternal mortality rate, and it has the highest adolescent fertility rate in the entire region.[22] The country is also among those with the highest newborn and child mortality rates in LAC.[23] In addition, it was estimated that diseases caused by deficient water and sanitation coverage (which is 96.7% and 83.9%, respectively) were responsible for at least 12% of medical visits.[24] This disproportionately affects the poorest socioeconomic groups, whose health insurance subscription rate in 2016 was 47.1%, compared to 83.3% in the rest of the population.[25] Furthermore, the country continues to have deficient primary health care and coverage.[26] Lastly, the Dominican Republic suffers from one of the worst traffic fatality rates, which has already become a public health challenge[27] together with the rise in chronic and infectious diseases (dengue and malaria).

1.12 Dominican society agreed to set a floor of 4% of GDP for public spending on preuniversity education, but gaps in access and quality continue to create significant barriers to social mobility.

21 Section based on United Nations Development Programme (UNDP) data, 2016, and CEPALSTAT, 2019.

22 In 2018, the adolescent fertility rate, measured as the number of mothers ages 15 to 19 per 1,000 births, was 93 in the Dominican Republic, compared with an average of 62.1 in LAC.

23 In 2019, the newborn mortality rate in the Dominican Republic was 19 per 1,000 live births, compared to 9 in LAC, while the infant mortality rate was 25.6, compared to 15.3 in LAC. WDI, World Bank.

24 Basic Health Indicators (2013). WDI, World Bank (2017).

25 Social security subscription is also low: 48% of the population (versus an average of 69% in LAC).

26 According to Ministry of Public Health estimates, only 30% of ambulatory health care activity in the country occurs in a primary care setting, while the World Health Organization recommends that it be at least 80%.

27 In 2016, traffic accidents resulted in 34.6 fatalities per 100,000 inhabitants, almost double the world average of 18.2. World Health Organization, 2018.

The disparities in access to education begin at the preschool level: 58.9% of children under 5 do not attend school, and the attendance rate is lower in the poorest population segments. Primary education coverage is relatively high (95% in 2019), but coverage is much lower in the case of secondary education (71% in 2018), where the graduation rate is even lower (62%).[28] In addition, there are shortcomings in quality, which are reflected in the results of standardized tests: in the most recent Programme for International Student Assessment (PISA) tests (2018), Dominican students obtained the lowest science and mathematics scores of the 78 participating countries. Vocational education is deficient and disconnected from the needs of the private sector. According to the 2019 Global Competitiveness Index, the Dominican Republic is ranked 91st out of 141 countries in workforce skills, including those needed for the digital economy.[29]

C. Productive development

1.13 The high rates of informality and low economic productivity growth are significant barriers to the creation of quality jobs. In 2019, the formal sector employed only 51.6% of the workforce.[30] The highest informality rates were to be found in the agricultural, construction, transportation, and service sectors. With the exception of agriculture, these sectors contributed a good portion of the country's growth over the period. However, jobs in these sectors have typically required low skill levels and have done little to boost formal employment. This also manifested itself in an economy whose total factor productivity has grown by only 0.8% over the last 20 years.[31]

1.14 Institutional weaknesses, limited credit access, infrastructure service gaps, and little investment in innovation acted as impediments to more inclusive growth.[32] In the Global Competitiveness Index, the Dominican Republic is ranked lowest (118th out of 141 countries) on the *institutions pillar*, due to weak performance in controlling corruption and low governmental effectiveness. At the same time, the Doing Business report highlights deficiencies in the regulatory frameworks and a

28 United Nations Educational, Scientific, and Cultural Organization (UNESCO), 2020. Statistics Institute.

29 Global Competitiveness Report. World Economic Forum, 2019.

30 Central Bank of the Dominican Republic (BCRD), 2020d.

31 According to Dominican Republic Country Development Challenge estimates, IDB, 2020.

32 An analysis of the country's growth components indicates that economic growth was mostly the result of physical capital accumulation rather than improvements in human capital or total factor productivity.

heavy paperwork burden. As in the case of electricity costs, logistic costs are high, spawning limited competition in freight transportation, underused ports, and deteriorating secondary road networks. Credit to the private sector was equivalent to 28% of GDP, significantly less than the LAC average of 55%. In terms of innovation, there is little investment in research and development, inadequate human capital training, and very low development of the venture capital market.

1.15 Lastly, despite improvements in the business climate, the country's productive model perpetuates major sustainability challenges. The Dominican Republic is a party to five free-trade agreements, under which it traded 76% of the total volume of goods exported in 2019.[33] In February 2020, it approved a legal framework to promote public-private partnerships (PPPs).[34] By contrast, the main sectors (mining, tourism, and agriculture) continue to have a strong effect on greenhouse gas emissions, aquifer pollution, deforestation, and soil and coastline erosion. Less than 20% of liquid effluents are treated. With regard to solid waste, urbanization has spurred the creation of some 325 dumps, which are generally open-air and lack proper management[35] This environmental deterioration, which the country still has limitations in mitigating, affects not only the health of the population and the sustainability of these very sectors of the economy, but also the climate and the risk of natural disasters.

33 They are the Dominican Republic-Panama Agreement, Dominican Republic-Central America Agreement, Dominican Republic-Central America-United States Agreement, CARIFORUM-European Union or EPA Agreement, and Dominican Republic-Caribbean Community Agreement. The United Kingdom-CARIFORUM Agreement has not yet come into force. DICOEX, 2019.

34 Although there continue to be opportunities for improvement in the institutional framework, maturity of PPP implementation, and access to finance. Infrascope. The Economist Intelligence Unit. 2019.

35 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), 2018.

02

The IDB Group in the Dominican Republic: 2013-2020

A. IDB Group country strategy with the Dominican Republic

2.1 Between 2013 and 2020, the IDB Group formulated two country strategies with the Dominican Republic. The first of these, for the 2013-2016 period, set out nine strategic objectives in six sectors: (i) fiscal management, (ii) energy, (iii) social protection, (iv) education, (v) health, and (vi) productive development and competitiveness. The second country strategy, for the 2017-2020 period, set out 10 strategic objectives in three priority areas: (i) fiscal: consolidation of a more efficient, transparent, and participatory public institutional framework; (ii) social: accessibility and quality of basic services; and (iii) productive: expansion of productive opportunities. Given the continuity in the strategic objectives of the two country strategies, these objectives may be condensed into 10 areas of intervention that will be used to present the analysis in the remainder of the XCPE (Table 2.1).

Table 2.1. Consolidated strategic objectives 2013-2020

Strategic objectives 2013-2016 country strategy	Strategic objectives 2017-2020 country strategy	IDB Group areas of intervention 2013-2020
Fiscal area: Consolidation of a more efficient, transparent, and participatory public institutional framework		
1.1 Improve internal taxation	2.1 Boost the efficiency of the tax system	**1. Tax system**
1.2 Consolidate the financial administration systems	2.2 Enhance the efficiency and transparency of public expenditure	**2. Public expenditure and investment**
1.3 Strengthen public investment prioritization and planning systems		
1.4 Boost the operating efficiency and financial sustainability of the electricity sector	2.3 Improve the operating efficiency and rate structure of the electricity sector	**3. Electricity sector**
Social area: Accessibility and quality of basic services		
1.5 Enhance the effectiveness and efficiency of the social protection network		**4. Social protection**
1.6 Improve the quality of basic and secondary education in low-income areas	2.4 Improve the quality of education	**5. Education**
1.7 Expand early childhood education coverage among the poorest population segments	2.5 Stimulate early childhood development	
1.8 Improve the quality of health services as well as the management and financial sustainability of the sector	2.6 Improve the population's health	**6. Health**
Productive area: Expansion of productive opportunities		
1.9 Boost the productivity of MSMEs with growth potential and their access to markets	2.7 Promote productive linkages, export diversification, and integration into global value chains	**7. Productivity and competitiveness**

Strategic objectives 2013-2016 country strategy	Strategic objectives 2017-2020 country strategy	IDB Group areas of intervention 2013-2020
	2.8 Improve productive infrastructure	**8. Productive infrastructure**
	2.9 Increase quality employment	**9. Quality employment**
	2.10 Adapt agricultural production to climate change	**10. Resilience to climate change**

Source: Prepared by OVE based on the 2013 2016 country strategy (document GN-2748) and the 2017 2020 country strategy (document GN-2908).

2.2 There was relative continuity between the strategic objectives of the two country strategies, but with differences in emphasis and scope that were well aligned with the needs of the country in the fiscal area. According to the second country strategy, this continuity was deliberate: there was continuity in the Government of the Dominican Republic, the same president being in office during both periods, and policy was guided by the recently prepared (in 2012) National Development Strategy 2030. The two country strategies maintained the objectives in internal taxation and public expenditure (including with respect to the fiscal effect of the electricity sector). However, the first strategy focused on financial management systems, while the second reaffirmed the importance of the country's fiscal problem, pointing out that the challenges went beyond implementation (systems) and required comprehensive attention to fiscal revenue and expenditure.[36]

2.3 In the social area, the changes in emphasis between the objectives of the two country strategies also served to make them more aligned with the country's needs. The two country strategies showed continuity with respect to the objectives in health, quality of education, and early childhood development. However, the second country strategy eliminated the explicit emphasis on seeking to address demand in the poorest areas and population segments. This was consistent with the country's need for a more *systemic focus* on the supply of social services, including health and education services. In addition, *increased access to improved drinking water sources*, much needed by the country and with respect to which the Bank already had a portfolio in execution, was for the first time introduced as a strategic objective in the second country strategy under its comprehensive focus on health.

2.4 The objectives in the productive area were noticeably expanded in the second country strategy, which also increased its relevance. In this area, the first country strategy focused narrowly on enhancing the productivity of exporting micro, small, and medium-sized

36 In addition, the second country strategy removed the focus on public investment, which had been undergoing a drastic reduction since 2012, while private investment was growing at one of the fastest rates in LAC.

enterprises (MSMEs).[37] Conversely, the second country strategy had a broader focus on the private sector, in line with the country's stagnating productivity. The second country strategy proposed addressing *value chains*, both global and local (within the Dominican Republic), incorporating adaptation of agricultural production to climate change, productive infrastructure (including logistics and readiness to make use of digital infrastructure), and creation of quality jobs as objectives.

2.5 In addition to these strategic objectives, the country strategies sought to integrate four crosscutting issues highly relevant for the country. The first country strategy identified two crosscutting issues: climate change (particularly in the productive development and energy sectors) and gender (particularly in health, education, and social protection). The second country strategy kept the emphasis on climate change (expanding its scope to include disaster risk prevention and mitigation in the framework of the National Climate Change Plan) and on gender (expanding its scope from the social to the productive sphere). In addition, it introduced two new issues: information technology (supporting the government's Digital Republic program) and strengthening the institutional capacity of local counterparts.

2.6 The strategic objectives were consistent with the diagnostic assessments of the Bank and other cooperation agencies, but they proved to be overly ambitious and not focused enough. The objectives of the country strategies were relevant but covered practically the entire spectrum of the country's needs.[38] Other cooperation agencies prioritized a similarly broad set of objectives (Annex II, Section B), without a clearly evident division of labor based on their comparative advantages. In the fiscal area, in addition to taxation, expenditure, and institutional strengthening, the World Bank (and subsequently the IDB) supported disaster risk management. In the social area, all cooperation agencies (including the IDB) sought to reinforce the *supply* of services and the employability of the population; in addition, the Bank addressed *demand* through a more targeted and improved social protection system (although it abandoned this focus in the second country strategy). In the productive area, several cooperation agencies focused on competitiveness, business environment, and rural development, while the Bank was the only one to place an initial

37 The focus was limited to MSMEs that the country strategy labeled as having growth potential (capacity to accumulate assets, boost productivity, and competitively enter markets), thus differentiating them from the majority of MSMEs, which it identified as subsistence enterprises.

38 For the first country strategy, the Bank prepared a Diagnostic Assessment of Growth and six sector notes (fiscal management, energy, social protection, education, health, and productive development). For the second country strategy, the diagnostic assessment was set out in an exhaustive Country Development Challenges document.

focus on the export sector (although the second country strategy abandoned this focus and adopted the same broad approach as the rest of the cooperation agencies).[39]

2.7 The strategic objectives were also aligned with the priorities of the Government of the Dominican Republic as set out in its National Development Strategy 2030, except that the country strategy gave sustainable development a less predominant role. The National Development Strategy 2030, promulgated as law in 2012 and prepared with the participation of private- and public-sector actors, identified the country's development challenges, grouping them under four strategic pillars: institutional, social, productive, and sustainable development (Annex II, Section A).[40] This strategy also urged entering into three national compacts on key country challenges: an Education Pact (concluded in 2014), an Electricity Pact (concluded only in 2021), and a Fiscal Pact (yet to be concluded). The strategic objectives of the country strategy emphasized these very same priorities, aligning themselves with the institutional, social, and productive strategic pillars, but to a lesser extent with the sustainable development pillar (addressing it only as a crosscutting issue).

2.8 The objectives were also aligned with the legacy portfolio from prior periods. At the time the first country strategy was prepared, the active portfolio included about US$400 million in sovereign guaranteed (SG) loans concentrated in social protection, water and sanitation, agriculture, and education, as well as about US$200 million in non-sovereign guaranteed (NSG) loans in transportation (roads) and energy (wind). The first country strategy established objectives in social protection and education, but not in the other areas. The second country strategy reinstated objectives in water and sanitation and sustainable agriculture, while at the same time giving continuity to objectives included in the legacy portfolio from the first period in education, health care, tourism and urban development, and credit access.[41] The objectives were also aligned with the broad-based priorities of the IDB Institutional Strategy 2010-2020 and the IDB Invest Business Plan (Annex II, Section C), but this did not help to sharpen their focus.

39 See Annex II, Section B for a detailed description of the areas of action and the donor coordination efforts, which, as indicated, failed during almost the entire period to achieve an effective division of labor. This improved in response to the pandemic, as the Government of the Dominican Republic took on an active role in promoting synergies.

40 The priorities of the Government of the Dominican Republic were set in National Multiyear Public Sector Plans for 2013-2016 and 2017-2020, both of them similar to, and closely aligned with, the National Development Strategy 2030. Despite this continuity in major priorities, the emphasis accorded to each varied over the period.

41 Also in productive infrastructure, although that NSG legacy portfolio had already been canceled.

2.9 The evaluability of the country strategies posed challenges, primarily due to the type of progress indicators selected for monitoring purposes. Of a total of 41 progress indicators selected to measure the 34 expected outcomes of the country strategies, 75% lacked updated data as of 2020, and 60% as of 2019 (prepandemic). This was partly due to the fact that many of these indicators depended either on ad hoc surveys that were discontinued because of lack of funds, or on external sources that are not frequently updated, such as PISA tests, Public Expenditure and Financial Accountability (PEFA) reviews, or the World Bank Business Survey.[42]

2.10 The objectives of the first country strategy considered the recommendations of the Country Program Evaluation (CPE) 2009-2013, but without the suggested emphasis. The Board endorsed two recommendations—continue to strengthen public finances and promote the agenda to reform the electricity sector—, which were taken into account in setting the objectives. But the country strategy did not emphasize the challenges that led OVE to make those recommendations, namely, the need to introduce deep reforms, including a review of the electricity rate structure, and an explicit emphasis on boosting revenue collection, streamlining fiscal expenditure, and enhancing the quality of public spending. The CPE made two other recommendations, which while not endorsed by the Board of Executive Directors, continued to be relevant: prevent delays in the reform and institutional strengthening components of the sector programs; and stop approving further NSG loans until the country's potential contingent liabilities are analyzed.

2.11 The second country strategy adequately reinstated these issues, but only partially incorporated the recommendations of the following CPE (2013-2016). The second country strategy reinstated fiscal and electricity sector objectives, but this time with the emphasis that OVE had suggested placing four years earlier. The country strategy took into account the four recommendations made in the CPE 2013-2016, all of which were endorsed by the Board. Their role in shaping the strategic objectives was greater than in the preceding country strategy (Annex II, Section N): the policy objectives were given continuity, and greater emphasis was placed on the expenditure efficiency and quality objectives. However, the objectives of the investment program were not sufficiently focused, and the emphasis on private sector participation in the provision of infrastructure and services was smaller than expected.

42 See Annex II, Section K for a detailed discussion on the evaluability of the country strategies.

B. The IDB Group program with the Dominican Republic 2013-2020

2.12 The IDB Group program consisted of 157 operations for US$4,784,800,000. The program included 52 legacy operations from prior periods that, as of 1 January 2013 (start of the period under consideration) still had an undisbursed balance of US$757.8 million. In addition, it included all approvals that took place over the period (from 1 January 2013 to 31 December 2020): 50 operations for US$1,884,300,000 approved between 2013 and 2016 (first country strategy) and 55 operations for US$2,142,800,000 approved between 2017 and 2020 (second country strategy).[43]

2.13 The program addressed all strategic objectives in the two country strategies, i.e., it included operations in support of each strategic objective, but its degree of alignment[44] varied. Alignment was strong in 15 of the 19 strategic objectives, corresponding to the public expenditure and investment, social protection, education, health, productive infrastructure, and quality employment areas of intervention (highlighted in green in Table 2.2), but was partial (highlighted in yellow) in four strategic objectives, corresponding to the tax system, electricity sector, and productivity and competitiveness areas of intervention (where the program was partially aligned with one of their two strategic objectives), and the resilience to climate change area of intervention (where it was partially aligned with its single strategic objective) (Annex II, Section L). The legacy portfolio, combined with the approved operations under the two country strategies, made it possible to deploy a program that was well aligned with a set of objectives that remained relatively stable over the period.

Table 2.2. IDB Group Program 2013-2020: Alignment with strategic objectives in the areas of intervention[a]

Areas of intervention		Legacy portfolio available balance			Approvals 2013-2016			Approvals 2017-2020			Total
		SG	NSG	TCG	SG	NSG	TCG	SG	NSG	TCG	
Priority area: Fiscal											
1. Tax system[b]	Nº of operations	1		1	1			1[c]		3	**7**
	Amount (US$ millions)	0.8		0.2	350			50		0.8	**401.9**

43 The country strategy for 2013-2016 was approved only in December 2013, which means that it became effective on that date. However, the minutes of the Board of Executive Directors indicate that in 2013 there was an overlap with the preceding country strategy and that the new country strategy was also meant to guide the program for calendar year 2013.

44 Alignment shows the extent to which the program included operations that address the strategic objective and all expected outcomes associated with it. It also shows that these operations, if implemented as planned, are likely to achieve the expected outcomes and contribute to the strategic objective.

Areas of intervention		Legacy portfolio available balance			Approvals 2013-2016			Approvals 2017-2020			Total
		SG	NSG	TCG	SG	NSG	TCG	SG	NSG	TCG	
2.Public expenditure and investment[c]	Nº de operaciones	5		7	3		6	4[c]		5	**29**
	Amount (US$ millions)	37.7		1.9	375		2.9	556		2.4	**986**
3. Electricity sector	Nº de operaciones	1		1	1		5	3		4	**15**
	Amount (US$ millions)	14.4		0.3	78		1.4	594		1.2	**689.3**
Priority area: Social											
4. Social protection	Nº of operations	3		4	1						**8**
	Amount (US$ millions)	178.3		1.1	100						**279.4**
5. Education	Nº of operations	2		3	1	1	7			1	**15**
	Amount (US$ millions)	60.2		0.8	200	3	1.4			0.5	**265.9**
6. Health	Nº of operations	3		2	4		4	1		4	**18**
	Amount (US$ millions)	62.1		34.3	696		1.1	20		2.6	**816.1**
Priority area: Productive											
7. Productivity and competitiveness	Nº of operations	5	2	2	4	3	3	2	4	8	**33**
	Amount (US$ millions)	96.5	15	0.6	405	17.2	0.8	350	128	2.4	**1015.5**
8. Productive infrastructure	Nº of operations	1	5	1	1		5	4		6	**23**
	Amount (US$ millions)	24.7	208.3	0.8	78		1.7	488.4		2.8	**804.7**
9. Quality employment	Nº of operations	1		1			1	1		3	**7**
	Amount (US$ millions)	19		0,5			0.6	70		0.5	**90.6**
10. Resilience to climate change	Nº of operations							1		2	**3**
	Amount (US$ millions)							105.6		0.8	**106.4**
Total[d]	**Number of operations**	**22**	**7**	**23**	**14**	**4**	**32**	**14**	**4**	**37**	**157**
	Amount (US$ millions)	**493.8**	**223.3**	**40.7**	**1854**	**20.2**	**10.1**	**2000**	**128**	**14.8**	**4,784.8**

Source: OVE, based on Enterprise Data Warehouse, Analitika, and Maestro.

Notes: : [a] Green background = strong alignment, yellow background = partial alignment. The tax system, electricity sector, and productivity and competitiveness areas of intervention were partially aligned with one of their two strategic objectives. The resilience to climate change area of intervention was partially aligned with its single strategic objective. [b] The DR L1064/2013 PBL and the DR-L1117 INV operation were aligned with both tax system and public expenditure and investment objectives, and operations DR-L1034/2014, DR-L1128/2018, and DR-L1122/2019 were similarly aligned with electricity sector and productive infrastructure objectives; they are therefore included under both areas of intervention in their full amounts, but this double accounting is corrected in the totals at the bottom. [c] The contingent credit facilities DR X1003 and DR X1011 are included under number of operations, but with zero amount since they do not involve previously committed resources. d The totals include three technical-cooperation grants (TCGs) for a total of US$1.1 million, these being the only operations not aligned with any of the strategic objectives.

2.14 The program included noncommitted operations (whose amounts are therefore not included in Table 2.2) which were also aligned with the objectives. The IDB program included a contingent line of US$100 million to cover natural disaster risks and aligned with objectives of improvement in *public expenditure and investment management*. The coverage was increased to US$300 million in 2016, the maximum amount permitted under the instrument, consistent with the country's high exposure. In addition, the IDB Invest program included noncommitted lines for banks under the Trade Finance Facilitation Program (TFFP), aligned with *productivity and competitiveness*. Only two of the six available lines were used: US$140 million in loans and US$539.1 million in guarantees (Annex II, Section D).[45]

2.15 All told, 7.3% of the IDB program amount was canceled, affecting IDB support in education and further weakening support for the productive area. Seven IDB operations experienced major cancelations (see Annex II, Section E). These cancelations had a disproportionate effect on the support for certain objectives, canceling 76% of the program's support for education, 28.5% of the support for the agricultural sector (associated with productivity and competitiveness and climate change objectives), and 17.6% of the support for employment. The reasons for these cancelations included: (i) changes in Dominican government priorities leading to delays in parliamentary ratification or insufficient budget allocations to execute the operations, and (ii) divergent interests between different areas of the Dominican government.

2.16 In the case of IDB Invest, the program was very meager (less than 4% of the total approved in the period) in view of the proposed objectives, and any operations not entered into with financial intermediaries were canceled. The Bank's private window had a significant portfolio prior to the start of the period, supporting road concession and renewable energy projects, among others. Three operations were pending disbursement in 2013: two small wind projects, which also had alternative financing in the local market (large commercial banks) and among multilaterals (International Finance Corporation and European Investment Bank), leading the sponsors to decide not to continue with IDB Invest; and a loan for a toll road, which in February 2012 had been the Bank's largest private-sector approval in the country but was subsequently canceled due to the contingent risk derived from minimum-traffic guarantees, highlighting the key role of good public-private coordination. In addition, two other projects approved in the period were canceled: a large hotel project (the second largest IDB Invest operation in the country), canceled in late 2020 at the request of the client, and a smaller project in the private education sector.

2.17 The policy conditions of the PBLs lacked the depth[46] required to advance the ambitious strategic objectives, and only two of six series have been completed to date. PBP series were used in support of two thirds of the objectives, but the policy conditions

45 The TFFP also played a countercyclical role, indirectly contributing to fiscal objectives: 46% of the total amounts corresponded to 2020, as well as approval of the sixth line (in December).

46 Policy conditions have high depth when they lead to lasting changes; medium depth when they may have an immediate, but not a lasting, effect; and low depth if they do not in themselves lead to a significant change. For more details on this classification, see Annex II, Section O.

they promoted generally lacked the depth needed to support ambitious objectives such as increasing tax revenue collection or improving the efficiency of the rate structure in the electricity sector (Table 2.3). In addition, only the series in the social and productive areas were completed. In the fiscal area, the second operation was expected by 2014, but the series was discontinued; instead, a second series (DR-L1144) was started against the backdrop of the pandemic.[47] In the electricity sector, a series that included three operations commenced with a pre-period operation (DR-L1050 of 2011); the following two were expected in 2012 and 2013. To date, only the second one has been approved (DR-L1058, in 2017), while the third was planned for 2021. In the productive area, another mobility, logistics, and road safety series was opened (DR-L1132); it was planned for completion in 2020 but was postponed to 2021 and then again to 2022. Conversely, the two series that were started with the highest proportion of high-depth conditions did achieve completion during the period: the social sector series was completed within the expected timeframe, supporting an advanced reform process, and the production sector series was completed with a slight delay but succeeded in promoting the development of conditions and institutions to foster competitiveness.

Table 2.3. PBL series: Continuity and structural depth of the conditions

Priority area	% of high-, medium-, or low-depth conditions					
	First operation in 2013-2020			Closing operation		
Fiscal (excluding electricity sector)	DR-L1064 (2013)			Discontinued		
	17%	67%	17%	17%	75%	8%
	DR-L1144 (2020)			Still discontinued		
	NA	NA	NA	NA	NA	NA
Electricity sector	DR-L1058 (2018)			In pipeline (2021)		
	10%	60%	30%	17%	52%	31%
Social	DR-L1073 (2014)			DR-L1079 (2015)		
	23%	54%	23%	8%	54%	38%
Productive	DR-L1072 (2014)			DR-L1121 (2017)		
	22%	56%	22%	13%	74%	13%
	DR-L1132 (2019)			In pipeline (2022)		
	8%	62%	30%	0%	18%	82%

Source: OVE, based on the matrices of conditions of the PBLs and the structural depth classification guide.
Note: Green for high depth, yellow for medium depth, and red for low depth. Percentages of the number of conditions of each operation. The grey colors in PBLs yet to be approved reflect the depth of the planned operation under the PBP program. The electricity sector series is the only one that was comprised of three operations; the table shows only the second and third (closing) operation.

47 Not included in the depth analysis since operations of this type are by nature aimed at addressing immediate challenges through measures that for the most part are not lasting.

2.18 The investment loan (INV) portfolio reduced its support for these broad objectives because it was dispersed into 10 sectors and used modalities that were inconsistent with the capacity of some execution units. This sector dispersion did not diminish during the period, despite the cancelations. In addition, the portfolio included INV sequences in the same sector that would later overlap, since the resources of quasi-budgetary support components (current expenditure) were being executed and new operations were being approved in the same sector, but the institutional strengthening components of the previous operations were not being executed. Two investment loan operations financed multiple works but did not use experienced execution units as IDB policy requires. In one of these cases, a loan based on results (LBR) was also introduced, which would have been more appropriate with an experienced execution unit, according to the guidelines for the use of this instrument.

2.19 Program discontinuities also affected support. In the fiscal area, support for the *tax system* was discontinued for almost the entire period. In the social area, support was constant and significant only for health objectives: almost 20% of program resources. In the productive area, support was constant and significant only for *productivity and competitiveness* (20% of the total program), and discontinued and/or meager for *productive infrastructure, employment, and resilience to climate change*. There was also discontinuity in conditional credit lines for investment projects (CCLIP), which identified tentative programs in health and education, but only the one in education was completed.[48]

2.20 Technical cooperation grants provided greater support for the INV program than for the PBL program, which would have needed it. As described in Chapter 3, sequencing was adequate in the case of investment loans. Support was first given to sector planning and the institutional framework through client support TCGs (which accounted for 84% of all TCGs in the first period), and the emphasis was later shifted to operational support TCGs (which increased from 13% of the total in the first period to 39% in the second) to strengthen execution capacity and speed up disbursements. At the same time, no clear sequence is evident showing that TCGs were used to promote the necessary consensus for the reforms that would later be supported by PBLs.

2.21 Nevertheless, there were noteworthy instances of using nonreimbursable resources and TCGs to promote a public policy consensus. For example, in 2020, the Bank took the initiative of creating a systematic bank of projects addressing the country's

48 In 2010, the Bank started a CCLIP series in support of the Dominican government's Ten-year Education Plan and continued it in 2012. In contrast, for another CCLIP series started in 2014, which called for three operations to Support the Strengthening of Healthcare Sector Management, only the first operation was approved.

infrastructure needs, which served as a basis for the National Infrastructure Plan. Previously, the Bank had similarly supported the development of a National Broadband Plan, among other things facilitating the country's planning for a transition away from analog bands in order to make radio spectrum available for the deployment of 5G technology (in addition to preparing bidding processes expected to bring some US$200 million to the State coffers). The National Road Safety Strategy, which is designed to tackle one of the country's major causes of death, also started with the Bank's support and active promotion.

2.22 The size of the SG program was in line with the estimates in the country strategies. The country strategies anticipated annual average approvals of US$435 million, and this figure was exceeded by 10%. In addition, the pace of disbursements increased by more than 50% with respect to the 2010-2012 period but was 5% lower than expected despite the large share of PBLs (66% of all SG disbursements over the period). No forecasts were made regarding the size of the NSG program, which turned out to be small (equivalent to 4% of the SG program). Lastly, the Bank contributed the equivalent of 0.65% of its SG program in nonreimbursable resources (TCGs) and was thus the largest provider of these resources of any cooperation agency (accounting for 13% of the total received by the country).

C. Program implementation

2.23 The program was delineated each year in Country Program Documents, which nevertheless anticipated only about half of the approvals. Each November, the IDB Group prepared an indicative, nonbinding list of projects it planned to approve the following year (Annex II, Section G). Four of the eight PBLs in the period were not planned. The four planned PBLs were approved for more than three times the anticipated amount; three of them were the start of series that have not been completed to date. With regard to INV operations, 7 of the 18 approvals in the period were not anticipated, and the average size of the approved operations was 33% greater than anticipated.[49] The unanticipated INV operations were predominantly for quasi-budgetary support, which funded Dominican government programs already underway by means of fast disbursements.

49 With regard to TCGs, 30 of the 69 operations over the period were not planned. The average size of these unanticipated TCGs exceeded US$250,000. With respect to IDB Invest, only two of the seven indicatively planned operations were approved, but these two accounted for almost half of the NSG approvals.

2.24 INV preparation times were shortened by almost half during the period, but execution times remain long. Comparing 2013-2016 to 2017-2020, the time from registration to approval decreased by more than nine months, and the time from approval to signing by almost three months. This improvement also outpaced that of the comparators (Annex II Section H). The faster processing times were consistent with increased coordination with the public credit requirements of the Government of the Dominican Republic. Conversely, the time between signing and eligibility (which includes legislative ratification) increased from 9 to 11 months, thus failing to match improvements in other countries that require ratification (where the delays average 9 months). This shows that difficulties persist in overcoming the country ownership stage. Lastly, the cumulative extension time for INV operations in the Dominican Republic continues to be long, exceeding the average in CID countries (excluding Mexico and Haiti) by almost 12 months.

2.25 The main execution challenges for the INV program were country ownership difficulties, design defects, and weak capacity of execution units (Annex II, Section I). In all, 65% of INV operations suffered country ownership problems, in almost one third of the cases occurring early in the legislative ratification stage.[50] In addition, 47% of INV operations experienced problems resulting from their own design, which were compounded by capacity shortcomings on the part of their execution units. This took place in operations with complex execution arrangements and requirements that were not commensurate with the capacities of the execution units. Challenges in terms of fiduciary capacity or financing gaps among multiple financial providers (including the local counterpart's own resources) affected 29% of the program's INVs. Lastly, of the nine INV operations in execution in 2020, only four faced additional challenges arising from the pandemic (primarily in the form of interruptions in the necessary field tasks). By contrast, operations such as road projects benefited from the reduced traffic flows.

2.26 The country strategies correctly identified additional execution risks—exposure to external shocks and limited coordination with IDB Invest—that remained relevant in the period. With regard to the Dominican Republic's exposure, the Bank sought to assist in improving the productive capacity of the economy and strengthening public management to reduce fiscal contingencies (which occurred only in part). With respect to catastrophic events, the Bank planned to introduce environmental

50 Country ownership problems mean the challenges of transitioning from the model promoted by the project to its adoption by the country. Examples include changes in ministerial authorities in education leading to a failure to adopt the proposed teacher training method, or health authorities failing to adopt the proposed system for verification of compliance with coresponsibilities in the context of the conditional transfer system.

sustainability components in program operations (which did not occur extensively) and make contingent resources available to the country to address emergencies (which did indeed happen). Coordination with IDB Invest was going to be carried out through *joint implementation of the country strategies; joint missions to engage with authorities in areas in which policy reforms were required or evident synergies existed; joint dissemination activities; and maximization of operating synergies.* In practice, the NSG portfolio was not significant, thus failing to give rise to these synergies.

2.27 Preparation and execution expenses for INV operations in the Dominican Republic were generally lower than those of the comparators, but they depended on the size of the INV and the complexity of the portfolio. Preparation expenses per million dollars approved were lower than those of the comparator groups (Annex II, Section H), partly due to an increase in the average size of INV loans in the Dominican Republic. There was a substantial improvement in 2013-2016 that was subsequently reversed.[51] Similarly, execution expenses per million dollars disbursed improved in 2013-2016 with respect to the previous period (2010-2012), but by 2017-2020 they had almost doubled, leading the Dominican Republic to perform worse than the comparators. The reason for this was partly that in 2017-2020, the Dominican Republic had fewer active projects and they were relatively more complex.[52]

2.28 The crosscutting issues were integrated into the program as expected, but there was room for further integration. Strengthening of local institutional capacities was integrated into 46% of SG loans through TCG support and dedicated components (9% of the total approved INV amount was allocated to institutional strengthening). This reinforcement was done on a sector basis, such as by supporting specific career plans in tax administration or the healthcare sector, but without taking advantage of common opportunities to reform the administrative career path or reinforce mechanisms for transparency and integrity. Gender was integrated into 9 (or 27%) of the 34 INV operations, covering 6 of the 10 areas of intervention and exceeding the country strategies' expectations that it would only be integrated into the social area. However, other than in the healthcare sector (maternal and newborn mortality and adolescent pregnancy), the contribution with a gender focus was weak. IDB Invest sought to improve credit access for women, but there are no data on results. *Environment* was integrated into

51 INV operations in the Dominican Republic averaged US$44 million in 2010-2012, US$89.3 million in 2013 2016, and US$61 million in 2017-2020.

52 For example, Colonial City of Santo Domingo (DR-L1084/2016), Ciudad Mujer (DR-L1080/2018), and Program to Enhance the Efficiency of Tax Administration and Public Expenditure Management (DR-L1117/2017).

the electricity sector, productive infrastructure, productivity and competitiveness, and resilience to climate change. However, given the Dominican Republic's exposure to climate risks, it could also have been integrated into the designs of the social infrastructure. Lastly, *information and communication technology* (ICT) was scarcely integrated (Annex II, Section F).

2.29 Strides were made in the program's use of country fiduciary systems, but several systems continue to exhibit weaknesses that are inconsistent with the country's income level.[53] Progress was made in the financial management systems and computerization of procurement, but challenges remain. The expected progress in the internal and external auditing systems did not materialize. In procurement, there was only partial progress, with the launching of the procurement portal; however, the actions identified in a diagnostic assessment of the system have not been effectively implemented, continuing to prevent the Dominican Republic from using its consultant contracting and bidding systems in Bank-financed projects. Lastly, no objectives were set regarding nonfiduciary systems, but there were some isolated improvement actions (Annex II, Section J).

2.30 Lastly, to address the pandemic, the Dominican Republic used some of the facilities made available by the IDB Group. In March 2020, the IDB Group approved a "Proposal for the IDB Group's Governance Response to the COVID 19 Pandemic Outbreak" (document GN-2995), which facilitated redirecting remaining portfolio balances, created four prototypes (public health, social, productive, and fiscal) for fast approval of new support, and delegated greater authority for TCG approval. In the health sector, a TCG was approved for US$200,000 to Support Strengthening of the National Healthcare Service and the remaining balance (20%) of the INV in health was redirected.[54] In April 2020, the Government of the Dominican Republic requested a Special Development Lending (SDL) line (DR-L1145, for US$250 million) and a fiscal PBL (DR-L1144, for US$250 million), which were designed based on one of the four prototypes. For the latter loan, the Bank also mobilized cofinancing to strengthen countercyclical fiscal policy measures and promote economic and fiscal recovery once the crisis was overcome.[55] Thus, the IDB Group succeeded

53 According to the monitoring conducted by the Bank (Progress Report on the Strategy for Strengthening and Use of Country Systems 2019, document GN-2538-34) the Dominican Republic continues to lag behind countries with a similar level of development in areas such as auditing and public procurement.

54 In addition, in 2020, the IDB accelerated disbursement of the US$250 million under the PBL supporting mobility, overland transportation, and road safety approved the preceding year (DR-L1132/2019).

55 With IDB contributions of US$250 million and Agence française de développement (AFD) contributions of €200 million. The policy matrices were agreed upon jointly with AFD and subsequently for a Japan International Cooperation Agency (JICA) operation. In March 2021, the Government of the Dominican Republic requested

in flexibly adjusting its programming for 2020: not approving the two planned investment loans and the planned PBL and focusing on the pandemic-related PBL and SDL. In addition, IDB Invest expanded the thresholds for its TFFP and, case-by-case, it also provided facilities to its direct clients.[56]

US$30 million in new funds from the Contingent Credit Facility for Natural Disaster Emergencies, which had been expanded by the Bank in September 2020 to cover health emergencies.

56 For more information on IDB Group support to the Dominican Republic in response to the pandemic, see Annex II, Section M.

03

IDB Group Program Results 2013-2020

3.1 This chapter sets out the contribution of the IDB Group program toward achievement of the strategic objectives and examines the sustainability of its outcomes. For the most part, with the exception of PBLs and NSG operations, program execution involved the legacy operations and those approved during the period of the first country strategy.[57] Consequently, the reported contribution and sustainability mostly refer to these operations.[58] Since outcomes depend not only on the disbursement level, the remainder of the operations are also considered to the extent they have influenced them (Annex III). The analysis draws upon a triangulation of internal and external sources, including database analysis, documentation review, and interviews. OVE conducted remote interviews with close to 120 executing agencies, authorities, IDB Group specialists, and sector specialists in the country, covering all IDB and IDB Invest loan operations as well as the larger and/or more relevant TCGs. Lastly, to mitigate the lack of updated data for the progress indicators established in the country strategies, OVE compiled data from related indicators.

3.2 As analyzed in the remainder of this chapter, the program's contributions to the strategic objectives were generally limited, albeit variable. In the areas in which the IDB Group helped to achieve noteworthy progress toward the strategic objectives, its contribution was based on continuous and long-term support. This included PBLs that helped solidify reforms which the country had already launched (as in health), or continued assistance in the implementation of systems (in public expenditure and investment) or support for a national investment plan as a necessary prelude to implementing investments (as in the electricity sector). Conversely, progress was limited when IDB Group support was provided in a context in which the country suspended the implementation of critical reforms (as in the tax system); when a significant portion of the program was canceled (as in early childhood education); or when the size of the implemented program was not sufficient to meet the challenges established by the strategic objectives (as in resilience to climate change). In addition, support for some of the expected outcomes was affected by a virtual absence of support from IDB Invest (as in productive infrastructure or in productivity and competitiveness).

57 Unlike SG loan operations, the NSG loans approved in the period were disbursed quickly, but most of them have yet to attain operational maturity, and it is therefore too early to observe their results.

58 When compared to the earlier CPEs that covered only one period, the proportion of the *SG investment portfolio more than 50% disbursed and approved under the period's country strategies* rises to 35%. If only the last period had been taken into account (as in the previous CPEs), this proportion would be a mere 3%.

A. Tax system

3.3 The Bank's contribution to the strategic objectives (Box 3.1) was limited because it was anchored in a PBL series that was discontinued. Slight advances were made in the expected outcome of reducing tax expenditure in corporate income tax, but there were setbacks in terms of broader tax revenue collection (Annex III, Section I.1).[59] The Bank's contribution was anchored in a large PBL that combined 2012 tax reform consolidation and expenditure management objectives (Table 3.2). The PBL promoted policy measures that supported the objectives and were initially implemented: increases in the corporate income tax rate, in taxes on the sale of free-trade zone businesses in the local market, in the rate of a value-added type of tax (ITBIS), and in taxes on non-residents, vehicles, gambling, and real estate. The conditions were met and the PBL was disbursed, but measures implemented since 2014 have undermined the reform, and tax collection did not increase.[60] The PBL series was discontinued, and the other phase planned for 2014 was not approved.

Box 3.1. Tax system

Strategic objective	Expected outcome
Improve internal taxation (2013 2016)	Reduce tax expenditure resulting from corporate income tax incentives
Boost tax system efficiency (2017 2020)	Increase tax revenue collection

Improvement from 2013 to 2020   Decline from 2013 to 2020

Table 3.1. Available amounts and annual disbursements: tax system*

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
PBL	**350**	**350**								**100%**
DR-L1064/2013 Fiscal Strengthening Program	350	350								100%
INV	**50.8**	**0.8**						**10.1**	**4**	**29%**

59 Tax expenditure arising from corporate income tax is expected to increase once more in 2021 to 0.76% of GDP, which would also be a setback, bringing this result to lower levels than in 2013.

60 According to the project completion report (PCR) for DR-L1064 "this ambitious tax reform—Law 253-12—was undermined by subsequent measures: the tax on online purchases was repealed, interest on public debt instruments was exempted, tax benefits in business income were reinstated, exemptions were approved on tourism real estate taxes, and a zero ITBIS rate was applied on some products."

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
Strengthening of the Internal Revenue Service (DGII)	0.8	0.8								100%
DR-L1117/2017 Tax Administration and Public Expenditure Management	50							10.1	4	28%
GCT	**1**	**0.03**	**0.05**			**0.01**	**0.03**	**0.04**	**0.10**	**25%**
Operational support (2)	0.5	0.03	0.05				0.02	0.04	0.10	50%
Client support (2)	0.5					0.01	0.01			2%
Total	**401.9**	**350.9**	**0.05**			**0.01**	**0.03**	**10.1**	**4.1**	**91%**

Approved, not eligible for disbursements   Annual disbursements in US$ millions

* These operations were the ones most aligned with the set of tax system objectives, but it is worth noting that other operations, discussed under "public expenditure and investment" and "productive development," were also aligned, although much less so: Strengthening of the Statistical System (DR-L1003/2005), Strengthening of Financial Regulations (DR-L1005/2006), and Productivity and Formalization Support Program (DR-L1072/2014 and DR-L1121/2017).

3.4 The contribution was also lower than expected due to the slow and intermittent execution of support for tax administration capacity-building. The Bank also sought to contribute to the objective of increasing tax collection by strengthening the Internal Revenue Service (DGII). A legacy operation, which still had a small balance, supported institutional strengthening of the DGII, leading to a (temporary) increase in revenue collection and greater taxpayer satisfaction as a result of an increased number of returns being received by the DGII Virtual Office and the enabling of online payments. However, this support was discontinued for almost the entire period and was resumed only in 2019, with the Program to Enhance the Efficiency of Tax Administration and Public Expenditure Management (DR-L1117/2017). In the meantime, there was no TCG support.

3.5 The main sustainability risks are related to a potential turnover of technical staff and externalities that discourage tax collection. Despite the structural changes introduced within the DGII, the risk remains that institutional capacity will be lost due to the exit of technical staff, which has already been observed during the evaluation period. Moreover, the tax relief measures adopted in response to the pandemic have repercussions on revenue collection, and it will therefore be crucial to ensure that they are discontinued in order to guarantee that the outcomes achieved to date can be sustained.

B. Public expenditure and investment

3.6 The Bank's contribution to the strategic objectives (Box 3.2) was mixed because, while it relied on strong PBL support, the conditionalities of the PBLs provided only partial support.

Strides were made in the use of financial administration systems, but progress was more limited with respect to the efficiency and transparency of public expenditure and the strengthening of public investment prioritization and planning systems (Annex III, Section I.2). Implementing the conditionalities of a fiscal PBL (DR-L1064/2013) partly contributed to the objectives: reducing public investment (but without directly promoting better management), reducing transfers to the electricity sector to enable increased spending in education (but without contributing to greater overall expenditure efficiency), and centralizing the control of central government income and salary expenditures (by increasing the use of the Integrated Financial Management System (SIGEF) and the treasury single account (CUT) to nearly 99%, which directly furthered the strategic objective of consolidating the financial administration systems). Another fiscal PBP series was opened in 2020 in coordination with other cooperation agencies in response to the pandemic, and while its conditionalities did not support the strategic objectives, it was relevant for addressing the COVID-19 emergency.[61]

Box 3.2. Public expenditure and investment

Strategic objective	Expected outcome
Consolidation of the financial administration systems (2013 2016)	Percentage increase in government expenditures under SIGEF and CUT control
Enhance the efficiency and transparency of public expenditure (2017-2020)	Increase in resource management transparency
Strengthening of public investment prioritization and planning systems (2013-2016)	Increase in budget predictability

■ Improvement from 2013 to 2020 ■ Decline from 2013 to 2020

Table 3.2. Available amounts and annual disbursements: public expenditure and investment

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
PBL	**600**	**350**							250	**100%**
DR-L1064/2013: Fiscal Strengthening Support Program	350	350								100%
DR-L1144/2020: COVID-19 Fiscal Management Program in the Dominican Republic	250								250	100%

61 Relaxing the use of public resources to address the emergency (adoption of preventive measures and expedited input procurement mechanisms), temporary measures to protect vulnerable household income (new unconditional cash transfer programs such as Quédate en Casa, which reached 1.5 million beneficiaries, and the Solidarity Fund for Employee Assistance (FASE), which assisted some 600,000 formal workers), moratorium on suspending electricity service for nonpayment, tax payment extensions and exemptions, and preparation of an economic reopening plan.

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
SDL									**250**	**100%**
DR-L1145/2020: Fiscal Sustainability Emergency Program	250								250	100%
INV	**128.7**	**7.7**	**5.4**			**16**		**10.1**	**4**	**33%**
DR-L1003/2005: Program to Strengthen the National Statistics System	2.6	2.1	-0.1							94%
DR-L1005/2006: Program to Modernize Public Resource Management	10.2	4.7	5.5							100%
DR-L1007/2005: Disaster Prevention and Risk Management	0.9	0.9								100%
DR-L1045/2011: Insurance Facility for Emergencies Caused by Catastrophic Natural Disasters	24									(canceled)
DR-L1070/2015: Modernization of Budget and Financial Management	25									(canceled)
DR-L1125/2017: Loan for Natural Disaster Emergencies	16					16				100%
DR-L1117/2017: Tax Administration and Public Expenditure Management	50							10.1	4	28%
TCG	**7.2**	**0.8**	**0.8**	**1.3**	**0.9**	**0.5**	**0.7**	**0.4**	**0.5**	**82%**
Client support (18)	7.2	0.8	0.8	1.3	**0.9**	0.5	0.7	0.4	0.5	83%
CCF										
DR-X1003/2009: Contingent Loan for Natural Disaster Emergencies	**100**	x	x	x						N/A
DR-X1011/2016 Contingent Loan for Natural Disaster Emergencies	**300**				x	x	x	x	x	N/A
Total	**986**	**358.5**	**6.2**	**1.3**	**0.9**	**16.5**	**0.7**	**10.5**	**504.5**	**91%**

Approved, not eligible for disbursements   Annual disbursements in US$ millions

3.7 The Bank's contribution was boosted through INV operations and TCGs. DR L1005/2006 contributed to deployment of the CUT and technology investment for SIGEF. A TCG supported studies for an interface between SIGEF and the Sistema de Administración de Servidores Públicos [Civil Servant Administration System] (SASP), but the interface is not yet in operation. In addition, the Bank helped (by supporting the Digital Republic program) to expand the number of public entities with online services, which was one of the expected outcomes related to public expenditure transparency. While a multiyear budget has yet to be implemented (largely because of the cancelation of operation DR 1070/2015), revenue predictability (between 94% and 112%)

is already within the range of PEFA good practices. Indirectly, the Bank also contributed to expenditure predictability by strengthening the national system for disaster prevention and mitigation (DR L1007/2005) and by providing quick access (five working days after Hurricane María) to additional resources under the contingent facility for natural disaster emergencies (DR L1125/2017). Most of the TCGs were for client support, facilitating studies on public procurement, the role of the Audit Office, and the civil service system.

3.8 Major challenges remain that could affect the sustainability of the outcomes in public expenditure and investment. With regard to institutional capacity, there is a risk of lack of stable technical staff in the execution units. The high growth of the Dominican Republic creates country ownership risks in terms of maintaining the expenditure streamlining measures, as was the case early in the period when the country discontinued fiscal reform initiatives as it recovered from the crisis. With regard to the temporary measures for increased social spending, there is a possibility that they will be continued (although programs such as Quédate en Casa and FASE have a defined end date). Another risk is the continuity of local financing for the Comprehensive Natural Disaster Risk Management Program.

C. Electricity sector

3.9 The Bank's contribution to the strategic objectives (Box 3.3) was mixed, partly because support through PBLs did not succeed in promoting the necessary reforms in the sector. The 2013 fiscal PBL (DR-L1064/2013) promoted a reduction of public expenditure in the electricity sector, which went from 1.4% of GDP in 2013 to 0.83% of GDP in 2019. The second part of a sector reform PBP (DR-L1058/2018) was resumed in 2018, significantly delayed with respect to the first loan in the series (in 2011); however, its conditionalities contributed little to the objectives.[62] Achieving the objectives would have required deep reforms to address the sustainability of the rate structure, regulations to promote improvements in the quality of customer service, the cost and makeup of power generation, the efficiency of the distribution utilities, and the environmental impact of

62 The conditions included a legislative proposal for a National Energy Efficiency Program and the approval of management improvement and loss reduction plans for the distribution utilities. There was a plan to complete the series in 2021 with a PBL that would include the necessary rate structure reform in the electricity sector.

the sector. IDB Invest did not contribute, lacking a program in support of the sector's objectives, which was consistent with a sector framework that had not attained sustainability.[63]

Box 3.3. Electricity sector	
Strategic objective	**Expected outcome**
Boost the operating efficiency and sustainability of the electricity sector (2013-2016)	% reduction in distribution losses
	Increase in the cash recovery index (CRI)
Improve the operating efficiency and rate structure of the electricity sector (2017-2020)	Reduction in the fiscal burden associated with the electricity sector
Improvement from 2013 to 2020	Decline from 2013 to 2020

3.10 The Bank contributed to the sector efficiency and sustainability objectives through investment programs and capacity-building at the three public distribution utilities. As of 2019, technical losses had been reduced due to the rehabilitation of distribution networks. At the same time, management reinforcement at the electricity distribution utilities reduced commercial losses (Annex III, Section I.3). However, setbacks occurred during the pandemic.[64] The Bank supported the distribution utility investment program (Table 3.4): an initial loan (DR-L1026/2008) continued to be executed until 2014 and was continued through another loan (DR-L1034/2014), which was executed more quickly (from 2015 to 2018). Given the high investment needs involved, the Dominican government's Loss Recovery and Commercial Improvement Program (supported through operation DR-L1034/2014) also included the World Bank, the European Investment Bank (EIB), and the OPEC Fund for International Development (OFID). The Bank provided about 21% of the international funding, helping to rehabilitate 394.7 km of the electricity distribution network (about 8% of the total) and to execute social management plans aimed at customer regularization.[65] This continuity of support was interrupted in 2018: the following two loans (DR L1128/2018 and DR-L1122/2019) were still pending eligibility and ratification.

63 Although part of these private initiatives included improvements in the country's power generation matrix, since it was hoped to convert to natural gas nearly half of the power that in 2013 was fuel oil based (52% of the total).

64 Between 2019 and 2020, the cash recovery index at the distribution utilities fell from 70.4% to 63.2%, while electricity losses rose from 27% to 33.1%.

65 Between 2013 and 2020, EDENORTE and EDESUR reduced their technical losses by more than a third, the cash recovery index improved by more than 10 percentage points, and the electric power service continuity targets were met. In contrast, EDEESTE's lower level of institutional capacity and gaps in the contributions of various financial providers, which delayed investments, meant that no major improvements were evident.

Table 3.3. Available amounts and annual disbursements: electricity sector

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
PBL	**400**								**400**	**100%**
*DR-L1064/2013 Fiscal Strengthening Support Program	350	350								100%
DR-L1058/2018 Program for the Sustainability and Efficiency of the Electricity Sector II	400							400		100%
INV	**286.4**	**11**	**3.4**	**7.8**	**19.3**	**43.1**	**7.8**	**-0.03**		**32.2%**
DR-L1026/2008 Electricity Distribution Network Rehabilitation Project	14.4	11	3.4							100%
DR-L1034/2014 Power Distribution Network Modernization and Loss Reduction Program	78			7.8	19.3	43.1	7.8	-0.03		100%
DR-L1128/2018 Program to Expand Electricity Networks and Reduce Technical Losses in Distribution Systems	155									0%
DR-L1122/2019 Implementation of the Energy Efficiency Program	39									0%
TCG	**3**	**0.3**		**0.3**	**0.2**	**0.5**	**0.3**	**0.2**	**0.2**	**73%**
Operational support (5)	1.6	0.3		0.3	0.2	0.3		0.3		69%
Client support (5)	1.3					0.2	0.3	0.2	0.2	69%
Total	**689.4**	**11.3**	**3.4**	**8.1**	**19.5**	**43.6**	**8.2**	**400.2**	**0.2**	**71%**

Approved, not eligible for disbursements   Annual disbursements in US$ millions

* The lighter font color denotes that the operation was only partially aligned with this area of intervention. The amounts of these partially aligned operations are accounted for only if they are not more aligned with another area of intervention.

3.11 The main risks to the sustainability of the observed outcomes are financial, environmental, and institutional. The strides made in reducing electricity distribution utility losses have not been sufficient to prevent them from continuing to operate with losses, which reduces their ability to make the required investments. The rate framework reforms have yet to be implemented. The power matrix continues to pollute, with a large self-generation component driven by the frequent outages; in addition, the Dominican government has promoted coal-based generation to bring down costs. Moreover, the loss in purchasing power by a portion of Dominican society due to the COVID-19 pandemic has adversely affected the achieved outcomes. In addition, the recently concluded Electricity Pact raises the risk of institutional capacity loss: the Dominican Corporation of State-owned Electricity Companies (CDEE)—one of the Bank's main counterparts during the period—is to be liquidated and two of the three boards of the distribution utilities—the companies that executed the program's investments—are to be eliminated.

D. Social protection

3.12 In social protection, the Bank contributed to the strategic objective (Box 3.4) through legacy INVs that were executed in overlapping fashion and were increasingly dedicated to financing transfer expenditures, with mixed results. Operations DR L1044/2010 and DR L1047/2011 (Table 3.5) were part of a multiphase program that helped to consolidate the country's main conditional cash transfer program. DR L1053/2012 provided tools to enhance the efficiency of the social protection network. DR L1059/2013 introduced an evaluation agenda that was not completed. All INV operations (69% of the DR L1044/2010 and DR L1047/2011 amounts, 78% of the DR L1053/2012 amount, and 96% of the DR L1059/2013 amount) financed transfer expenditures. Their overlap was due to a misalignment between the fast execution of these resources and other institutional strengthening actions (Annex III, Section I.4).

Box 3.4. Social protection

Strategic objective	Expected outcome
Boost the effectiveness and efficiency of the social protection network (2013-2016)	Increased efficiency of the expenditure in social assistance
	Alleviated poverty conditions of poor households
	Improvement in the health and education levels of children and adolescents in the poorest households

Improvement from 2013 to 2020 | Decline from 2013 to 2020

Table 3.4. Available amounts and annual disbursements: social protection

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
INV	**278.3**	**133.7**	**76.4**	**37**	**10.5**	**5.8**	**1.9**	**11**	**-0.4**	**99%**
DR-L1044/2010 Support for the Social Protection Program – Second Phase	11.3	3.9	7.4	-0.1						**99%**
DR-L1047/2011 Support for the Social Protection Program – Third Phase	37	4.8	0	23.6	5.5	3.2	-1.3			**96%**
DR-L1053/2012 Support for Consolidation of the Social Protection Program	**130**	**75**	**23**	**13**	**4.5**	**2**	**2**	**10.2**	**-0.4**	**99%**
DR-L1059/2013 Support for the "Progresando con Solidaridad" Program	100	50	46	0.6	0.5	0.6	1.2	0.8		**100%**

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
GCT	**1.1**	**0.4**	**0.4**	**0.1**						**80%**
Operational support (3)	0.7	0.3	0.2							69%
Client support (1)	0.4	0.1	0.2	0,1						100%
Total	**279.4**	**134.1**	**76.8**	**37.1**	**10.5**	**5.8**	**1.9**	**11**	**-0.4**	**99%**

Approved, not eligible for disbursements — Annual disbursements in US$ millions

3.13 The Bank contributed to the objective by promoting improvements in the targeting of social assistance spending and alleviating the poverty conditions of households. OVE estimates that, between 2013 and 2015, the Bank financed about 25% of the country's total expenditure on social transfers, which in turn contributed to the outcome of alleviated poverty.[66] The Bank contributed to the objective of increasing the efficiency and effectiveness of the social protection network by updating the registry of beneficiaries and implementing a new targeting model, the Sistema Único de Beneficiarios [Unique System of Beneficiaries] (SIUBEN), which became the central pillar of social policy.[67] This helped bring about an increase in the percentage of targeted social assistance expenditure between 2013 and 2017, which was subsequently set back in 2019. In addition, the Bank supported strengthening the Social Policy Coordination Cabinet (GCPS) and the Social Subsidies Administrator, as well as studies to improve targeting. The INV operations also helped to close gaps in primary healthcare infrastructure and create an educational center management system to facilitate compliance, and verification of compliance, with coresponsibilities. However, progress in verifying compliance with coresponsibilities was limited: improvements were made in the school management system's enrollment registry, but there was no progress in the clinical management system's customer care registry, requiring that verification still be conducted through inefficient visit-based inspections. Regarding the expected outcome of improved health and education levels for children and adolescents in the poorest households, the available data are limited by the existence of national averages only, to the exclusion of averages by income level, reflecting a broader challenge posed by national statistical systems. However, partial surveys indicate a positive contribution to healthcare outcomes and a limited contribution in education (especially for children in extremely poor households).[68]

66 In addition to a direct effect in terms of alleviating monetary poverty, the impact evaluation of the program points to other improvements among beneficiaries, including a 7.5 percentage point improvement in food security.

67 The Bank contributed to the operability of the SIUBEN through a customer service platform and the use of mobile devices for data collection in the field and verification of compliance with coresponsibilities.

68 According to the SIUBEN Quality of Life Survey, primary school attendance did not increase between 2012 and 2018. The "Progresando con Solidaridad" program (PROSOLI) impact evaluation points to improvements in secondary school attendance

3.14 The risks that could affect the continuity of outcomes include interagency coordination, financial sustainability, and country ownership challenges. The sustainability of healthcare improvements for beneficiaries hinges on the existence of good coordination between the Social Policy Coordination Cabinet and the Ministry of Health. The failure to use the clinical management system to control compliance with healthcare coresponsibilities remains a challenge, entailing a risk for the sustainability of these outcomes. In terms of financial sustainability, the Bank accounted for a significant portion of the funding for transfers but, starting in 2016, these transfers were adequately covered by the national budget. Over time, the registry of beneficiaries has expanded, underscoring the need to reduce leakage and undercoverage errors (PCR DR-L1059/2013). However, the recent setback in the targeting of social assistance expenditure poses a risk to the sustainability of the outcomes. Another sustainability risk is that of country ownership upon changes in government and potential changes in technical staff affecting institutional capacity.

E. Education

3.15 The Bank's contribution to the strategic objectives regarding early childhood education (Box 3.5) was marginal, in large part due to the cancellation of nearly the entire program. Coverage of childcare services for children ages 0 to 5 increased, but the Bank's largest expected contribution was an INV operation, Early Childhood Development Support Program (DR-L1077/2016), which was canceled. This meant that support was limited to TCGs that assisted in the design of protocols for the early childhood comprehensive care centers (CAIPI) and family comprehensive care centers (CAFI) (Annex III, Section I.5).

Box 3.5. Education

Strategic objective	Expected outcome
Expand early childhood education coverage in the poorest population segments (2013-2016)	Consolidate the national early childhood comprehensive care and protection system
Stimulate early childhood development (2017-2020)	Expand early childhood education coverage
Improve the quality of basic and secondary education in low-income areas (2013-2016)	Improve basic and secondary school promotion rates
	Improve reading and writing and math skills in the third and fourth years of basic education
Improve the quality of education (2017-2020)	Boost student performance

Improvement from 2013 to 2020 | Decline from 2013 to 2020

among poor, but not among extremely poor, households. In healthcare, improvements were identified in terms of increased weight and greater frequency of medical checkups among children in extremely poor households.

3.16 There is not enough evidence on the Bank's contribution to the strategic objectives regarding improving the quality of education. Effective promotion rates in the first cycle of basic education improved, along with reading and writing and math skills. However, educational quality, measured by the most recent available PISA test scores (2018), declined, worsening the already poor ranking of the country's 15-year-old students (Annex III, Section I.5). Most of the IDB program (DR-L1032/2010, DR-L1056/2012) supported the Ten-year Plan 2008-2018 through new school infrastructure, teacher training to improve reading and writing results in the basic cycle, and improvement of education management capacity. These outputs were implemented, but DR-L1032/2010 did not report any outcomes and the impact evaluations of DR-L1056/2012 found no evidence of significant effects on reading and writing and mathematics tests. However, DR-L1056/2012 reported progress in first-grade promotion rates and a possible Bank contribution to increasing the number of teaching hours.[69]

Table 3.5. Available amounts and annual disbursements: education

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
INV	**260.2**	**10.2**	**4.6**	**23.8**	**19**	**2.6**				**23%**
DR-L1032/2010 Support for the Ten-year Education Plan	10.2	10.2								100%
DR-L1056/2012 Second Loan in Support for the Ten-year Education Plan	50	0.0	4.6	23.8	19	2.6				100%
DR-L1077/2016 Early Childhood Development Support Program	200									0% (canceled)
TCG	**2.7**	**0.05**	**0.5**	**0.3**	**0.2**	**0.8**	**0.2**	**0.2**	**0.2**	**93%**
Operational support (1)	0.01	0.01								100%
Client support (10)	2.69	0.04	0.5	0.3	0.2	0.8	0.2	0.2	0.2	93%
NSG	**3**									
Total	**265.9**	**10.2**	**5.1**	**24.1**	**19.2**	**3.4**	**0.2**	**0.2**	**0.2**	**24%**

Approved, not eligible for disbursements   Annual disbursements in US$ millions

3.17 The sustainability risks are associated with school infrastructure maintenance and the institutional capacity of teachers and administrators in the education system. Since 64% and 77% of the Bank's support respectively provided through the two INV operations in the period was allocated to financing school infrastructure, ensuring a budget to maintain this infrastructure is relevant in order to sustain the outcomes. In this regard, operation DR-L1056/2012 had to fund maintenance and rehabilitation of

69 The promotion rate at the targeted schools rose from 92.2% to 96.1%, and 422,479 students benefited from an increase in teaching hours from 2.7 to 4.5 per day.

the infrastructure built under operation DR-L1032/2010, showing the difficulty of accessing the national budget for this purpose. Operations DR-L1032/2010 and DR-L1056/2012 were affected by changes in the staff of the governing entity, leading to changes in the methodology for teacher training. Similarly, the turnover of technical staff delayed the procurement of goods and works.

F. Health

3.18 The Bank's contribution to the strategic objectives (Box 3.6) succeeded in combining effective support for a reform of the healthcare model with an investment program that enabled the desired emphasis on primary care, decentralization, and quality, with mixed results. Strides were made both in access to healthcare services (as well as drinking water services, which was an expected outcome in the area in view of its effects on health) and in health insurance coverage for the population, access to preventive services, and reducing adolescent pregnancy, but the maternal health and neonatal mortality targets were not achieved (Annex III, Section I.6). The Bank's contribution revolved around a PBL series (Table 3.6) that supported the health sector reform already underway, contributing to the objective of improving the management and quality of the sector's services by creating a National Health Service, a healthcare career path in the civil service, and a healthcare quality policy. In addition, it contributed to the objective of improving the sustainability of the system, accelerating changes in the retirement system, its various regimes, its regulations, the National Health Insurance, the beneficiary care system, and the penalty provisions for noncontributors. The Bank's contribution was boosted through INV operations that helped improve coverage through capitation transfers to the Regional Health Services (SRS) and helped improve the health indicators through results-based financing; however, frequent measurement of outcomes proved to be a challenge. Conversely, two interventions supported by the Bank but unrelated to the sector's reform had limited execution, partly because of challenges in adapting them to the Dominican Republic: an INV operation for Ciudad Mujer, similar to a Bank-supported operation in El Salvador and strongly focused on women's access to healthcare services, and a regional subsidy to combat malaria.

Box 3.6. Health	
Strategic objective	**Expected outcome**
Improve the quality of healthcare services as well as the sector's management and financial sustainability (2013-2016)	Improved access to preventive services
	Better quality of maternal and child care services
	Increased coverage of population's health insurance
Improve the health of the population (2017-2020)	Reduced adolescent pregnancy
	Reduced maternal mortality
	Increased primary care coverage
	Increased access to improved drinking water sources
Improvement from 2013 to 2020	Decline from 2013 to 2020

Table 3.6. Available amounts and annual disbursements: health

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
PBL	**450**			**150**	**300**					**100%**
DR-L1073/2014 Support for Health Sector and Social Security Consolidation	150			150						100%
DR-L1079/2015 Support for Health Sector and Social Security Consolidation II	300				300					100%
INV	**328.1**	**48.1**	**39.4**	**87.6**	**38**	**30**	**25.9**	**17.5**	**2.8**	**88%**
DR-L1067/2013 Strengthening Results-based Management in the Dominican Republic's Health Sector	146	40	32.3	28.8	14.5	14.5	6.7	4.8	2.2	98%
DR-L1069/2014 Program to Support the Strengthening of Health Sector Management	100			54.8	13.6	0.0	14.1	4.7		87%
DR-L1080/2018 Ciudad Mujer	20								0.1	0%
DR-0123/1999 Reform and Modernization of the Potable Water and Sanitation Sector	6.5	6.6	-0.1							100%
DR-L1041/2010 INAPA Water and Sanitation Investment Program	30.6	1.5	7.2	2	4.9	6.2	0.6	3.8	0.6	88%
DR-L1057/2012 Santiago Water Supply Service Improvement Program	25			2	5	9.3	4.5	4.2		100%

IGR	**35.3**	**4.6**	**0.0**	**6.7**	**4.5**	**9.2**	**0.2**	**2.9**	**0.9**	**82%**
IDB Group program 2013-2020	**US$M**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Executed**
DR-G0002/2019 Regional Malaria Elimination Initiative in Mesoamerica and the Dominican Republic	1.5							0.1		3%
DR-X1005/2010 Water and Sanitation Investment Program (INAPA)	33.8	4.6	0.0	6.7	4.5	9.2	0.2	2.8	0.9	86%
TCG	**2.8**	**0.3**	**0.2**	**0.3**	**0.4**	**0.3**	**0.2**	**0.5**	**0.2**	**86%**
Operational support (6)	2.1	0.3	0.2	0.2	0.1	0.1	0.0	0.3	0.1	**62%**
Client support (2)	1.0			0.1	0.3	0.2	0.2	0.2	0.0	100%
Total	**816.2**	**53**	**39.6**	**244.6**	**342.9**	**39.5**	**26.3**	**20.9**	**3.9**	**94%**

Approved, not eligible for disbursements   Annual disbursements in US$ millions

3.19 The Bank sought to optimize its contribution to the objective of improving health outcomes, structuring approximately half of the financing for two INV operations under a results-based financing (RBF) model, although only one of them had an evaluation showing some degree of effectiveness. INV operations were used to support the SRSs that had been created as part of the sector reform: operation DR-L1067/2013 supported SRSs I to V, while operation DR-L1069/2014 focused on SRS 0 in the Santo Domingo metropolitan region (DR-L1069/2014 was part of a CCLIP that was discontinued). These operations used an RBF model that had been introduced by the World Bank in three of the nine SRSs. INV operations DR-L1067/2013 and DR-L1069/2014 helped expand it to the remaining six SRSs.[70] According to an impact evaluation for DR-L1067/2013, the RBF model was associated with an increase of 13 to 14 percentage points in diphtheria and tetanus vaccination coverage for pregnant women. However, no significant evidence was found to show that the model promoted a more generalized increase in *vaccination coverage for the population under age 1* (Distrutti *et al.* 2019). It also appears to have helped in completing the vaccination schedule in children, raising the number of individuals subscribed to the subsidized regime, and expanding the number of hospitals *with an integrated management system* in operation. However, it did not achieve its targets in maternal health, child mortality, and use of diabetes and hypertension prevention protocols. Operation DR-L1069/2014 has not reported outcomes yet.

70 SRSs received a fixed amount for each beneficiary that joined the primary care system in his or her area of residence, provided the SRS fulfilled targets under 10 coverage and quality indicators. The SRSs received funds under a fixed tranche representing 50% of the monthly transfer, while the remaining 50% was transferred every four months based on results.

3.20 Through INV and investment grant (IGR) operations, the Bank contributed to the expected outcome of improved water and sanitation access, even though the sector reform framework was aborted. In 2003, the Government of the Dominican Republic desisted from continuing to pursue a sector reform. Thus, 65% of a loan supporting the reform was canceled[71] and the remaining portion was focused on Santo Domingo (CAASD), contributing to the city's sewer master plan, rehabilitation of two treatment plants, and emergency care in the wake of storms Noel and Ortega. The Bank resumed its support of the sector through operation DR-L1041/2010—accompanied by a US$35 million grant (IGR) from the Spanish Cooperation Fund for Water and Sanitation in Latin America and the Caribbean (FECASALC)—which assisted in strengthening the INAPA's project planning and execution capacity and improved access to drinking water.[72] In 2012, the Bank approved operation DR-L1057/2012 for Santiago, the country's second largest metropolitan area. Despite ratification delays, this was the only operation to be fully executed, thanks to good planning, civil society support, and executing agency capacity. The project expanded access to improved water service from 33% to 66% of customers.

3.21 The greatest risks to the sustainability of outcomes are country ownership, institutional capacity, and maintenance risks. Continuity of technical staff and allocation of funds for infrastructure maintenance are critical to sustain improvements in drinking water access. With regard to the "improved access to preventive health services, maternal and child care services, and social security coverage" outcome, the main risks are institutional capacity (loss of technical staff) and financial sustainability. In the case of components that received RBF, the risk is a potential failure to allocate budgetary funds to maintain this improvement incentive. Another risk is the limited availability of evaluative evidence on the interventions, which could jeopardize country ownership of the promoted models.

G. Productivity and competitiveness

3.22 The Bank made a limited contribution to the strategic objectives (Box 3.7) through a PBL series that promoted reforms to increase productivity and formality.[73] The supported

71 Operation DR0123/1999 supported transforming the metropolitan providers in Santo Domingo, Santiago, Moca, and La Romana, promoted private-sector participation in operating two of these providers, and supported decentralizing the Instituto Nacional de Agua Potable y Alcantarillados [National Water and Sewerage Institute

72 For more information on the advances made through this operation, see Annex III, Section I.6.

73 A reimbursable technical cooperation operation (DR-L1116/2010), which supported a previous PBP series (2009-2010), also made contributions over the period, strengthening the National Competitiveness Council (CNC), creating 43 business

policy measures included the 2013 approval of the Law on Administrative Procedure, which regulated citizen interaction with the public administration and introduced innovations such as administrative silence; legislative bills on checks, negotiable invoices, personal-property security interest (approved in 2020), bankruptcy, the cooperative system, the securities market and money laundering (approved in 2017), and public-private partnerships (approved in 2020); and the creation of institutions such as BANDEX and ProDominicana to promote exports and foreign direct investment (Annex III, Section A.7). The reforms contributed to the private sector's overall productivity, but there is no specific evidence as to MSMEs.

Box 3.7. Productivity and competitiveness

Strategic objective	Expected outcome
Increase the productivity of MSMEs with growth potential and their access to markets (2013-2016)	Improved business innovation outcomes
	Improved credit access for MSMEs
	Increased number of MSMEs that operate in export markets and do so more efficiently
Promote productive linkages, export diversification, and integration into global value chains (2017-2020)	Increased linkage of domestic output to exports
	Improved access to credit in the private sector

Improvement from 2013 to 2020 | Decline from 2013 to 2020

3.23 The Bank sought to contribute to the objective of export diversification by supporting improvements in the national agricultural health and innovation system, but the results were limited. The Program in Support of Subsidies for Innovation in Agriculture (DR-L1031/2010) was partially canceled due to a reduction in fiscal space, though an impact evaluation of the operation concluded that there were positive effects for some program beneficiaries.[74] The more targeted Agrifood Health and Safety Program (DR-L1048/2011) received an unsatisfactory rating in the effectiveness dimension according to its PCR, and an impact evaluation that would measure most of its outcomes was not conducted.[75] A larger INV operation, Agricultural Health and Innovation Project (DR-L1137/2019), was approved in 2019

clusters in tourism, agriculture, livestock, software, and culture, and financing a pilot program in support of innovation in small businesses.

74 An impact evaluation of the program concluded that the income of grass technology beneficiaries improved, while observing a negative effect on the total income of irrigation beneficiaries.

75 According to the loan document for operation DR-L1137/2019, the DR-L1048/2011 beneficiaries that adopted good agricultural practices boosted output by 66% and sales by 71%, while the adoption of good livestock practices was associated with a 76% increase in output.

and is not yet eligible for disbursements. However, the ministry's reinforced phytosanitary capacity may have contributed to a reduction in export container rejections.

3.24 In addition, the Bank explored a comprehensive regional development approach (in the province of San Juan), for which there is no evidence yet in terms of its contribution. The program for Productive Development and Competitiveness in the Province of San Juan (DR-L1068/2013) adopted a multisector approach to contribute to export performance and productivity. The credit component resulted in 410 loans to producers, although it is unknown whether this helped to boost access to credit for the target population. The Bank sought to boost productivity through productive infrastructure, rehabilitating close to 80 km of rural roads, providing maintenance for 150 km of roads and 115 km of irrigation channels, and establishing high-precision technology to improve the quality of 3,792 hectares of soil. Lastly, it was expected that this regional intervention model would be replicated in the country, but this has yet to happen, partly due to a lack of evaluation and dissemination of its results.[76]

3.25 The Bank helped to improve private-sector access to credit, but its support for the expected outcome regarding MSMEs was insufficient. The PBLs helped to strengthen the sector's framework for developing the financial system and improving the business environment. In addition, the experience of direct loans to producers through banks in the province of San Juan (DR-L1068/2013) indicates that private-sector participation in the granting of loans can be encouraged. However, support declined due to the cancelation of the INV operation MSME Development Financing Program (DR-L1065/2013), which had been aimed at boosting MSME productivity through greater access to credit and improved management capacity.

Table 3.7. Available amounts and annual disbursements: productivity and competitiveness

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
PBL	**550**			**250**			**300**			**100%**
DR-L1072/2014 Formalization and Productivity Improvement Program	250			250						100%

76 The program also included an INV operation to promote tourism in the Colonial City of Santo Domingo. According to its PCR, it did not succeed in extending tourist stays but it did increase the average revenue per tourist and tourism-related employment. There were challenges in terms of coordination between the parties involved and a collapse during the rehabilitation of historic heritage. A second, much larger operation (DR-L1084/2016, US$90 million) achieved eligibility only in 2020 due to delays in ratification.

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
DR-L1121/2017 Formalization and Productivity Improvement Program II	300						300			100%
INV	**301.5**	**8.3**	**9**	**22.9**	**11.9**	**17.5**	**8.1**	**4.8**	**2.8**	**28%**
DR-L1031/2010 Program in Support of Subsidies for Innovation in Agriculture	27.6	1.3	1.7	1.3	0.1					16% (closed)
DR-L1054/2012 Agricultural Research and Development Program	33.8									
DR-L1048/2011 Agrifood Health and Safety Program	9.5	0.6	1	1.4	2.9	2.8	0.8	-0.1		99% (closed)
DR-L1137/2019 Agricultural Health and Innovation Project	50									0%
DR-L1068/2013 Productive Development and Competitiveness in the Province of San Juan	35			2.1	5.5	11.5	7.3	5	2.3	96%
DR-L1116/2010 Competitiveness Policy Support Program II (CTR)	8.2	0.4	2.7	5						100%
DR-L1065/2013 MSME Development Financing Program	30									(canceled)
DR-L1035/2011 Program for Tourism Development in the Colonial City of Santo Domingo	29.3	6	3.5	13	3.5	3.2				100%
DR-L1084/2016 Comprehensive Tourism and Urban Development Program for the Colonial City of Santo Domingo	90								0,5	1%
TCG	**3.8**	**0.2**	**0.08**	**0.4**		**0.2**	**0.3**	**0.7**	**0.6**	**65%**
Operational support (6)	2.1	0.2	0.07	0.2				0.4	0.4	64%
Client support (7)	1.7		0.01	0.2		0.2	0.3	0.3	0.2	66%
Total	**855.3**	**8.5**	**9.1**	**273.3**	**11.9**	**17.7**	**308.4**	**5.5**	**3.4**	**75%**

Approved, not eligible for disbursements — Annual disbursements (in US$ millions)

3.26 IDB Invest also sought to contribute to credit access, but there is no evidence that it contributed to the expected outcome related to MSMEs. During the period, the entire IDB Invest portfolio was built with financial intermediaries. But its contribution was equivalent to a negligible fraction (on the order of 0.5%) of total credit to the private sector in the country. The largest operation, entered into with a major private-sector bank to support lending to women-led SMEs, required fewer funds than the approved amount. This was largely due to the high liquidity in the market as a result of the availability of deposits and the aggressive reserve reduction policy adopted in the context of the pandemic. Other operations, entered into with smaller institutions, were fully disbursed but do not show any growth in their relevant portfolios, which included SMEs and mortgage loans for affordable housing.

3.27 IDB Invest also sought to add value through innovative financial structures or technical cooperation operations, but its contribution was limited by the high level of market liquidity. Corporate transactions were canceled at the request of clients in a context of high market liquidity. Nonetheless, IDB Invest sought to add value beyond its funding activity, backing innovative structures that it hoped would be replicated by the market. Thus, IDB Invest helped to structure the first issuance of gender bonds in the country, which, according to private sector estimates, could open up the market for potential subsequent issuances. IDB Invest also innovated through a first issuance seeking financing in local currency. IDB Invest also supported a client in the tourism sector through nonreimbursable technical assistance by creating a system to integrate local providers, but this financing was subsequently canceled, in 2020, at the client's request.

Table 3.8. NSG available amounts and annual disbursements: productivity and competitiveness

NSG program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
Total	162.16	15	3	9.9	0.19	4.1		9.5		25.7%

3.28 The sustainability of outcomes relies on the policy reforms to promote productivity and competitiveness led by the Dominican government. Although the requirements of the PBP series did not always have adequate depth, the reforms went beyond them, creating new entities and legal frameworks that make them more likely to be sustainable. However, the sustainability of outcomes in business innovation and linkage of national production with exports is less clear. Such sustainability will hinge on whether an effective governance mechanism for the investment and export promotion system can be solidified. Lastly, in the context of the pandemic, the country has deployed an expansionary monetary policy to facilitate credit, but this does not necessarily reflect a structural change, even less so for MSMEs.

H. Productive infrastructure

3.29 The Bank's contribution to the broad strategic objective (Box 3.8) was limited, mainly aimed at transportation (discussed in the following paragraph), electricity, and readiness for the digital infrastructure. As discussed above, the Bank contributed to the electricity sector through improvements in the quality of customer service. Rehabilitating the distribution networks may have helped somewhat to enhance the quality of electricity supply, although the implementation of this rehabilitation was slower than expected (only one of the INV operations went into execution, while the other two still could not be ratified) and there are no available data on the quality of electricity supply to businesses (which were the focus of the expected outcome).[77] By means of a TCG (DR-T1183/2019), the Bank contributed as expected to the Dominican government's Digital Republic initiative through feasibility studies to connect rural areas and create a national roadmap for transitioning to digital transmission (which will also bring fiscal benefits by releasing radio spectrum that is planned to be auctioned). In 2020, the Bank took the initiative of creating a systematic bank of projects addressing the country's infrastructure needs, which served as a basis for a National Infrastructure Plan.[78] IDB Invest's contribution to this strategic objective was marginal.

Box 3.8. Productive infrastructure

Strategic objective	Expected outcome
Improve productive infrastructure (2017-2020)	Improved coverage and quality of transportation infrastructure
	Improved readiness to make adequate use of technological infrastructure and digital content
	Improved quality of electric power supply to businesses

3.30 In transportation, the Bank helped to design and solidify a sector reform. While the strategic objective was introduced only under the 2017-2020 strategy, the Bank supported studies and the sharing of experiences in road safety, logistics, and mobility through TCGs since 2013. At the same time, as part of the legacy portfolio, execution was completed on the Multiphase Program for Road Infrastructure (DR-L1008/2007), which contributed to network maintenance[79] (but not to the strategic objective, since the program had been fully executed by the time the strategic

77 With respect to the outcome of "improving the quality of electricity supply to businesses," there are only aggregate data on the "availability index" (which went from 87.6% in 2017 to 96.9% in 2020), showing improvements for residential, commercial, and industrial customers, but there is no specific information available on the results matrix indicator regarding businesses.

78 Making use of a lesson learned earlier in Peru, the Bank surveyed the key infrastructure needs of the Dominican Republic until 2030, identifying 1,334 projects for about US$10 billion in transportation, energy, water, sanitation, solid waste, water resources, telecommunications, education, and health.

79 According to its PCR, it helped maintain 294 km of the major highway network and 912 km of rural roads, reducing vehicle operating costs by 16.6% and average travel time by 11.5% in the targeted sections. Operation DR-L1135/2018 does not report any progress in its multiple works road component, executed by the Ministry of Public Works and Communications (MOPC).

objective was set under the second country strategy). Due to the limitations imposed by the fiscal ceiling, the subsequent phases (which would have supported the strategic objective set in 2017) did not materialize. In 2019, through a PBP series, the Bank supported the implementation of a comprehensive sector reform that helped to modernize the regulatory framework for urban, long-distance, and freight transportation, studies to promote the construction of climate change-resilient infrastructure, and regulatory framework support to modernize the country's vehicle fleet and reduce emissions. This PBP series was preceded by effective TCG support, which prepared the regulatory framework and design of the sector reform. While the depth of the required conditionalities was relatively low, the measures promoted in terms of regulations and resolutions were appropriate for advancing a reform whose legislative framework had already been approved. Although these reforms were important to ensure that the sector would function better in the future, there is no evidence that they led to better transportation infrastructure coverage and quality during the evaluation period, as was expected under the country strategy. Through TCG support, the Bank also helped design the Manzanillo Port Rehabilitation and Expansion program for the country's deepest natural port[80] (Annex II, Section I.8).

Table 3.9. Available amounts and annual disbursements: productive infrastructure

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
PBL	**250**								**250**	**100%**
DR-L1132/2019 Program to Support Mobility, Overland Transportation, and Road Safety in the Dominican Republic	250								250	100%
INV	**341.1**	**6.7**	**7.7**	**18**	**19.3**	**43.1**	**7.8**	**0.5**	**12.7**	**34%**
DR-L1008/2007 Multiphase Program for Road Infrastructure - Phase I	24.7	6.7	7.7	10.2						100%
DR-L1135/2018 Sustainable Agroforestry Development Program- road component	44.4							0.5	12.7	30%
DR-L1034/2014 Power Distribution Network Modernization and Loss Reduction Program	78			7.8	19.3	43.1	7.8	-0.03		100%
DR-L1128/2018 Program to Expand Electricity Networks and Reduce Technical Losses in Distribution Systems	155									0%

80 An INV operation for US$100 million was approved in June 2021 and is currently pending ratification.

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
DR-L1122/2019 Implementation of the Energy Efficiency Program	39									0%
TCG	**5.2**	**0.3**	**0.6**	**0.2**	**0.6**	**0.3**	**0.4**	**0.4**	**1.1**	**75%**
Operational support (1)	0.5								0.2	31%
Client support (10)	4		0.2	0.2	0.6	0.3	0.4	0.4	0.9	58%
Research and dissemination (1)	0.7	0.3	0.4							100%
Total	**596.3**	**7**	**8.3**	**18.2**	**19.9**	**43.4**	**8.2**	**0.9**	**263.8**	**62%**
Approved, not eligible for disbursements					Annual disbursements (in US$ millions)					

3.31 IDB Invest's contribution was thwarted by the cancelation of the related portfolio due to design problems in the public-private risk balance and client access to other sources of financing. The legacy portfolio included two fully disbursed projects (a road project and a telecommunications project) and two projects pending disbursement (in roads and wind power). Both toll road projects encountered design problems, since they were based on demand assumptions that were not consistent with the population's ability to pay. This gave rise to fiscal risks in the form of minimum revenue guarantees and the Dominican government's assumption of risks, including any adverse event not directly attributable to the concession holder (CPE 2009-2013). The two projects pending disbursement were canceled at the start of the period: the road project, because despite having a different design that included a *shadow toll*, it nevertheless exposed the country to the fiscal risk that materialized in the other project; and the wind power project, because, having obtained alternative financing, the sponsors secure the financing from IDB Invest.[81]

Table 3.10. NSG available amounts and annual disbursements: productive infrastructure

NSG program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
Total	**208.3**				**0.1**				**0.7**	

3.32 The main sustainability risks are financial, institutional capacity, and climate change risks. The biggest execution challenge of the multiphase program was the difficulty in obtaining a counterpart budget, which also led to its discontinuation. Nevertheless, multiyear maintenance contracts had been secured upon its conclusion. The recent reform of the legal framework for mobility and overland transportation denotes a high degree of country ownership in terms of implementing the regulatory changes. However, maintaining the institutional capacity of

81 They received US$80 million from the International Finance Corporation (and Canada), US$15 million from Proparco, and US$6 million from FMO and local banks.

INTRANT, a key entity in the reform, is crucial. The probability of natural disasters affecting infrastructure is a constant risk for the country. While this externality leaves little room for preventive action, the Bank has sought to mitigate the potential negative impacts through technical support for preparing an inventory of bridges and road assets and a comprehensive risk management system to equip the country with the ability to take climate scenarios and risks into account.

I. Quality employment

3.33 Since little progress was made on the objective of increasing quality employment (Box 3.9), and there was scant support from the IDB Group program in this regard, the contribution to this strategic objective was marginal. The expected outcomes addressed the matching of local skills with labor market demands and greater women's participation (which had been rising until 2019, although it fell in 2020 due to the pandemic) (Annex III, Section I.9).[82] After this objective was set in 2017, the program focused on two INV operations with very low execution.[83] DR-L1036/2011 was canceled after a mere 25% had been disbursed.[84] DR-L1127/2018, for technical-vocational education, has yet to be ratified. Of the TCGs, only the one on Long-term Impacts of the Youth and Employment Program was completed. In addition, the only support for expanding women's access to the labor market was a small component of loan operation DR-L1080/2018 Ciudad Mujer, but its low execution level (less than 1%) makes its contribution unlikely.

Box 3.9. Quality employment

Strategic objective	Expected outcome
Increase quality employment (2017-2020)	Improved matching of skills with labor market demands
	Greater women's participation in the labor market

■ Improvement from 2013 to 2020 ■ Decline from 2013 to 2020

82 All told, 89% of women work in the service sector, which has the greatest exposure, compared to 59.4% of men. In addition, the pandemic imposes the additional burden of nonremunerated work in the family care economy due to the closure of schools, day care centers, and care centers. International Labour Organization, 2020.

83 The PBL series in health, already concluded by 2017, had social security conditionalities aimed at promoting formal employment, which were thus indirectly related to this subsequent objective.

84 Some outputs were executed: 2,448 young people trained under the pilot program, 11 local employment offices in operation, 50 employment fairs conducted, improvements to the computer system of the National Employment Service (SENAE) and Integrated Job Training System.

Table 3.11. Available amounts and annual disbursements: quality employment

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
PBL	**89**		**0.8**	**1**	**2.2**	**-0.1**				**4%**
DR-L1036/2011 Program to Support the National Employment System	19		0.8	1	2.2	-0.1				21%
DR-L1127/2018 Support for Technical-Vocational Education and Training	70									0%
*DR-L1080/2018 Ciudad Mujer	20								0.1	0%
CT	**1.6**		**0.3**	**0.2**	**0.1**	**0**	**0.03**	**0.08**	**0.06**	**48%**
Operational support (2)	0.8							0.05	0.05	15%
Client support (2)	0.2						0.01	0.03	0.01	26%
Research and dissemination (1)	0.6		0.3	0.2	0.1	0.02	0.02			100%
Total	**90.6**		**1.1**	**1.2**	**2.3**	**-0.08**	**0.03**	**0.08**	**0.06**	**5%**

Approved, not eligible for disbursements — Annual disbursements (in US$ millions)

* The lighter font color denotes that the operation was only partially aligned with this area of intervention. The amounts of these partially aligned operations are accounted for only if they are not more aligned with another area of intervention.

J. Resilience to climate change

3.34 The Bank's contribution to the strategic objective (Box 3.10) was marginal, with a program that was incompatibly meager in view of the objective, limited execution, and adjustment challenges in the instrument used. The actions proposed by the country strategy were to develop tourism and industrial offerings adapted to climate change and support productive restructuring in areas vulnerable to deforestation and climate change. But these actions proved to be overly ambitious with respect to the objective (limited to the agricultural sector) and the program, which, being limited to small-scale producers, was unlikely to have a significant effect on the sector (Table 3.12). The main contribution would be made through operation DR-L1134/2018 for US$105.6 million, financed through a loan based on results (LBR), to promote the adoption of agroforestry technologies and sustainable practices, primarily for the recovery of coffee, avocado, and cocoa plantations.[85] However, its low implementation limited its contribution. The LBR modality meant that fiduciary and procurement management was turned over to the execution unit (UTEPDA), while funds were disbursed to the country (rather than to the UTEPDA, which continued to depend on budget allocations) against verification of results based on a previously agreed-upon matrix. But the

85 One TCG supported the program's design, and the other the strengthening of its executing agency, the Unidad Técnica Ejecutora de Proyectos de Desarrollo Agroforestal de la Presidencia de la República [Technical Execution Unit for Agroforestry Development Projects] (UTEPDA).

UTEPDA was a weak executing agency that did not meet the level of autonomy required by the instrument. In addition, there were gaps between the budget resources transferred and the funds needed by the UTEPDA to achieve the outcomes, as well as gaps in the management of sowing data and in the verification of beneficiary baselines. With the change of government, there was turnover in UTEPDA's technical staff (which reported to the Office of the President). The pandemic interrupted the verification of outcomes by the auditing firm and through technical field visits.

Box 3.10. Resilience to climate change	
Strategic objective	**Expected outcome**
Adapt agricultural production to climate change (2017-2020)	Increased resilience of the agricultural sector to climate change

3.35 Indirectly, the validity conditions of the contingent lines for natural disasters also contributed to the objective. During the period, there were active contingent credit lines for natural disasters that required monitoring the implementation of the Comprehensive Natural Disaster Risk Management Program, which was formalized by decree in 2013. They helped in educating the public on emergencies, in governance of the response system, and in the training of agencies in the country, which also indirectly contributed to the expected outcome in the area of agricultural output.

Table 3.12. Available amounts and annual disbursements: resilience to climate change

IDB Group program 2013-2020	US$M	2013	2014	2015	2016	2017	2018	2019	2020	Executed
INV	**105.6**							**20.1**	**7.6**	**26%**
DR-L1134/2018 Sustainable Agroforestry Development Program	105.6							20.1	7.6	26%
CCF										
*DR-X1003/2009: Contingent Loan for Natural Disaster Emergencies	100	X	X	X						N/A
*DR-X1011/2016: Contingent Loan for Natural Disaster Emergencies	300				X	X	X	X	X	
TCG	**0.8**					**0.4**	**0.2**	**0.1**	**0**	**99%**
Operational support (2)	0.8					0.4	0.2	0.1	0	99%
Total	**106.4**					**0.4**	**0.2**	**20.2**	**7.6**	**27%**

Approved, not eligible for disbursements — Annual disbursements (in US$ millions)
* The lighter font color denotes that the operation was only partially aligned with this area of intervention. The amounts of these partially aligned operations are accounted for only if they are not more aligned with another area of intervention.

04

Conclusions and Recommendations

4.1 In both country strategies, the IDB Group set 19 strategic objectives, which were relevant but proved to be overly ambitious and not sufficiently focused. For 2013-2020, the IDB Group prepared two country strategies with the Dominican Republic, whose 19 objectives provided relative continuity in three priority areas. In the *fiscal* area, the objectives prioritized emerging from the crisis of 2012 and addressing the deficit. In the social area, they were aimed at improving the coverage and quality of health and education services as well as social protection targeting; in the *productive* area, the objectives encompassed equally relevant issues: MSMEs and competitiveness. The objectives of the country strategies matched the priorities of the country's development plan as well as the diagnostic assessments conducted by the Bank and other cooperation agencies. In practice, the objectives spanned an excessively broad spectrum of needs and were overly ambitious, including deep reforms that did not materialize, implementation of investment programs that were subsequently canceled, or objectives that were inconsistent with the size of the program expected to be allocated to support them.

4.2 The evaluability of the country strategies was limited, mainly because the data for most of the progress indicators selected to monitor them were not regularly updated. All told, 75% of the selected progress indicators lacked updated data as of 2020, and 60% as of 2019 (prepandemic). Many of these indicators depended on ad hoc surveys that were discontinued or on external sources that are not frequently updated.

4.3 The IDB Group program succeeded in addressing the 19 strategic objectives, but its alignment with them varied. Combining the legacy portfolio with the operations approved over this extended period made it possible to deploy a program that was well aligned with a set of objectives that remained relatively stable over the period. The alignment was partial (i.e., the program did not cover all expected outcomes, and when it did cover them, it was unlikely that it could adequately support them even had it been implemented in line with expectations) only with respect to 4 of the 19 strategic objectives (on the tax system, electricity sector, productivity and competitiveness, and resilience to climate change).

4.4 However, the program's contributions to the strategic objectives were generally limited, albeit variable. In the areas in which the IDB Group helped to achieve noteworthy progress toward the strategic objectives, its contribution was based on continuous and long-term support. This included PBLs that helped solidify reforms which the country had already launched (in health), or continued assistance in the implementation of systems (in public expenditure and investment) or support for a national investment plan as a necessary prelude to implementing investments (in the electricity sector). Conversely, progress was limited when IDB Group support was provided in a context in which the country suspended the implementation of critical reforms (in the tax system); when a significant portion of the program was canceled (in early childhood education); or when the size of the implemented program was not sufficient to meet the challenges established by the strategic objectives (in resilience to climate change). In addition, support for some of the expected outcomes was affected by a virtual absence of support from IDB Invest (in productive infrastructure or in productivity and competitiveness).

4.5 The program was predominantly comprised of PBP series, but their policy conditions lacked the required depth to advance the ambitious strategic objectives and, as of the cutoff date of this XCPE, only two of six series had been completed. All told, 66% of program disbursements were channeled through PBLs. The Bank approved PBLs nearly every year in the period, and they were mostly initial operations dealing with new issues. Half of the PBLs in the period had not been part of the annual programming. Those which had been planned were approved for more than three times the anticipated amount, and the majority were the start of series that have not been completed to date. Health and productivity were exceptions in that the respective series were completed. In general, however, the reforms promoted by the PBLs were insufficiently deep to promote the ambitious strategic objectives.

4.6 The remainder of the program was dispersed across about 10 sectors, and IDB Invest support was very meager in view of the broad objectives. The INV program continued to be dispersed across some 10 sectors, which was inconsistent with the ambitiousness of the objectives set out for those sectors. For its part, IDB Invest had played a significant role in support of infrastructure, but since 2013 all operations in the sector, both legacy and new, were canceled. IDB Invest attempted to add value through innovative structures with a potential demonstration effect and through nonreimbursable technical cooperation operations to support corporate social responsibility issues, but the high level of market liquidity limited their use and contribution. As a result, IDB Invest accounted for a mere 4% of the disbursed program, not counting the active TFFP lines with two banks (used mostly in 2020).

4.7 The execution challenges persisted, along with country system weaknesses that are inconsistent with the country's development level. Approximately one of every two INV operations faced at least one of the following challenges: country ownership problems, design defects, and weak execution unit capacity. Challenges already identified in the country strategies continued to exist: the country's high exposure to external shocks (partially mitigated by an IDB contingent line) and limited coordination with IDB

Invest (which was effectively not achieved, partly because of its small portfolio over the period). In terms of country systems, the Dominican Republic continues to exhibit significant weaknesses in monitoring and evaluation, audit, and public procurement capacity.

4.8 In the fiscal area, the Bank contributed to partially advancing the public investment and expenditure objectives and, to a lesser extent, the electricity sector objectives, but it did not succeed in promoting the required deep reforms. The area also included tax system objectives, but the Bank's contribution was thwarted by a failure to achieve the tax objectives of the period's single PBL (2013). Conversely, the Bank made a contribution in public expenditure and investment—contributing to their management systems, but with more limited progress in terms of efficiency of public expenditure and strengthening of public investment prioritization and planning systems. In the electricity sector, the Bank supported investments to reduce electricity losses but did not achieve the rate reforms needed to strengthen the financial sustainability of the sector.

4.9 In the social area, the Bank played an important role in social protection. Between 2013 and 2016, the Bank contributed 25% of the resources for conditional transfers in the country. Against this backdrop, the Bank helped to reinforce institutional capacity, improving social expenditure targeting tools and succeeding in having its programs be integrated into the national budget after Bank support had stopped. However, the improvements made in targeting social assistance expenditures were set back in 2019. At the same time, the planned data survey was not carried out; as a result, major parts of the system continue to lack evaluative evidence as to their effectiveness. In addition, there were challenges in the verification of compliance with coresponsibilities, especially in health.

4.10 The Bank also contributed to health and water and sanitation, but much less so in education. In health, nearly half of the resources were channeled through PBLs that solidified the reform of the system, helping to improve access to preventive services and primary care coverage, but encountering challenges in terms of service quality. In water and sanitation, the period began with the failure of a sector reform intended to provide sustainability through greater private participation. However, the Bank succeeded in helping through investments that expanded access to improved sources of drinking water. In education, the Bank provided support through INV operations and TCGs for infrastructure, teacher training, and improvement of educational management, but the major operation of the period (in early childhood education) was canceled. The evidence on the contribution of the remainder of the program indicates improvements in teaching hours but little effect on education outcomes.

4.11 In the productive area, the Bank helped to solidify reforms and institutions as well as legal frameworks (including the recent approval of a PPP regime) to promote competitiveness and access to credit (completing a PBL series in support of a sector reform). The program's contribution to the objectives of increasing local productive linkages for exports, business innovation, and creating quality jobs was less significant. Furthermore, the program's contribution to the objective of improving the country's production infrastructure was limited, mainly taking the form of interventions in the electricity and logistics sectors. The program's contribution to the objective of boosting resilience to climate change (which continues to be a key development challenge given the country's high exposure to natural disasters) was minor. IDB Invest sought to improve access to credit for MSMEs, women-led SMEs, foreign trade, and housing, but there is no evidence that access did increase. In 2020, the IDB led an initiative to create a systematic bank of projects addressing the country's infrastructure needs, which was later adopted by the country.

4.12 The country strategies identified four relevant crosscutting themes, which could have been better integrated into the sector. *Strengthening the institutional capacity of local counterparts* was integrated into 46% of SG loans. This reinforcement was made on a sector basis, but without taking advantage of common opportunities to reform the civil service or reinforce transparency and integrity mechanisms. The gender theme was integrated into 23% of SG loans and into NSG operations (including in promoting the country's first gender bond). However, with the exception of the health sector, the gender approach contribution was weak. *Environment and climate change* was integrated into only 13% of SG loans, a level that is inconsistent with the issue's importance for the country. Similarly, the *information and communication technology* theme was practically not integrated at all, despite its potential.

4.13 The sustainability of the achieved outcomes will depend on the stability of the technical staff, consensus for the reforms, and mitigation of climate risks. In several cases, the institutional capacity already built was weakened due to the high turnover of technical staff. The program has also had a high prevalence of country ownership challenges, due in part to a lack of evidence on the effectiveness of the various approaches that could facilitate a consensus on their continuity. With regard to natural disasters, the country's most dynamic sectors are the ones exerting the greatest pressure on the environment, but the institutional capacity to mitigate their effects is low.

4.14 In view of these findings arising from an evaluation of the IDB Group's strategies and program over an extended period, OVE makes the following recommendations:

1. **Focus the new country strategy on key challenges for the country on which the IDB Group has amassed experience and is able to provide continuity toward their resolution.** The objectives were overly ambitious and not focused enough. The greatest contribution was made in areas in which the country undertook to carry out a reform process and the IDB Group was able to provide continuous support for its implementation. Therefore, OVE recommends: (i) focusing the objectives of the next country strategy on a few areas in which the IDB Group has already amassed experience of value to the country, including through the portfolio in execution and programmatic series that have not yet been closed; and (ii) in the event of interruption of the reforms needed to achieve these objectives, explain the reasons for this in the annual programming exercises and propose actions aimed at resuming their continuity.

2. **Boost the role of knowledge products in supporting the country to resolve key issues for its development**. The country has achieved high growth levels and enjoys broad financing access in the markets. In this context, the Bank has shown that it can also add value through knowledge products such as its recent survey of infrastructure needs or its assistance with the country's digital transformation plan. Therefore, OVE recommends: (i) ensuring that the country strategy sets strategic objectives in areas in which the IDB Group is also able to add value based on knowledge; and (ii) given the potential of this knowledge for the IDB Group's contribution, ensure that the programming envisages its production, facilitates its dissemination, and boosts its use in agreement with the country.

3. **Recover IDB Invest's participation in supporting a majority of the priority areas identified in the country strategy.** The country strategies envisaged a role for IDB Invest that failed to materialize: In a high-liquidity context, IDB Invest did not succeed in making any contribution beyond the financial sector, despite having broader value-adding potential. In particular, the recent approval of a regime for PPPs could unlock new opportunities. Moreover, in line with its attempts to date at providing support and with the country's needs, IDB Invest could support a socially responsible private sector that promotes gender perspectives and climate change mitigation. Therefore, OVE recommends: (i) more effectively outlining in the country strategy how the IDB Group will promote the catalytic role of IDB Invest in support of the strategic objectives; and (ii) ensuring that IDB Invest has or, if necessary, develops a comprehensive value proposition that emphasizes the nonfinancial additionality considerations that are valued by the Dominican private sector.

4. **Improve the evaluability of the new country strategy, ensuring that it is monitored in a timely fashion and the planned evaluations are conducted.** Monitoring posed challenges with respect to 75% of the indicators selected under the country strategy, partly because these

indicators were based on ad hoc surveys that are not frequently updated. Along similar lines, several initiatives supported by the IDB Group included planned final evaluations that were not performed, and the program had a high prevalence of country ownership challenges, partly due to a lack of evidence on the effectiveness of various approaches. Therefore, OVE recommends: (i) improving the evaluability of the results framework in the new country strategy, ensuring that the progress indicators selected for monitoring can be measured as frequently as necessary; and (ii) ensuring that the evaluations planned under the program are carried out and encouraging the continued use of this evidence to improve future actions and boost country ownership of the successful intervention models promoted by the program.

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