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COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT

FOR THE

THE DOMINICAN REPUBLIC

December 21, 2011

Caribbean Country Management Unit
Latin America and the Caribbean Region
International Bank for the Reconstruction and Development
Latin America and Caribbean Department
International Finance Corporation

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Fiscal Year
January 1 – December 31

SELECTED ABBREVIATIONS AND ACRONYMS

A&A	Accounting and Auditing	ICT	Information and communication technology
AAA	Analytical and Advisory Services	IDB	Inter American Development Bank
AF	Additional Financing	IDF	Institutional Development Fund
APL	Adaptable Program Loan	IFC	International Finance Corporation
CARCIP	Caribbean Advanced Regional Communications Infrastructure Program	IMF	International Monetary Fund
CCT	Conditional Cash Transfer	IPAC	Participatory Anti-Corruption Initiative
CMS	Clinic Management System	LCR	Latin America and the Caribbean
CPAR	Country Procurement Assessment	MIGA	Multilateral Investment Guarantee Agency
CPI	Consumer Price Index	NLTA	Non-lending Technical Assistance
CPPR	Country Portfolio Performance Review	PARSS2	Health Sector Reform Project (Proyecto de Apoyo a la Reforma del Sector Salud)
CPS	Country Partnership Strategy	PASS	Performance and Accountability of Social Sectors
CSO	Civil Society Organization	PFM	Public Financial Management
DPL	Development Policy Loan		
EFO	Externally Financed Output	RAMP	Reserve Advisory and Management Program
EU	European Union	ROSC	Report on the Observance of Standards and Codes
FBS	Fee Based Service	SIGEF	Financial Management Information System
FDI	Foreign Direct Investment	SIUBEN	Single Beneficiary Selection System (Sistema Único de Beneficiarios)
FY	Fiscal Year	TAL	Technical Assistance Loan
GAC	Governance and Anti-Corruption	TF	Trust Fund
GDP	Gross Domestic Product	UNDP	United Nations Development Program
IBRD	International Bank for Reconstruction and Development	USAID	United States Agency for International Development

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THE DOMINICAN REPUBLIC
Country Partnership Strategy Progress Report

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1. INTRODUCTION

1. **The Board of Executive Directors discussed the FY10-13 Country Partnership Strategy (CPS) for the Dominican Republic in September 2009 (Report No. 49620-DO).** The CPS covers a four year period ending one year after planned elections and inauguration of a new President in mid 2012. This Progress Report evaluates advances made and how the Bank will position itself strategically for the remainder of the CPS period.

2. **The CPS is aligned with the National Development Strategy, especially enhanced social cohesion and improved transparency while dealing with the global economic downturn.** President Leonel Fernandez was elected in 2004 and re-elected in 2008 for a second four-year term. His Dominican Liberation Party won a landslide victory in congressional elections in 2010.

3. **The four broad objectives of the CPS remain consistent with the Government's agenda where it overlaps with areas of comparative Bank Group advantage: (i) Strengthen Social Cohesion and Improve Access to and Quality of Social Services; (ii) Promote Competitiveness in a Sustainable and Resilient Economic Environment; (iii) Enhance Quality of Public Expenditures and Institutional Development; and (iv) Build Capacity and Constituencies for Reform.** Despite the breadth of the CPS, it focuses the bulk of new lending (US\$480 million of US\$500 million) on a program of reforms in social spending. A series of three sequential DPLs (**Public Performance and Accountability of Social Sectors-PASS-** operations) totaling US\$370 million seeks to promote and consolidate a major shift in government's social sector priorities and capacity toward human capital formation. Two investment operations (Additional Financing of the **Social Sectors Investment Project**-US\$10 million, and **Health Sector Reform Second Phase APL (PARSS2)**-US\$30 million) complement the DPLs. A **Municipal Development** project (US\$20 million) completes the CPS new lending portfolio. New lending operations are complemented by lending operations and knowledge services initiated in previous years. Despite this apparent targeting, the CPS seeks to complement sectoral reforms in social protection, education, and health with improvements in public expenditure management on the supply side and initiatives to strengthen transparency and accountability on the demand side. Regarding the existing portfolio of operations, a redoubled effort would be made to improve their performance. The CPS also reflects an intensified focus on the provision of knowledge services, as detailed in Annex 5.

4. **Progress under the CPS to date has been good and has validated its targeted approach, which remains relevant for the remainder of the CPS period.** The Bank's quick disbursing assistance has provided critical funding during the global economic crisis, which has allowed government to better protect spending on social sectors relative to earlier downturns. In contrast to earlier episodes, both moderate and extreme poverty have declined through the crisis, though at a decelerated rate. At present, poverty levels fall below pre-global economic crisis rates due to smaller relative crisis impacts, improved crisis management, and stronger safety net protection. Movement toward more performance influenced public expenditures reflected in Performance Agreements for some key ministries is promising, as are a variety of demand side initiatives to strengthen civil society and citizen beneficiary oversight of government operations. The implementation of investment operations existing at the time of CPS launch remains measured with largely moderately

satisfactory project ratings. **International Finance Corporation (IFC)** operations have continued apace, supporting the competitiveness and resilience agenda with investments in infrastructure, telecom, and natural gas distribution.

5. **Having largely completed planned lending, and with few adjustments envisioned, the Bank plans to focus its efforts during the remainder of the CPS period on improving implementation of existing projects and consolidating reform efforts during an electoral period.** Since 2009, the Bank has provided record support to the Dominican Republic amounting to US\$368 million. Only US\$70 million of the original US\$500 million envisaged lending remains to be allocated during the next two fiscal years.

2. POLITICAL, ECONOMIC AND SOCIAL DEVELOPMENTS

Political Developments

6. **The Dominican Republic has enjoyed marked political stability for the last two decades, even with notable swings in economic growth.** Power has tended to rotate between two major political parties which have kept taxes and public debt low. The Presidency has considerable power, the Congress plays a relatively limited policymaking role, and the level of transparency and budget openness is low by international standards. According to various international indicators and corroborated by other national surveys, the perception of corruption is high. Since the mid 2000's various reforms have aimed to improve economic and fiscal management through revision of the legal framework for public expenditures, extension of an integrated financial management system, and efforts to consolidate budget formulation and treasury management in the Ministry of Finance, among other things. But progress has been slow and uneven and major weaknesses remain in auditing. The Presidency still enjoys a high degree of discretion over spending.

7. **Despite slow progress on the broad governance agenda, the Government has recently undertaken several institutional reforms to improve the efficiency, effectiveness, and transparency of government operations.** It has notably sought to improve social cohesion through better targeting of social spending on the poor in return for enhanced "co-responsibilities" in terms of school attendance, health screening, job training, etc. This approach seems to enjoy broad public acceptance. With the support of the Bank, the Government has implemented the Participatory Anti-Corruption Initiative (IPAC) that is already implementing 30 recommendations to reduce corruption and increase transparency. At this moment, more than half of the recommendations have been fully implemented. A new Constitution, ratified by Congress in January 2010, grants the legislature the right to appoint members of the Chamber of Accounts which reviews Government accounts, removing the group from the Executive's control. The Constitution establishes that annual budget proposals must be submitted before October 1, allowing for greater public and congressional scrutiny.

8. **The pace of social spending reform, direction of spending, and/or intensity of revenue efforts (in taxes or electricity) could be impacted by the pending electoral season.** Reform champions in the various ministries appear committed to advancing and consolidating the gains, but the post election rotation of key reform figures, the volatility of oil prices, and unforeseeable fiscal demands could threaten the sustainability of several CPS supported reforms.

Economic Developments

9. **Although the Dominican Republic registered a slowdown during the depth of the global economic crisis, growth has quickly recovered and the country continues to be one of best performers in the region.** Growth increased to 7.8 percent in 2010 from 3.5 in the previous year. Growth was relatively broad based in all main sectors of the economy—commerce, financial services, construction and light manufacturing. External factors contributed too as the fall in remittances was mild since expatriate Dominican workers tend to be employed outside construction. Tourist arrivals turned around by the third quarter of 2009 and exports, in part due to reconstruction in Haiti, also resumed growing. Economic growth in 2011 is projected at 5.5-6 percent. Inflation began to accelerate in 2010, rising to 6.3 percent, stemming largely from food and oil prices, but the CPI remained with the Central Bank target of 6-7 percent.

10. **With a gradual withdrawal of stimulus spending the fiscal balance improved in 2010.** The overall fiscal deficit fell from 3.2 percent of GDP in 2009 to 2.7 percent in 2010. Nevertheless the 2.3 percent of GDP deficit target was missed due to weak tax performance and larger than expected transfers to the electricity sector due to high oil prices. During 2007-10 the growth in public debt was relatively modest and less than anticipated—from 33.4 percent of GDP in 2007 to 36.8 percent in 2010, less than the previously projected level of 39.8 percent of GDP. The external current account deteriorated in 2010 as the increase in imports exceeded exports. Foreign direct investments (FDI) and external borrowing funded the deficit though and foreign exchange reserves remained at historically high levels.

11. **The overall economic outlook for the country remains positive, although challenges remain.** Growth is projected at 5 percent over the medium term based on increasing diversification in FDI, exports, and tourism receipts. However, inflation is continuing to creep upward and the Central Bank had to raise the overnight policy rate five times between September 2010 and May 2011 to counter inflationary pressures stemming from strong domestic demand. Improved revenue performance will require continued efforts to improve tax administration and policy adjustments to address a high level of exemptions. The Government's financing needs for 2011 are expected to be met through a combination of investment and budget support loans, as well as the issuance of domestic and international bonds. Total gross financing requirements are estimated to reach US\$2.5 billion (equivalent to 4.4 percent of GDP) in 2011. This gap is expected to be filled by the issuance of domestic (US\$384 million), and international (US\$500 million) bonds, and by borrowing from bilateral and multilateral creditors (US\$1.7 billion). As the fiscal balance improves and amortization payments decrease gradually, financing requirements are expected to fall to US\$2.1 billion in 2012 (equivalent to 3.5 percent of GDP).

12. **Continued structural reforms are needed to close the large electricity sector deficit (projected at US\$690 million in 2011) and improve the reliability of service.** Notable efforts are being made to improve sector management (introducing foreign managers), increase rates to long term financially justified levels, reduce non-technical (theft) losses, and transit from an inefficient geographically based subsidy scheme to targeted needs based subsidies (Bonoluz). The Bank has continued an active dialogue and technical assistance in the sector, joined by the IMF and IDB, to help advance these important structural reforms. Nevertheless, the high dependency on imported fossil fuels as well as the inherent

difficulties in overcoming legacy behavior in the sector suggests that solid financial performance is achievable only in the medium term assuming a continued reform effort.

Social Developments

13. **Poverty rates remain high in the Dominican Republic and the levels of social spending are modest by regional standards, despite economic growth and a relatively high per capita income.** Data from April 2011 estimates poverty at 31.6 percent, showing a slight decline compared to April 2009 (33.5 percent); extreme poverty decreased from 10.4 percent to 8.8 percent in the same period. Inequality has significantly declined in the past two years, with Gini coefficient registering at 0.492 (April 2011), below pre-crisis levels. Despite improvements, challenges remain as a broad subset of the population is still vulnerable. Unemployment declined to 14 percent in 2010 but massive underemployment affects a large portion of the population. Women are much more likely to be underemployed than men. Inflation in food and oil prices is likely to affect poverty rates in the future. Spending on education is well below regional averages but has remained steady at 2.3 percent of GDP since 2008 (down from 3.4 percent of GDP in 2002). Schools are overcrowded, with multiple shifts, and the poor quality of education appears to affect most individuals regardless of socioeconomic conditions. Boys are more likely than girls to drop out of school. The country has the lowest performance on the regional standardized exam measuring education quality, and has declined relative to other countries since the 1990s. Health spending is also low at 1.7 percent of GDP in 2010 resulting in weaknesses in the provision of first level of care (essential basic health services with adequate quality) through Regional Health Services. The adolescent fertility rate is extremely high at 106.8 births per 1000 girls age 15-19. After operating as a *de facto* unconditional cash transfer program, the program has now become a full-fledge Conditional Cash Transfer (CCT) with improvements in the definition and verification of co-responsibilities.

14. **Poverty and social indicators, however, would likely have been worse without the proactive decisions of Government to protect the levels of social spending and reform social service delivery.** In the 2003-4 crisis the poverty rate exploded by 15 percentage points, unemployment rose 4 percent, and education and health expenditures fell by 34 percent and 36 percent respectively. In contrast, social spending this time has been maintained by counter-cyclical measures with coordinated actions between the Ministry of Finance and social sector ministries to reduce supply gaps in health and education. A significant reform of *Solidaridad* has been undertaken with the aim of expanding coverage and tightening enforcement so as to strengthen the impact on human capital formation. Electricity subsidies are being transformed from blanket geographic areas (which assisted all residents irrespective of their qualification under poverty level proxies) to a means tested approach, resulting in significant savings and greater efficiency of public spending. Thus the Government has used the economic crisis to address some long standing structural issues affecting social outcomes.

3. CPS PROGRESS, IMPLEMENTATION AND PROPOSED ADJUSTMENTS

A. Assessment of CPS progress to date

15. **Progress towards CPS outcomes has been satisfactory and advances are being made under each of the CPS strategic objectives.** The focus of the CPS on providing quick

disbursing funding to help maintain counter-cyclical Government spending has been critical in supporting the Government's efforts to contain the economic and social repercussions of the global financial crisis. It has helped maintain the climate for domestic and foreign investment and private sector economic activity and competitiveness. Moreover, policy changes, critical institutional strengthening, and transparency and accountability advances supported by the CPS, if sustained, could pay dividends well beyond the crisis period.

16. **While many poverty challenges remain, the protection of the most vulnerable contrasts with previous economic downturns when hard won gains in poverty reduction were lost.** Bank's expertise has been focused on fewer critical goals, with a variety of specialists mobilized to pursue core reforms in the social sectors through several interrelated loans, non lending technical assistance, and dialogue where it can support domestically owned reform initiatives. So far the results are encouraging—the principal PASS lending is proceeding well, and synergies in public expenditure management and accountability may multiply the improvements in the performance of social sectors. The Bank's program of knowledge services continues to strengthen the analytical basis for Government policy. Donor coordination has intensified, especially among the multi-lateral financial institutions (IMF, IDB, and Bank) with positive benefits in terms of coherent policy advice, coordinated funding programs, and improved collaboration with Government authorities. Further, through enhanced donor coordination efforts, the Bank has mobilized US\$3.5 million in additional resources from bilateral partners to support the program, including an Externally Funded Operation with USAID supporting IPAC and civil society initiatives, a Trust Fund on Public Expenditure Management with the European Union (EU) and a new Fee Based Service (FBS) on competitiveness to be financed by the EU. While there is room for improvement, disbursements and effectiveness delays under existing loans have improved compared to previous years. IFC operations as well have played an important role in providing targeted support to the private sector with impacts on employment and growth.

Strategic Objective 1. Strengthen Social Cohesion and Improve Access to and Quality of Social Services

17. **This first strategic objective of the CPS is achieving good results so far in terms of policy reforms and institutional changes aimed at protecting the most vulnerable and promoting better social outcomes.** This objective has been supported by the PASS DPL series, four existing investment operations (the Social Protection Investment Project and its new Additional Financing, Health Sector Reform Second Phase APL (PARSS2), Youth Development Project, two closed investment operations (Early Childhood Development project and Health Sector Reform First Phase APL), one closed DPL (Public Finance and Social Sector DPL), non lending technical assistance (NLTA) including Programmatic Social Sector NLTA, as well as assistance from other donors.

18. **The Government has advanced reforms to realize the full potential of the *Solidaridad* program to promote investment in health, nutrition and education by the poorest families.** The combined effort has entailed an overhaul of the conceptual and organizational structure of the CCT program, including a revised relationship with the health and education ministries and improvements in their joint performance. In line with regional practices for CCTs, the Government has consolidated a redesigned *Solidaridad* as the primary axis of the Social Protection System in the country. Its organizational structure and staff profile have been strengthened, management capacity and internal procedures improved, and

coordination with Government ministries mandated and institutionalized. Program operations are being decentralized to 10 regional offices designed to improve responsiveness and client contact. The program has contributed to an increase in the percentage of extreme poverty households participating in *Solidaridad* from 51 percent in 2002 to 70 percent in November 2010. A first verification in education reached 80 percent of *Solidaridad* beneficiary students to validate enrollment, and the verification of co-responsibilities for health covered 70 percent of beneficiaries. New, fully electronic management information systems to ensure continuous monitoring of compliance in health and education and strengthen sectoral management beyond the CCT, have been put in place. The system of debit cards to access benefits, especially in local grocery stores, has been upgraded by expanding the number of participating payment institutions and mapping the flow of benefits to ensure adequate institutional coverage. *Solidaridad* is also developing alternative mechanisms to transfer funds electronically to beneficiaries in addition to the existing debit card mechanism, with a view to promote greater financial inclusion. The Government has made progress in developing a comprehensive Monitoring and Evaluation system for *Solidaridad*. The 1.8 million household socioeconomic census to update the beneficiary registry of the targeting system (SIUBEN) is currently under implementation to strengthen targeting accuracy and efficiency of social spending.

19. **The supply side for health and education inputs to *Solidaridad* beneficiaries has been targeted for improvement.** Recognizing that increased co-responsibility demand for services in health and education requires accessible provision of quality services, the Government with Bank support has undertaken a series of initiatives. In health the Government has been improving the supply of services through investments in health equipment, construction or rehabilitation of new primary health facilities, and the establishment of a Clinic Management System (CMS) for the electronic registration of medical visits designed to improve the quality, accountability and management of primary health services. Household co-responsibilities can be verified, medical records digitized and appropriate adherence by physicians to medical protocols encouraged by the CMS. In education the Government is tackling the three main challenges posed by *Solidaridad*: (i) reducing the supply gap through classroom construction (160) and school rehabilitation (20); (ii) improving management information for the verification of education enrollment and attendance co-responsibilities; and (iii) initiating an assessment of possible differentiated transfer structures to best compensate for different opportunity costs to schooling. The **Youth Development Project**, approved in March 2006 has surpassed the target of 25,000 at-risk youth trained, 45 percent of whom are women, by building their work experience and life skills.

20. **Improvements in health and education quality and efficiency extend beyond the *Solidaridad* program.** Supported by the PASS program, the Government has introduced results-based management agreements between the ministry and all Regional Health Services to improve the timeliness and quality of primary care. Building on this, the Bank's **Health Sector Reform Second Phase APL (PARSS2)** is piloting results-adjusted financing in two regions to provide incentives to health care providers to improve access to and quality of health service at the first level, emphasizing maternal and infant care and nutrition together with other essential preventive services. Due to the increasing focus on accountability in the country and the resulting pressure to improve the quality and efficiency of health programs and services, the Government is also reorganizing the Ministry of Health to separate the

functions of service provision from sector oversight/stewardship. In education the PASS series has supported validation of student learning standards for the first and second cycles of Basic Education as well as improvements in school level management and the introduction of a school monitoring and supervision system. The School Management Information System creates a powerful online platform to gather information for managing school administration at all levels. The organic bylaws and operational manual are to be modified. Educational analyses supported through Programmatic Social Sectors NLTA have identified measures to eliminate overlaps in roles across the system.

Strategic Objective 2. Promote Competitiveness in a Sustainable and Resilient Economic Environment

21. **A second strategic objective is to help create the conditions for equitable economic growth and competitiveness.** A variety of outcomes are being sought: (i) a broader information base for informing policy decisions on macro-financial stability, competitiveness, and economic relations with Haiti; (ii) improved performance of water and sanitation corporations in tourist areas; (iii) increased efficiency in power distribution and generation to improve quality of services, and (iv) mainstreaming disaster risk management into the planning process and strengthened institutional capacity for risk management in specific sectors. These objectives would be pursued through five existing investment operations, five knowledge services efforts, and IFC activities.

22. **Progress toward strategic objectives is moderate.** The **Financial Sector Technical Assistance** project has contributed to the complete reform and subsequent upgrade of the payment systems, and as a result the DR has been selected in 2010 as the “hub” for the Central American Payment Systems. The **Water and Sanitation in Tourist Areas Project** has supported the creation of the National Water Council. While the **Power Sector TAL** closed in December 2010 with a Moderately Unsatisfactory rating, the **Electricity Distribution Rehabilitation Project** is progressing as bidding has been completed and construction has commenced. The current management for the Dominican Corporation of State Electrical Enterprises is expected to have a significant impact on sector performance over the medium term. As a result of slow progress to date, the Bank has redoubled supervision of the **Emergency Recovery and Disaster Management operation**. As detailed in Annex 5 a variety of knowledge services are advancing, including the Dominican Republic-Haiti Quisqueya Growth and Poverty Report, a Treasury Service NLTA, Certification in Gender Equity in Firms as Means to Enrich and Promote Competitiveness, and an Adaption to Climate Change and Disaster Risk NLTA.

23. **IFC commitments over the FY10-FY11 period have reached US\$85.5 million, in addition to US\$12 million syndicated from other institutions, increasing the IFC portfolio in the Dominican Republic to US\$214.5 million.** IFC's support to the compressed natural gas distributor Linea Clave, combined with a US\$20 million Sustainable Energy credit line to Banco BHD, will help small industries in DR convert from heavy fuel oil to natural gas, generating both financial savings and carbon emissions reductions. With US\$20 million support to the expansion of the Punta Cana airport and US\$17.5 million support to the expansion of the Caucedo port, IFC has continued supporting major improvements to the country's competitiveness in the tourism and trade areas. In the telecommunications sector, IFC aims to promote increased competition with its support to the expansion of WIND Telecom (US\$16 million subordinated debt plus US\$12 million B-Loan). Finally, IFC

supported Banco León with a US\$5 million trade finance credit line. Since FY06, **MIGA** has been guaranteeing the Santo Domingo-Samaná toll road and is exploring other potential transportation sector projects.

Strategic Objective 3. Enhance Quality of Public Expenditures and Institutional Development.

24. **The CPS proposed a strategic approach to public sector management and governance focused on the quality of public expenditure.** Rather than tackling a broad program of public administration strengthening or viewing governance as an “over-arching” objective, as in the previous CAS, this CPS more strategically seeks: (i) improved budget management; (ii) progress toward performance-informed budgeting; and (iii) increased management capacity in poor municipalities. Instead of separate lending operations, these governance objectives would be integrated as fundamental elements of the CPS and mainstreamed within the **PASS DPL** series (multiple reforms to build a culture of results in the public administration), the **Municipal Development Project** investment operation (institutional development activities to strengthen capacity of local governments), and the second **Health Sector Reform Second Phase APL (PARSS2)** supporting performance based management in the health sector. Three knowledge services provide additional analytical support, including a **Quality of Public Expenditures NLTA**, the **Programmatic Social Sector NLTA** and an **Institutional and Governance Review**. This approach reflected in part lessons from the FY2006 CAS where an ambitious program of Bank support for public sector reform had only limited success. A reduced focus was considered to be in line with Government priorities at a time of financial and fiscal stress and clearly relevant to the social sector emphasis of the first CPS strategic objective. Progress has been notable. Specific details of these NLTAs and additional activities aimed at strengthening capacity of accountability institutions and fiduciary capacity in general are described in Annex 5.

Strategic Objective 4. Build Capacity and Constituencies for Reform

25. **This strategic objective seeks to strengthen the demand for good governance, and efforts have expanded during CPS implementation in response to increased demands for Bank support from Government, civil society, and other international financial agencies.** The Strategic Objective builds on another lesson from the previous CAS—that promoting, implementing, and sustaining reform requires a strong constituency with enough capacity to mobilize critical stakeholders and resources. It targets: (i) strengthening congressional budget oversight capacity; (ii) strengthening civil society capacity for budget analysis and monitoring; and (iii) enhancing participatory planning at the local level. As in Strategic Objective 3, no separate lending activity was anticipated but rather the incorporation in other operations of components related to participation of civil society organizations in monitoring the implementation of the programs and strengthening social accountability mechanisms. Two knowledge services (an IDF for congressional oversight of public financial management and an NLTA for strengthening civil society) are being implemented including activities to improve access to information and strengthen Congress’ capacity to analyze and monitor budget execution. In addition, additional activities have commenced under this Strategic Objective, often funded by third party trust funds and led by the Bank. These programs concentrate on initiatives to address corruption and improve social accountability mechanisms. Details are provided in Annex 5. A GAC Note has been prepared to address

governance challenges, taking stock of the World Bank engagement in the country GAC agenda and exploring ways to institutionalize progress to ensure sustainability of reforms.

26. **Progress toward this objective appears solid and will be continued during the remainder of the CPS period recognizing that tangible results from this somewhat unconventional approach will take time.** The IDF funded effort began in the Congress in 2009, and is improving congressional capacity to analyze and monitor budget execution, program impact and performance. Congress now has access to budget data online and has received capacity building on transparency/communication skills needed to engage more actively with civil society. Supported by the PASS DPL series, the Government developed in close consultation with civil society and launched the *Portal del Ciudadano Dominicano*, a web-based user-friendly tool that provides public access to budget information. The Finance Ministry has published easy to access budget execution reports on its website and a short note on the *Presupuesto Ciudadano* (Citizen Budget), summarizing main budget facts and figures. Together these two tools will significantly expand the transparency and accessibility of budget information. *Solidaridad* is undertaking several initiatives to improve citizen monitoring and agency accountability. A CCT Community Scorecard has been piloted, reporting on the availability of service inputs in health, education, grocery store management of *Solidaridad* benefits, and *Solidaridad* operations themselves. Based on the pilot's results, the CCT Intersectoral Committee approved the expansion of the community scorecards to reach nation-wide scale. Particularly notable is the **Anticorruption Participatory Initiative (IPAC)**, led by Government and the Bank, which has mobilized 11 other international development agencies and local stakeholders to establish, monitor, and report on the implementation a wide variety of anti-corruption initiatives. Results so far include: (i) the publication of a web-based user-friendly tool that will provide public access to budget information fed by the Financial Management Information System (SIGEF); (ii) a web-based portal with monthly updates that inform citizens of the expected and actual electricity supply in each circuit; (iii) a new performance assessment framework for civil servants that will contribute to the professionalization of the public administration; and (iv) the enactment of a Presidential Decree for the implementation of the single treasury account. In a promising sign of its broad public support, IPACs organizing committee, consisting of Government, private sector, and civil society, recently agreed to continue and assume leadership of the initiative beyond the mandate of the international community's support in order to continue the implementation of the medium-term set of reforms currently under implementation.

B. Portfolio Performance and Implementation

27. **Portfolio performance has shown improvement, but challenges remain.** The disbursement rate increased from 4.9 percent in February 2009 to 19.3 percent in February 2010, although the rate fell to 11.2 percent in May 2011. Similarly the average delay in effectiveness improved substantially for the twelve-month period ending February 2010 (8.9 months versus 13.9 months during the previous period), but rose to 9.9 months in FY11, greater than the 8.7 months average for LCR but better than the 11.4 months for Central America. The progress in improving disbursement rates and reducing effectiveness delays, though tenuous, are the result of concerted efforts by country staff and Government, including conducting a mapping exercise of Bank operations and Government loan approval processes, creation of a Bank-Government working group to follow up on portfolio issues, and enhanced training and technical assistance provided by financial management and procurement

specialists. Most investment operations are extended. Only one of the eight operations have Implementation Progress ratings of Satisfactory with the remainder considered Moderately Satisfactory. During Country Portfolio Performance Review (CPPR) consultations in 2011, the Government recognized that portfolio performance could be improved and committed, together with the Bank, to take action to improve performance. The CPPR identified weaknesses in procurement capacity, attributed partially to high rotation of personnel and understaffing of the procurement function of project implementation units, and to a lesser extent financial management issues, as the primary contributors to weak portfolio performance and low disbursement rates. To that end, the Bank and Government are currently undertaking an assessment of procurement and financial management issues and will produce an action plan to improve project implementation.

C. Adjustments to the CPS Program

28. **While the CPS has been refined on the basis of evolving circumstances and continual dialogue with Government, its approach and four strategic objectives remain valid.** The Bank has provided timely, well targeted, and critically needed financial and policy support to the Government's stabilization and growth programs during a difficult period. Enhancing its effectiveness as a partner with the country, Bank support is undergirding the fiscal effort, providing valuable policy advice and global experience in the social sectors, reinforcing important Government initiatives in transparency and accountability, and complementing resources from other institutions. New lending has been complemented with selected knowledge services activities that have helped further refine a strategic 4-year program. Challenges remain to increase disbursements under investment operations; however, the rate has improved while the bulk of Bank resources has been rechanneled through DPLs.

29. **The Bank responded to the economic crisis with a significant level in development policy lending.** Some US\$370 million will be disbursed through three PASS DPLs. The PASS DPL series will close after the third (of four originally planned) iteration but would view the possibility of launching a new series or a separate single tranche operation, pending dialogue with Government. All three planned investment operations are effective and in execution. While not envisaged in the CPS, a US\$150 million Public Finance and Social Sector DPL was approved in November 2009 and disbursed shortly thereafter. The Social Protection Project Additional Financing and Health Reform projects complement the DPLs, and the Municipal Development operation includes a component focused on improved transparency and accountability.

30. **The Bank complemented its lending program through targeted analytical work and technical assistance.** As indicated above, there have been wide ranging NLTAs (funded by the Bank, donors, or trust funds) from the Bank providing considerable support for reforms in social sector performance, public sector management and demand for improved governance. The Bank has also been able to expand knowledge services beyond that envisioned in the CPS by leveraging donor resources in areas of mutual interest as is the case in the USAID EFO and EU TF on public expenditure management.

31. **With the CPS largely delivered, minimal adjustments are envisioned during the second half of the CPS and will be guided by the need to be strategic in prioritizing additional support.** Remaining lending room in the CPS totals only US\$70 million, planned

under the original CPS to be committed to the remaining FY13 PASS-related operation. During Progress Report consultations, the Government requested additional financial and technical assistance in several priority areas: (i) budget support operations including a continuation of PASS reforms and/or a policy based lending to support reforms in governance and transparency; (ii) Education (the Education project closed on August 31, 2011); (iii) Energy/Electricity Rehabilitation (the existing project will close on December 31, 2012); (iv) Caribbean Advanced Regional Communications Infrastructure Program (CARCIP); (v) Youth and Development Additional Financing; and (vi) Technical Assistance to the Supreme Court. An additional financing of US\$20 million of the Emergency Recovery and Rehabilitation project, which will cover cost over-runs due to inflation and improvements in designs to ensure the resilience of the rehabilitated infrastructure, was approved by the Board on November 17, 2011. In addition, the Dominican Republic will participate in CARCIP (IBRD lending level tentatively estimated at US\$27 million), a regional lending project to enhance ICT infrastructure, which is expected to go to the Board in the first half of 2012. Decisions on the use of the remaining lending capacity will depend on the results of ongoing dialogue with the Government.

Table 1 - CPS Lending and AAA Program FY10-13

CPS Lending Program (US\$ Millions)		CPS Progress Report Lending Program (US\$ Millions)	
FY 10		FY 10 Actual	
Performance Accountability in Social Sector DPL	\$150	Performance Accountability in Social Sector DPL	\$150
Social Sectors Investment Program	\$10	Social Sectors Investment Program	\$10
Health Sector Reform 2nd Phase APL (PARSS2)	\$30	Health Sector Reform 2nd Phase APL (PARSS2)	\$30
Municipal Development	\$20	Municipal Development	\$20
Total FY 10		Total FY 10	
	\$210		\$210
AAA		AAA	
DR-Haiti Quisqueya Growth and Poverty Report			
FY 11		FY 11 Actual	
Performance Accountability in Social Sector DPL II	\$150	Performance Accountability in Social Sector DPL II	\$150
Total FY 11		Total FY 11	
	\$150		\$150
AAA		AAA	
Influenza Prevention NLTA		Programmatic Social Sectors NLTA	
Program Institutional & Governance Review		Influenza Prevention NLTA	
Adaptation to Climate Change and Disaster Risk Management		Program Institutional & Governance Review	
		Treasury's Country Banking Services NLTA	
FY 12		FY 12 Planned	
Performance Accountability in Social Sector DPL III	\$70	Performance Accountability in Social Sector DPL III	\$70
Total FY 12		CARCIP	\$27
	\$70	Emergency Recovery and Rehabilitation (AF)	\$20
		Total FY 12	
			\$117
AAA		AAA	
IDF for Strengthening Congressional Oversight		Programmatic Social Sectors NLTA	
Energy Sector and Investment NLTA		IDF for Strengthening Congressional Oversight	
Competitiveness NLTA		Energy Sector and Investment NLTA	
Treasury's Country Banking Services NLTA		Adaptation to Climate Change and Disaster Risk Management NLTA	
		Competitiveness NLTA	
		Treasury's Country Banking Services NLTA	
		DR-Haiti Quisqueya Growth and Poverty Report	
		Strengthening Civil Society NLTA	
FY 13		FY 13 Planned	
Performance Accountability in Social Sector DPL IV	\$70	Budget Support (To examine PASS related agenda priorities)	\$70
AAA		AAA	

CPS Lending Program (US\$ Millions)	CPS Progress Report Lending Program (US\$ Millions)
Quality and Efficiency of Public Expenditure NLTA Social Cohesion Programmatic NLTA Strengthening Civil Society NLTA	Quality and Efficiency of Public Expenditure NLTA Programmatic Social Sectors NLTA Strengthening Civil Society NLTA
Total Lending FY10-FY13 US\$500	Total Lending FY10-FY13 US\$547

32. **The Results Framework (Annex 1) has been adjusted accordingly to better reflect expected outcomes in the four strategic areas of the CPS program.** Changes are generally minor and include adjustments to align targets to the CPS cycle (health), reflect changes in project indicators (e.g. PASS is no longer measuring completion of schooling), and extend targets out to reflect delays in effectiveness (Municipal Development Project).

4. STRATEGY GOING FORWARD AND FUTURE BANK ENGAGEMENT

33. **Going forward the Dominican Republic faces significant challenges to improve the efficiency, effectiveness, and level of transparency across the public sector to deliver social services and promote growth.** Fortunately prospects for private sector led economic growth are good in the medium term. This should provide some fiscal and political space for continued incremental improvements in Government operations. The capacity building, policy adjustments, and organizational improvements in social spending, energy, transparency, and accountability supported by the CPS and other donors, if sustained through the political transition, could provide momentum for continued progress. Certainly avoiding the poverty retrogression experienced in 2003-4 is a notable achievement. To protect these advances the Bank will need to stay engaged with all domestic and external stakeholders, maintain its presence at the policy table, and reinforce the approach of the CPS to focus on areas of Government commitment. The portfolio of investment operations, critical as they are for implementation of several policy reforms linked to DPLs and the CPS, will require redoubled supervision efforts to regain momentum in implementation and disbursements.

34. **The Bank’s engagement will remain focused on the core issues.** The Bank will continue to provide support under the corresponding four priority CPS areas of more efficient and effective social spending, competitiveness, improved public expenditures, and building capacities and constituencies for reform through FY13. It will also prepare necessary analytical background for an engagement focused on a longer term perspective in the next CPS period. This could permit the Government, supported by the Bank, to focus on efforts to consolidate ongoing social policy initiatives, improve competitiveness and productivity, and advance further in public sector reform. The Bank and Government will continue dialogue on Government requests for additional support, including additional budget support should external financing needs arise. Discussions will center on identifying key development areas where tangible results could be obtained through additional Bank support.

35. **IFC strategy in the Dominican Republic will be better aligned with IFC strategy for the Caribbean, with 4 strategic pillars:** (i) Financial inclusion, through investment and advisory services to financial institutions to improve access to finance for MSMEs and households; (ii) Competitiveness, through investments that support infrastructure, trade logistics, education and regional integration, and advisory services in areas such as Corporate Governance; (iii) Climate Change, through continued support to the energy sector, direct and

through financial institutions; (iv) Resilience to crisis, through the deepening of the local capital markets and support to the diversification of the country's economy.

5. RISKS AND MITIGATION

36. **Risks presented in the CPS have been well managed, but remain and are coupled with the risk of policy/institutional backsliding during the electoral or transition period.**

Implementation interruptions from poor coordination between core and spending ministries have not emerged. Close Bank coordination with the ministries, their substantive commitment to the program (especially the reforms supported by the DPLs), and the general incentive to resolve issues promptly to secure needed DPL disbursements have prevented or overcome coordination problems.

37. **Economic risks** have been contained as the Government has pursued sound macroeconomic policies and IMF stabilization program which has been closely coordinated with the IDB and the Bank. Growth did not turn negative and is high by regional standards. No significant natural disaster has occurred during the CPS period and indeed the earthquake in Haiti has spurred Dominican exports. However natural disasters must always be anticipated in this seismic and geographically vulnerable country.

38. **External risks** stemming from the low reserve coverage are currently mitigated by the IMF program, relatively favorable access to international markets, and important FDI inflows. However, an external shock could lead to a foreign exchange shortage, amplified by the absence of a new IMF program (the current program ends in the first quarter of 2012 which could also stall the reform momentum on the structural front). While these external risks remain substantial, mitigating factors include strong macroeconomic management, including growth in the size and sophistication of the domestic debt market and improved financial and bank supervision.

39. **Operational risks** identified in the CPS relate to poor multi-sectoral collaboration in Government and the Bank as well as counterpart capacity problems in financial management and procurement. Collaboration across sectors seems to be working remarkably well on both sides evidenced by the variety of advances in the public sector and civil society spheres in association with social spending agencies. Fiduciary problems continue to hamper several investment operations, despite intensified training, and will likely remain a continuing challenge. The portfolio has been subjected to systematic monitoring and joint annual reviews.

40. **Political risks may be increasing with the pending elections and transition.**

Regardless of the outcome of the presidential election in May 2012, it is likely that key reform counterparts and champions within the social agencies will be replaced. During the election period there are always risks of reversals in reforms (return to more clientelism in the distribution of subsidies, less aggressive pursuit of electricity theft or tax evasion, etc.). The upcoming presidential elections could impact somewhat the pace and possibly focus of operations in the country, so the Bank will pursue an intensified program of stakeholder consultations, including with the opposition, with the aim of building understanding and support for the operations as critical and non-partisan efforts to promote social and economic development.

ANNEX 1: REVISED CPS FY10-13 RESULTS FRAMEWORK

Dominican Republic

Original CPS Outcome/Target	Revised CPS Outcome/Target (If applicable)	Planned Milestones	Progress Towards CPS Outcomes	World Bank Assistance
Strategic Objective One: Strengthen Social Cohesion and Improve Access to and Quality of Social Services				
<p>Ensuring access to quality health services</p> <ul style="list-style-type: none"> Improved quality of mother and child healthcare services in the target population <p><i>Indicator 1:</i> 50% of pregnant women with a risk evaluation completed before the 15th week of pregnancy in at least 2 regions (by 2013) (baseline to be determined in year 1)</p> <p><i>Indicator 2:</i> 60% of children under 15 months with vaccination scheme completed according to national protocols (by 2013) – (baseline to be determined in year 1)</p>	<p><i>Indicator 1:</i> 30% of pregnant women with a risk evaluation completed before the 15th week of pregnancy in at least 2 regions (by 2013)</p> <p><i>Baseline:</i> 0.43% based on Clinical Management System data from the two PARSS2 regions</p> <p><i>Indicator 2:</i> 40% of children under 15 months with vaccination scheme completed according to national protocols (by 2012)</p> <p><i>Baseline:</i> 0% based on Clinical Management System Data from the two PARSS2 regions)</p>	<ul style="list-style-type: none"> Enhance strategic procurement of medicines and medical inputs <p><i>Indicator 3:</i> Number of regions producing monthly reports on the number of poor individuals who were prescribed a medicine at the first level of care and actually received medication within 48 hours</p> <p><i>Baseline:</i> No monthly reports (2009)</p> <p><i>Target:</i> Single Management System of Medicines and Inputs (SUGEMI) and its corresponding information system in place and training provided to facilitate production of reports by at least one region (2013)</p>	<p>Indicator 1. Risk evaluation of pregnant women. 5.2% (October 2011); Number is underestimated because the Clinical Management system is in initial phase of implementation.¹</p> <p>Indicator 2. Childhood vaccination: less than 1% (October 2011); Number is underestimated because the Clinical Management system is in initial phase of implementation; records readily available from the Immunization Program have the data per type of vaccination and not per a complete vaccination scheme. Records indicate the following vaccination rates for children less than 1 year old:</p> <p><i>Measles:</i> Region 6: 69.2 percent Region 8: 81.4 percent</p> <p><i>DPT3:</i> Region 6: 77 percent Region8: 90.6 percent</p> <p>Indicator 3. Single Management System of Medicines and Inputs (SUGEMI): Process has advanced in terms of the development of common procedures for reporting including using reporting forms for all the Regional Health Services</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> Health Sector Reform II (FY10) - \$30M Health Sector Reform I (FY03) - \$30M PASS DPL Series (FY10, FY11, FY12) - \$370M Public Finance and Social Sector DPL (FY10) - \$150M <p>AAA</p> <ul style="list-style-type: none"> Avian and Human Influenza IDF (FY09) - \$1M – partner IICA

¹ The Bank will review the health indicator targets in consultation with the Government next year, after giving some time for the newly introduced Clinical Management System to be implemented (it was rolled-out in February 2011). Assuming that the CMS continues to be underutilized, the Bank team will seek other data sources.

Original CPS Outcome/Target	Revised CPS Outcome/Target (If applicable)	Planned Milestones	Progress Towards CPS Outcomes	World Bank Assistance
<p>Providing access to a better quality education at all levels <i>ECD, Basic and Secondary education</i></p> <ul style="list-style-type: none"> Increased access to and quality of education <p><i>Indicator 1:</i> Increase in the share of children of CCT program (i) who have completed at least one year of ECD; (ii) are enrolled in, attending and completing basic education; (iii) are attending secondary education (Baselines and targets to be determined)</p> <p><i>Indicator 2:</i> ECD net enrollment of poorest children increases to 86% by end of project.</p> <p>New student evaluation standards validated for ECD, basic and secondary education</p> <p><i>Indicator 3:</i> New student evaluation standards start being implemented</p>	<p>Indicator 1. CCT and education: Increase in the share of children of CCT program: (i) are enrolled in, and attending basic education; and (ii) are attending secondary education.</p> <p>Indicator 2. ECD net enrollment: Target revised to 69%</p>	<ul style="list-style-type: none"> 80% of CCT beneficiaries comply with education co-responsibilities by 2013 (baseline to be determined) <p>New student evaluation standards validated for ECD, basic and secondary education</p>	<p>Indicator 1. CCT and education: Share of children 7 to 14 years enrolled in primary or middle school for the previous school year: August 2010: 95.2% July 2011: 93.4%</p> <p>Indicator 2. ECD net enrollment: 67.87% (2009);</p> <p>Indicator 3. New student evaluation standards: Target has been achieved as demonstrated by four signed Resolutions from the Ministry of Education between 2009 and 2011 validating new student evaluation standards for: pre-primary education (ECD), the first cycle of Basic Education, the second cycle of basic education and secondary education.</p>	<p><u>Lending</u></p> <ul style="list-style-type: none"> PASS DPL Series (FY10, FY11, FY12) - \$370M Early Childhood Education (ECD) (FY03) - \$42M
<p>Protection of the vulnerable population <i>Improvement in the standards of living conditions of the population</i></p> <ul style="list-style-type: none"> Improve the coverage and quality of social protection programs (CCT program) <p><i>Indicator 1:</i> % of households in extreme poverty participating in CCT program Baseline: 51% (01/2009) Target: 85% (6/2012)</p> <p><i>Indicator 2:</i> Beneficiaries assessment of the overall quality of attention and service of CCT program (1 beneficiary perception survey at the end of the PASS DPL in 2013)</p>	<p><i>Indicator 1:</i> % of households in extreme poverty participating in CCT program Target: 85% (12/2013)</p> <p><i>No longer an indicator of the PASS DPL results framework but an initial beneficiary survey has taken place and another is</i></p>	<ul style="list-style-type: none"> Government policies for the social sectors clearly identified in a policy paper and reflected in budget documents. <p><i>Indicator 4:</i> Rolling medium-term plan and budget framework of 2011 set out medium-term guidelines for social protection policy with projections as to the coverage, estimated budget, and financing bases <i>Baseline:</i> Under development (2009) <i>Target:</i> For FY2011</p>	<p>Indicator 1. CCT and households in extreme poverty: As of November 2010, 70% of households in extreme poverty are participating in the CCT Solidaridad</p> <p>Indicator 4. Medium term guidelines for social protection policy. Milestone has been achieved: Approved Multi-Annual National Public Investment Plan 2010-2012 as well as the Multi-Annual National Public Investment Plan 2011-2014</p>	<p><u>Lending:</u></p> <ul style="list-style-type: none"> Social Sectors Investment Program (FY08) - \$19.4M AF Social Sector Investment Program (FY10) - \$10M PASS DPL Series (FY10, FY11, FY12) - \$370M Youth Development Project (FY06) - \$25M <p><u>AAA:</u></p> <ul style="list-style-type: none"> Programmatic Social Sectors (FY10)

Original CPS Outcome/Target	Revised CPS Outcome/Target (If applicable)	Planned Milestones	Progress Towards CPS Outcomes	World Bank Assistance
<ul style="list-style-type: none"> Improve employability of the poor at-risk youth <p>Indicator 3: 60% of youth trained found a job within six months of program completion</p>	<p>planned for FY12.</p> <p>Indicator: At least 65 % of beneficiaries employed or self-employed 6 months after graduation</p>	<p>25,000 at risk youth have been trained</p>	<p>Indicator 3. Youth training: Number of beneficiaries has been already achieved</p> <ul style="list-style-type: none"> 29,000 at-risk youth have been trained as of April 2011 	
Strategic Objective Two: Promote Competitiveness in a Sustainable and Resilient Economic Environment				
<p>Enhancement of country competitiveness</p> <p>Government has access to broader information base (data and facts) for informed policy decisions in the areas of macro-financial stability, competitiveness and economic relations on the Hispaniola island by 2013</p>		<ul style="list-style-type: none"> Completion and dissemination of AAAs, and policy discussion. 	<ul style="list-style-type: none"> Dominican Republic-Haiti Quisqueya Growth and Poverty Report: Decision meeting held in November 2011 Treasury activities have increased Central Bank's investment capabilities for the management of foreign exchange reserves, training financial managers 	<p><u>AAA:</u></p> <ul style="list-style-type: none"> Treasury's Country Banking Services Competitiveness Dominican Republic-Haiti Quisqueya Growth and Poverty Report (FY12) <p><u>IFC investments and TA:</u></p> <ul style="list-style-type: none"> Financial and real sectors Doing business reform
<ul style="list-style-type: none"> Development of basic infrastructure to support a business enabling environment Water: Improved performance of W&S Corporations in Puerto Plata region <p>Indicator 1: Percentage of households connected to sanitation network increases from 60% to 80% in Puerto Plata region in 2013</p> <p>Indicator 2: Occupancy capacity of hotels in the Puerto Plata region that is connected to communal sanitation networks increases from 50% to 70% in 2013</p> <ul style="list-style-type: none"> Energy: Increased efficiency in power distribution and generation to improve quality of the service <p>Indicator: Electricity sector average distribution losses reduced</p> <p>Baseline: 28.4% (April 30th, 2009)</p>	<p>Support an enabling environment for improved management of the water and sanitation sector</p> <p>Indicator 1: Adoption of a National W&S strategy</p> <p>Improved performance of W&S Corporations in Puerto Plata region and in two additional CORRA</p> <p>Indicator 2: Business Plan and modernization plan completed for the participating W&S corporations</p> <p>Indicator 3: The W&S corporations comply with the objectives of the operational</p>	<ul style="list-style-type: none"> Contract for the development of W&S Sector Strategy signed Establishment of the Water Sector Council. The W&S corporations have signed performance agreements Technical assistance is recruited for the three Corras, 	<p>Indicator 1: Process for selection and recruitment of the consultants in charge of the strategy is being finalized, preparation and discussion workshops have started under the leadership of INAPA.</p> <p>Water Sector Council created in August 2011.</p> <p>The "Mesa de Agua" is holding regular substantive meeting with W&S stakeholders.</p> <p>Indicator 2 and 3: One performance contract signed and two being prepared</p>	<p><u>Lending:</u></p> <ul style="list-style-type: none"> Water and Sanitation in Tourist Areas Project APL1 (FY09) - \$27.5M Power TA Project (FY04) – 7.3M Public Finance and Social Sector DPL (FY10) - \$150M Electricity Distribution Rehabilitation project (FY08) - \$42M <p><u>AAA:</u></p> <ul style="list-style-type: none"> Energy Sector (partner: IDB) Competitiveness NLTA Dominican Republic-Haiti Quisqueya Growth and Poverty Report (FY12) Treasury's Country Banking NLTA <p><u>IFC investments and TA:</u></p>

Original CPS Outcome/Target	Revised CPS Outcome/Target (If applicable)	Planned Milestones	Progress Towards CPS Outcomes	World Bank Assistance
<p><i>Target: 16.4% (2013)</i></p>	<p>and business performance agreements</p> <p>Indicator 4. Cost Recovery Indices per company (EdeNorte, EdeSur, EdeEste) Baseline (data from Dec. 2010): EdeNorte: 63% EdeSur: 53% EdeEste: 62%</p> <p>Target: EdeNorte: 71% EdeSur: 75% EdeEste: 75%</p>		<p>Indicator 4. Cost Recovery Indices per company (EdeNorte, EdeSur, EdeEste): While data on progress is unavailable, targets are considered achievable.</p>	<ul style="list-style-type: none"> energy transport and logistics
<p>Improvement of the capacity for hazard risk management <i>Minimize the impact of natural hazards</i></p> <ul style="list-style-type: none"> Disaster risk management mainstreamed into Ministry of Economy, Planning and Development <p><i>Indicator 1:</i> Disaster Risk Management. aspects included in territorial and investment plans</p> <ul style="list-style-type: none"> Strengthened institutional capacity for risk management in specific sectors (for example water resources, electricity) <p><i>Indicator 2:</i> Dam safety management framework updated and operational</p> <p><i>Indicator 3:</i> Improved access to more adequate and reliable weather and river flow data of decision-makers with responsibility on risk management by 2012.</p>	<p>Indicator 1: Disaster Risk Management. aspects included in territorial and investment plans by end 2013</p> <p><i>Indicator 3:</i> Improved access to more adequate and reliable weather and river flow data of decision-makers with responsibility on risk management by 2013.</p>	<ul style="list-style-type: none"> Prioritized action Plan for comprehensive Risk Management at national level formulated Monitoring and prevention of Avian and Human Influenza improved through early warning systems. <p><i>Indicator4:</i> Reporting time of poultry diseases at the local level reduced from 7 days to 4 days</p>	<p>Indicator 1: Disaster Risk Management. aspects included in territorial and investment plans: NLTA launched in FY12.</p> <p>Indicator 2. Dam safety management framework: After delays, studies and plans for strengthening the Dams Management and Hydrology Departments in INDRHI has been finalized.</p> <p>Indicator 3. Improved access to more adequate and reliable weather and river flow data of decision-makers with responsibility on risk management. The hydro-meteorological weather observation network is being upgraded. By the end of the project it is expected to be transmitting data (weather and flows) in real time.</p> <p><i>Indicator 4:</i> Achieved. Reporting time of poultry diseases at the local level reduced to 1 day.</p>	<p><u>Lending:</u></p> <ul style="list-style-type: none"> Emergency Recovery Loan (FY08) \$80M Emergency Recovery Loan Additional Financing (FY12) \$20M <p><u>AAA:</u></p> <ul style="list-style-type: none"> Adaptation to Climate Change and Disaster Risk Mgt. NLTA Avian Flu (FY09) – partner IICA
Strategic Objective Three: Enhance Quality of Public Expenditures and Institutional Development				
<p>Enhancement of the quality, accountability and efficiency of</p>				<p><u>Lending:</u></p> <ul style="list-style-type: none"> PASS DPL Series (FY10,

Original CPS Outcome/Target	Revised CPS Outcome/Target (If applicable)	Planned Milestones	Progress Towards CPS Outcomes	World Bank Assistance
<p>public resources utilization <i>Performance informed management in social sectors</i></p> <ul style="list-style-type: none"> Improve budget management <i>Indicator 1:</i> Budget allocations are adequate to meet entitlements under social programs and budget in social sectors is executed as programmed, as evidenced by PEFA indicators 1 & 2 (Credibility of budget) <i>Baseline:</i> Indicator 1: D Indicator 2: C (2007) <i>Target:</i> Equivalent to ‘A’ score in identified sectors (2013) following assessment of entitlements Significant progress in the move toward performance-informed budget management <i>Indicator 2:</i> Introduction of a credible multi-annual plan and budget framework social sectors (FY2013) <i>Baseline:</i> Under development (2009) <i>Target:</i> Covers social sectors (FY2013)² <i>Indicator 3:</i> Accurate and timely performance information loosely linking inputs to outputs, outcomes and entitlements is presented in budget documents <i>Target:</i> Coverage for priority social sectors (FY2013) <i>Baseline:</i> None in 2008 budget 	<p><i>Indicator 3:</i> Accurate and timely performance information loosely linking inputs to outputs, outcomes and entitlements is presented in budget documents <i>Target:</i> Coverage for priority health and education programs (FY2013)</p>	<ul style="list-style-type: none"> Narrow the gap between budget and actual spending <i>Baseline:</i> PEFA indicators 1 and 2 score D & C (2007) <i>Target:</i> Bs by end-2012 Performance agreements covering the priority social sectors (including health and education) signed <i>Baseline:</i> Under development (2009) <i>Target:</i> Agreed for social sectors (FY2012) Availability of accurate statistics to estimate policy outcomes <i>Indicator 4:</i> Official and widely-informed poverty figures produced at least once by 2012 	<p>Indicator 1: Budget allocations under social programs: PEFA indicator 1 improved from D to C in 2010 PEFA; No improvement in PEFA indicator 2</p> <p>Performance Agreements with the Ministries of Health and Education have been signed and established. The Government approved a Decree regulating Article 14 of the Budget Law that mandates the design and implementation of performance agreements and signed Performance Agreements with the Ministries of Health and Education for their priority investment programs.</p> <p>Indicator 2. Introduction of a credible multi-annual plan and budget framework social sectors: Government approved Multi-Annual National Investment Plan in the Public Sector 2010-2013, aimed at closing gaps in the supply of education, health, and nutrition services. This is the first step to developing a Medium-Term Expenditure Framework. PEFA indicators 11 & 12 improved from Ds in 2007 to B, C+ respectively, in 2010.</p> <p>Indicator 3. Performance information loosely linking inputs to outputs, outcomes and entitlements presented in budget: Achieved. Performance agreements covering priority health and education programs signed between respective sectoral ministries and the Ministries of Economy, Planning and Development; Finance; and Public Administration on August 31, 2011.</p>	<p>FY11, FY12) - \$370M</p> <p><u>AAA:</u></p> <ul style="list-style-type: none"> NLTA Quality of Public Expenditures (FY10) (partners: IDB, EU) Institutional and Governance Review Safeguards Capacity Activities

² PEFA indicators 11 & 12 (Policy-based budgeting) improve from Ds (2007) to B scores.

Original CPS Outcome/Target	Revised CPS Outcome/Target (If applicable)	Planned Milestones	Progress Towards CPS Outcomes	World Bank Assistance
<p>Strengthening capacity of local Governments <i>Decentralization and territorial development</i></p> <ul style="list-style-type: none"> Increase rural poor municipalities' management capacity <p><i>Indicator:</i> The 30 participating rural municipalities demonstrate basic capacity in procurement, FM and HR management (survey of a sample of the municipal population)</p>	<p><i>Indicator:</i> The 15 participating rural municipalities demonstrate basic capacity in procurement, FM and HR management (<i>revised number of municipalities to bring in line with project document</i>)</p>	<ul style="list-style-type: none"> 15 rural municipalities trained in procurement, financial management and human resources management by December 2012 (<i>revised to 2013</i>). National territorial strategy developed by December 2011 (<i>revised to 2012</i>). 	<p>Indicator: The 15 participating rural municipalities demonstrate basic capacity in procurement, FM and HR management:</p> <ul style="list-style-type: none"> The Municipal Development Councils in the five pilot municipalities have been formed; training will conclude by the end of CY2011 Validation of the municipal diagnostics is underway in pilot municipalities; Institutional Action Plans will be concluded and agreed by the end of CY 2011 Pilot municipalities have begun to create the basic units required for compliance with legal requirements; basic training of these units is expected to conclude before the end of CY 2011. 	<p><u>Lending:</u></p> <ul style="list-style-type: none"> Municipal Development (FY10) \$20M
Strategic Objective Four: Build Capacity and Constituencies for Reform				

Original CPS Outcome/Target	Revised CPS Outcome/Target (If applicable)	Planned Milestones	Progress Towards CPS Outcomes	World Bank Assistance
<p>Enhancement of participatory policy formulation</p> <ul style="list-style-type: none"> Strengthened congressional budget oversight capacities <p><i>Indicator1:</i> Creation of a Congressional Advisory Office (OPA) that is staffed with merit-based personnel and periodically releases budget analysis reports (FY13).</p> <ul style="list-style-type: none"> Strengthened civil society’s capacities for budget analysis and monitoring <p><i>Indicator2:</i> Active permanent observatory of the budget run by coalition of CSOs is in place</p> <p><i>Baseline:</i> 1 CSO running Social Policies Observatory including basic public budget and social expenditures analysis reports (FY09)</p> <p><i>Target:</i> Expanded Public Budget Observatory including budget process monitoring and systematic publication of monitoring reports as measured by online website and by number of CSOs trained in budget analysis and monitoring (FY13)</p> <ul style="list-style-type: none"> Enhance participatory planning at the local level <p><i>Indicator:3</i> All 30 participating municipalities are using participatory budgeting procedures to prepare annual budgets (based on the criteria of the participatory budgeting law).</p>	<p><i>Indicator 3:</i> All 15 participating municipalities are using participatory budgeting procedures to prepare annual budgets (based on the criteria of the participatory budgeting law).</p>	<ul style="list-style-type: none"> Web-based financial management information tool “Consulta Amigable” developed and accessible by public <p><i>Indicator 4:</i> Public access to web-based interface linked to Financial Management Information System (SIGEF)</p> <p><i>Baseline:</i> SIGEF not publicly available (FY2009)</p> <p><i>Target:</i> SIGEF web-based, user-friendly interface available to the public (FY13)</p> <ul style="list-style-type: none"> 15 municipalities trained in participatory budget procedures by December 2012 (<i>revised to 2013</i>). 	<p>Indicator 1. Creation of a Congressional Advisory Office: OPA was created and staffed with merit-based personnel</p> <p>Indicator 2: Active permanent observatory of the budget run by coalition of CSOs is in place: Achieved. The Centro Juan Montalvo Civil Society Public Budget Observatory published 3 Reports in cooperation with the Civil Society Commission on Poverty and Fiscal Policy of the Foro Ciudadano, which involves more than 150 CSOs; trained 9 poor communities groups on budget execution monitoring.</p> <p>A coalition of 15 CSOs established an Observatory of the Participatory Anti-Corruption Initiative (IPAC) and published 2 monitoring reports on the Government’s progress in the implementation of the anticorruption action plan. Participatory budgeting and m-surveys through mobile technology are piloted in 2 municipalities</p> <p>7 poor municipalities established and staffed with trained personnel Access to Information Offices and CSOs groups established Social Audit Commissions for local and national budget execution monitoring.</p> <p>Indicator. 3: All 15 participating municipalities are using participatory budgeting procedures to prepare annual budgets: Project is being piloted in 5 municipalities: Bayaguana, Padre las Casas, Las Matas de Farfán, Tamayo y Polo. With exception of Bayaguana, the others are using participatory budgeting procedures.</p> <p>Indicator 4. Public access to web-based interface linked to Financial Management</p>	<p><u>Lending:</u></p> <ul style="list-style-type: none"> PASS DPL Series (FY10, FY11, FY12) - \$370M Municipal Development Project (FY10) - \$20M <p><u>AAA:</u></p> <ul style="list-style-type: none"> Institutional Development Fund for Strengthening Congressional Oversight Strengthening Civil Society NLTA Gender Mainstreaming Capacity and Advocacy in DR CSOs Trust Fund (FY12)

Original CPS Outcome/Target	Revised CPS Outcome/Target (If applicable)	Planned Milestones	Progress Towards CPS Outcomes	World Bank Assistance
			<p>Information System (SIGEF): Achieved. The SIGEF-informed budget transparency portal, Portal del Ciudadano Dominicano, launched on August 30, 2011. Government has also prepared easy-to-access budget execution reports, 'Presupuesto Ciudadano' (Citizens' Budget)</p>	

ANNEX 2: DOMINICAN REPUBLIC KEY ECONOMIC INDICATORS 2004-2013

	2004	2005	2006	2007	2008	2009*	2010**	2011	2012	2013
	<i>Act. (Percentage of GDP, unless otherwise indicated)</i>							Proj.		
Income and prices										
GDP growth (% change)	1.3	9.3	10.7	8.5	5.3	3.5	7.8	5.7	6.0	6.0
Inflation (CPI % change)	51.5	4.2	7.6	6.1	10.6	1.5	6.3	8.5	4.7	5.1
Exchange rate (% appreciation - or depr. +)	36.6	-27.8	11.8	0.0	4.2	4.3	2.4	4.7	4.0	3.1
Investment and savings										
Gross domestic investment (current prices)	14.9	16.5	18.4	18.9	18.2	14.8	17.0	17.5	17.5	17.5
Gross national savings						9.8	8.7	7.3	10.5	11.9
Gross domestic savings	15.7	11.0	10.4	9.8	4.6	6.9	6.1	5.1	8.4	9.3
Non Financial Public sector										
Total revenues and grants	14.1	15.7	16.2	17.7	15.9	13.7	13.6	13.8	14.4	14.9
Total tax revenues	12.9	14.5	14.8	16.0	14.9	13.1	12.7	13.2	13.7	14.3
Total expenditures (incl. interest)	14.7	15.8	16.1	17.1	19.6	16.9	16.3	15.7	15.7	15.9
Current expenditures	11.7	12.0	12.9	12.9	14.5	13.3	12.6	11.9	11.8	11.8
Capital expenditures	3.0	3.9	3.3	4.1	5.1	3.6	3.7	3.7	3.9	4.1
Primary balance	0.1	0.8	1.2	2.2	-2.1	-1.4	-0.7	0.4	0.9	1.2
Interest	1.8	1.3	1.4	1.6	1.7	1.8	1.9	2.2	2.3	2.2
Overall balance	-1.8	-0.1	0.0	0.6	-3.8	-3.2	-2.7	-1.8	-1.3	-1.0
Public debt Total debt ***	47.4	34.3	36.1	33.1	33.5	36.6	36.8	37.6	37.2	37.1
Balance of payments										
Current account balance	4.8	-1.4	-3.7	-5.3	-9.9	-5.0	-8.4	-10.2	-6.9	-5.6
Trade balance	-9.0	-11.1	-15.6	-15.6	-20.3	-14.6	-16.6	-18.0	-14.9	-14.0
Exports of goods and services (incl FTZ)	43.7	30.0	31.3	28.9	25.6	22.2	22.3	23.3	24.2	25.0
Imports of goods and services (incl FTZ)	42.2	33.8	38.5	37.1	39.1	30.2	33.3	35.7	33.3	33.2
Foreign direct investment	4.2	3.3	4.3	3.8	6.3	4.6	3.1	3.2	3.3	3.3
Remittances	10.3	7.2	7.7	7.3	7.1	6.5	5.8	5.5	5.3	5.0
Memorandum item:										
Nominal GDP (billions of US dollars)	21.6	33.5	35.2	39.8	45.6	46.8	52.3	56.2	60.7	66.0
Nominal GDP (billions of DR\$)	909.0	1020.0	1189.8	1364.2	1576.2	1678.8	1921.9	2163.5	2430.9	2723.6

Source: Ministry of Finance, Central Bank, EIU and IMF and World Bank staff estimates.

*Note: (1) Authorities are still in a process of revising some data for 2009; (2) Authorities are considering alternative ways of reaching the overall fiscal deficit for the projection years, and this table may thus be subject to revisions; (3) statistics consider public debt as gross debt, i.e., bonds owned by agencies within the government are not net out.

** Estimates adjusted to preliminary data by the DR Central Bank.

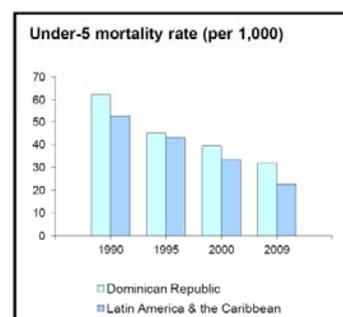
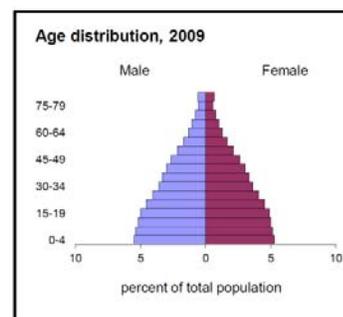
*** Consolidated public debt including DR Central Bank debt. Historical and actual debt data from official *Crédito Público* figures.

ANNEX 3 COUNTRY AT A GLANCE

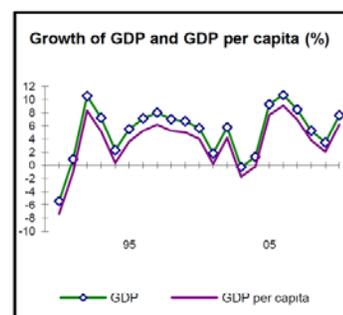
Dominican Republic at a glance

11/1/11

Key Development Indicators (2010)	Dominican Republic	Latin America & Carib.	Upper middle income
Population, mid-year (millions)	10.2	572	1,002
Surface area (thousand sq. km)	49	20,394	48,659
Population growth (%)	1.3	1.1	0.9
Urban population (% of total population)	69.76	79	75
GNI (Atlas method, US\$ billions)	49.7	4,011	7,515
GNI per capita (Atlas method, US\$)	4,860	7,007	7,502
GNI per capita (PPP, international \$)	8,110	10,286	12,440
GDP growth (%)	7.6	4.3	7.5
GDP per capita growth (%)	6.2	3.2	6.3
(most recent estimate, 2004–2010)			
Poverty headcount ratio at \$1.25 a day (PPP, %)	4	8	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	14	17	..
Life expectancy at birth (years)	73	74	72
Infant mortality (per 1,000 live births)	27	19	19
Child malnutrition (% of children under 5)	3	4	..
Adult literacy, male (% of ages 15 and older)	88	92	94
Adult literacy, female (% of ages 15 and older)	88	90	91
Gross primary enrollment, male (% of age group)	114	118	111
Gross primary enrollment, female (% of age group)	98	114	110
Access to an improved water source (% of population)	86	93	95
Access to improved sanitation facilities (% of population)	83	79	84



Net Aid Flows	1980	1990	2000	2010 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	125	102	56	120
<i>Top 3 donors (in 2008):</i>				
European Union Institutions	0	10	13	66
Spain	0	1	16	29
United States	36	25	-19	14
Aid (% of GNI)	1.9	1.5	0.2	0.3
Aid per capita (US\$)	21	14	6	12
Long-Term Economic Trends				
Consumer prices (annual % change)	9.2	79.9	9.2	6.3
GDP implicit deflator (annual % change)	11.7	50.5	6.9	6.2
Exchange rate (annual average, local per US\$)	1.0	8.5	16.2	0.0
Terms of trade index (2000 = 100)	..	..	..	..
Population, mid-year (millions)	5.9	7.4	8.8	10.2
GDP (US\$ millions)	6,631	7,074	23,997	52,311
	<i>(% of GDP)</i>			
Agriculture	21.8	14.5	7.2	6.2
Industry	30.6	34.0	35.9	29.8
Manufacturing	16.6	19.4	26.1	24.1
Services	55.8	59.6	56.8	64.0
Household final consumption expenditure	77.0	80.4	77.8	86.6
General gov't final consumption expenditure	7.6	4.3	7.8	7.7
Gross capital formation	25.1	25.1	23.3	16.5
Exports of goods and services	19.2	33.8	37.0	22.2
Imports of goods and services	28.9	43.7	45.9	34.0
Gross savings	..	..	..	7.9



1980–90 1990–2000 2000–10
(average annual growth %)

2.2	1.8	1.5
2.8	6.3	5.4
0.4	1.9	4.2
3.3	7.1	2.4
2.5	7.0	2.8
3.1	5.9	6.8
4.2	6.0	6.5
0.8	7.0	4.7
3.6	11.7	2.8
-0.2	8.3	1.3
3.2	9.9	2.5

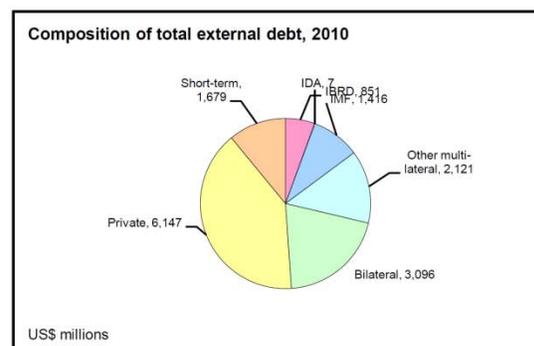
Note: Figures in italics are for years other than those specified. 2010 data are preliminary. Group data are for 2009. .. indicates data are not available. a. Aid data are for 2009.

Development Economics, Development Data Group (DECDG).

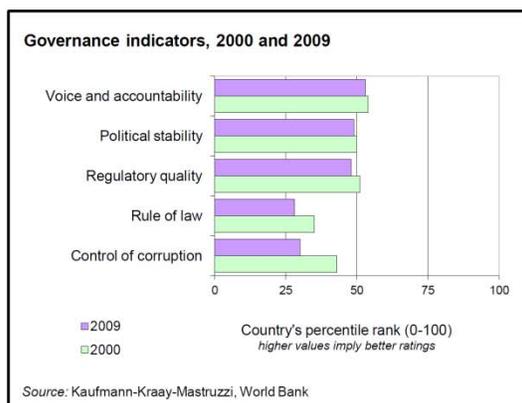
Balance of Payments and Trade	2000	2010
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	5,737	6,598
Total merchandise imports (cif)	9,479	15,299
Net trade in goods and services	-1,888	-5,765
Current account balance as a % of GDP	-1,026	-4,435
	-4.3	-8.5
Workers' remittances and compensation of employees (receipts)	1,839	2,994
Reserves, including gold	818	3,343
Central Government Finance		
<i>(% of GDP)</i>		
Current revenue (including grants)	13.2	13.5
Tax revenue	12.5	12.7
Current expenditure	9.4	12.5
Overall surplus/deficit	0.9	-2.7
Highest marginal tax rate (%)		
Individual	..	..
Corporate	25	25

External Debt and Resource Flows

<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	4,541	19,523
Total debt service	520	2,685
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	18.9	37.4
Total debt service (% of exports)	4.8	40.7
Foreign direct investment (net inflows)	953	1,626
Portfolio equity (net inflows)	0	525



Private Sector Development	2000	2010
Time required to start a business (days)	-	19
Cost to start a business (% of GNI per capita)	-	19.2
Time required to register property (days)	-	60
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2010
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	0.7	..
Bank capital to asset ratio (%)	9.4	8.7



Technology and Infrastructure	2000	2009
Paved roads (% of total)	49.4	..
Fixed line and mobile phone subscribers (per 100 people)	18	95
High technology exports (% of manufactured exports)	1.3	5.4
Environment		
Agricultural land (% of land area)	52	52
Forest area (% of land area)	40.8	40.8
Terrestrial protected areas (% of land area)	..	..
Freshwater resources per capita (cu. meters)	2,305	2,140
Freshwater withdrawal (billion cubic meters)	3.5	..
CO2 emissions per capita (mt)	2.3	2.1
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	6.4	9.2
Energy use per capita (kg of oil equivalent)	875	820

World Bank Group portfolio	2000	2009
<i>(US\$ millions)</i>		
IBRD		
Total debt outstanding and disbursed	292	748
Disbursements	39	352
Principal repayments	21	54
Interest payments	22	22
IDA		
Total debt outstanding and disbursed	14	8
Disbursements	0	0
Total debt service	1	1
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	92	189
Disbursements for IFC own account	41	180
Portfolio sales, prepayments and repayments for IFC own account	3	21
	7	71
MIGA		
Gross exposure	182	100
New guarantees	114	0

Note: Figures in italics are for years other than those specified. 2010 data are preliminary.
.. indicates data are not available. - indicates observation is not applicable.

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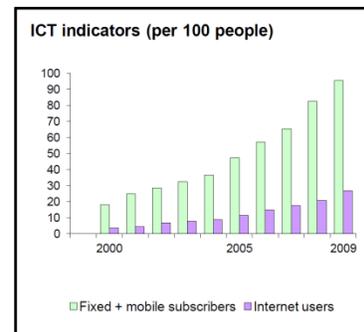
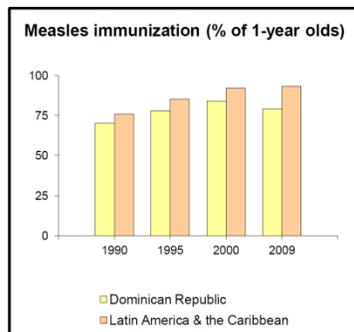
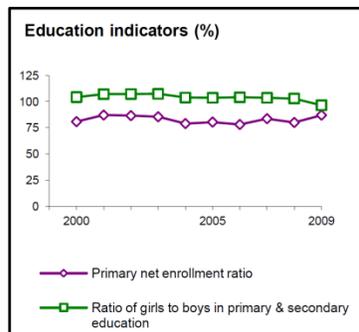
Development Economics, Development Data Group (DECDG).

Millennium Development Goals

Dominican Republic

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

	Dominican Republic			
	1990	1995	2000	2009
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	12.2	6.7	4.4	4.3
Poverty headcount ratio at national poverty line (% of population)	..	..	28.2	34.6
Share of income or consumption to the poorest quintile (%)	4.2	4.1	3.5	4.4
Prevalence of malnutrition (% of children under 5)	8.4	4.7	3.5	3.4
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	81	87
Primary completion rate (% of relevant age group)	..	61	75	90
Secondary school enrollment (gross, %)	..	42	58	77
Youth literacy rate (% of people ages 15-24)	..	..	94	96
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	104	97
Women employed in the nonagricultural sector (% of nonagricultural employment)	32	34	37	39
Proportion of seats held by women in national parliament (%)	8	12	16	21
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	62	45	39	32
Infant mortality rate (per 1,000 live births)	48	37	32	27
Measles immunization (proportion of one-year olds immunized, %)	70	78	84	79
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	220	170	120	100
Births attended by skilled health staff (% of total)	93	96	98	98
Contraceptive prevalence (% of women ages 15-49)	56	64	65	73
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	0.4	0.9	1.0	0.9
Incidence of tuberculosis (per 100,000 people)	148	121	100	70
Tuberculosis case detection rate (% , all forms)	24	41	60	60
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	88	88	87	86
Access to improved sanitation facilities (% of population)	73	76	79	83
Forest area (% of land area)	40.8	..	40.8	40.8
Terrestrial protected areas (% of land area)	..	..	..	..
CO2 emissions (metric tons per capita)	1.3	2.0	2.3	2.1
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	6.7	6.0	6.4	9.2
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	4.6	7.2	10.1	9.6
Mobile phone subscribers (per 100 people)	0.0	0.7	8.0	85.5
Internet users (per 100 people)	0.0	0.0	3.7	26.8
Personal computers (per 100 people)	..	..	1.9	..



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

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Development Economics, Development Data Group (DECDG).

ANNEX 4: STANDARD CPS ANNEXES

Dominican Republic - Key Economic Indicators

Indicator	Actual			Estimate			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (as % of GDP)									
Gross domestic product ^a	100	100	100	100	100	100	100	100	100
Agriculture	7	7	7	6	6	6	6	6	6
Industry	32	32	32	32	32	32	32	32	31
Services	60	61	62	62	61	62	62	62	63
Total Consumption	89	90	90	95	93	95	94	91	92
Gross domestic fixed investment	16	18	19	18	15	16	16	17	16
Government investment	..	..	..	..	..	..	3	3	4
Private investment	..	..	..	..	..	..	14	13	13
Exports (GNFS) ^b	30	30	29	25	22	22	24	27	26
Imports (GNFS)	36	38	38	39	30	34	35	35	35
Gross domestic savings	11	10	10	5	7	5	6	9	8
Gross national savings ^c	..	..	13	8	8	6	8	10	11
<i>Memorandum items</i>									
Gross domestic product (US\$ million at current prices)	34004	35953	41315	45805	46788	51458	..	..	..
GNI per capita (US\$, Atlas method)	2900	3460	4150	4470	4670	5050	..	..	..
Real annual growth rates (% , calculated from 90 prices)									
Gross domestic product at market prices	9.3	10.7	8.5	5.3	3.5	7.8	5.3	5.5	6.0
Gross Domestic Income	6.0	10.9	8.3	3.0	6.7	4.9	3.5	4.4	6.2
Real annual per capita growth rates (% , calculated from 90 prices)									
Gross domestic product at market prices	7.7	9.1	7.0	3.8	2.1	6.3	..	..	..
Total consumption	13.8	10.4	7.4	6.3	3.6	6.1	..	..	..
Private consumption	14.0	10.4	7.4	6.3	3.9	6.3	..	..	..
Balance of Payments (US\$ millions)									
Exports (GNFS) ^b	10058	11153	11958	11670	10295	11671	13837	16308	17430
Merchandise FOB	6145	6610	7160	6748	5483	6598	8367	10542	11353
Imports (GNFS) ^b	11326	13731	15343	17953	14120	17436	19939	21209	22862
Merchandise FOB	9869	12174	13597	15993	12296	15299	17629	18980	20587
Resource balance	-1268	-2579	-3385	-6284	-3826	-5765	-6102	-4901	-5432
Net current transfers	2697	3144	3402	3513	3216	3118	3854	3545	4071
Current account balance	-473	-1288	-2166	-4519	-2331	-4435	-4736	-4048	-3709
Net private foreign direct investment	1123	1528	1667	2870	2165	1625	1952	2266	2300
Long-term loans (net)	84	344	180	496	759	1340	901	277	488
Official	231	240	101	729	964	832	66	-55	-427
Private	-147	104	78	-233	-206	507	834	332	914
Other capital (net, incl. errors & omissions)	-1652	-853	-307	1479	45	1923	2456	1934	1181
Change in reserves ^d	918	268	627	-326	-638	-453	-572	-429	-260
<i>Memorandum items</i>									
Resource balance (% of GDP)	-3.7	-7.2	-8.2	-13.7	-8.2	-11.2	..	..	..
Real annual growth rates (YR90 prices)									
Merchandise exports (FOB)	..	..	..	..	..	..	..	..	..
Primary	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	..	..	..	..	..	..	..	..	..

(Continued)

Dominican Republic - Key Economic Indicators
(Continued)

Indicator	Actual			Estimate			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public finance (as % of GDP at market prices)^e									
Current revenues	15.4	15.9	17.3	15.7	13.5	13.4	13.8	14.3	14.8
Current expenditures	12.0	12.9	12.9	14.5	13.3	12.6	11.9	11.6	11.7
Current account surplus (+) or deficit (-)	3.5	3.0	4.4	1.2	0.2	0.8	1.9	2.7	3.2
Capital expenditure	3.9	3.3	4.1	5.1	3.6	3.7	3.4	3.8	4.4
Foreign financing	-0.4	2.0	0.8	1.6	2.2	2.1	1.9	1.1	0.3
Monetary indicators									
M2/GDP	27.7	25.3	25.5	27.8	30.0	30.4	30.0	30.0	30.0
Growth of M2 (%)	12.2	6.6	15.6	25.9	15.0	14.5	12.5	10.8	11.3
Private sector credit growth / total credit growth (%)	80.4	50.0	80.2	-21.9	59.4	162.4	100.0	100.0	100.0
Price indices (YR90 =100)									
Merchandise export price index	..	..	..	..	..	..	..	..	..
Merchandise import price index	..	..	..	..	..	..	..	..	..
Merchandise terms of trade index	..	..	..	..	..	..	..	..	..
Real exchange rate (US\$/LCU) ^f	65.2	68.5	100.8	101.7	100.9	97.2	95.6	94.4	94.3
Real interest rates									
Consumer price index (% change)	4.2	7.6	6.1	10.6	1.4	9.4	10.0	3.3	4.1
GDP deflator (% change)	2.7	5.4	5.7	9.8	3.0	5.1	7.9	5.0	5.0

a. GDP at factor cost

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

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

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

Dominican Republic - Key Exposure Indicators

Indicator	Actual			Estimated			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total debt outstanding and disbursed (TDO) (US\$m) ^a	7072	8553	10142	10119	11046	13045	13152	12598	11478
Net disbursements (US\$m) ^a	132	679	500	557	883	1775	..	..	..
Interest payments	248	320	453	547	505	521	446	403	343
Total debt service (TDS) (US\$m) ^a	1010	1342	1380	1411	1322	1337	1739	..	..
Debt and debt service indicators (%)									
TDO/XGS ^b	54.8	58.6	64.1	64.8	80.1	86.0	75.7	63.1	54.0
TDO/GDP	20.8	23.8	24.5	22.1	23.6	25.4	23.2	20.5	17.3
TDS/XGS	7.8	9.2	8.7	9.0	9.6	8.8	10.0	..	..
Concessional/TDO	22.2	22.1	20.4	25.5	25.1	23.8	24.3	25.4	26.3
IBRD exposure indicators (%)									
IBRD DS/public DS	6.0	4.4	5.2	5.5	6.6	7.7	4.9	5.1	3.9
Preferred creditor DS/public DS (%) ^c	20.5	25.3	37.0	40.1	28.7	34.4	34.5	27.3	38.5
IBRD DS/XGS	0.5	0.4	0.4	0.4	0.5	0.6	0.5	0.4	0.3
IBRD TDO (US\$m) ^d	405	438	472	449	748	864	845	831	817
Of which present value of guarantees (US\$m)									
Share of IBRD portfolio (%)	0.3	0.4	0.4	0.4	0.7	0.8	0.8	0.8	0.8
IDA TDO (US\$m) ^d	10.7	10.1	9.4	8.7	8.1	7.4	6.7	6.1	5.4
IFC (US\$m)									
Loans						122			
Equity and quasi-equity /c						94			
MIGA									
MIGA guarantees (US\$m)	79	157	128	126	100	108			

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

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

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

d. Includes present value of guarantees.

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

Dominican Republic Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2004-10	Latin America & Carib.	Upper-middle-income
POPULATION					
Total population, mid-year (<i>millions</i>)	6.5	7.9	9.9	572.5	1,001.7
Growth rate (<i>% annual average for period</i>)	2.2	1.9	1.4	1.2	0.9
Urban population (<i>% of population</i>)	53.9	57.8	70.5	79.0	74.9
Total fertility rate (<i>births per woman</i>)	3.9	3.1	2.6	2.2	2.0
POVERTY					
<i>(% of population)</i>					
National headcount index	..	..	34.4	..	..
Urban headcount index	..	..	26.2	..	..
Rural headcount index	..	..	47.7	..	..
INCOME					
GNI per capita (<i>US\$</i>)	1,040	1,910	4,226	7,007	7,502
Consumer price index (<i>2005=100</i>)	..	24	114	123	127
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	51.4	49.0	..	..
Low est quintile (<i>% of income or consumption</i>)	..	4.3	4.5	..	..
Highest quintile (<i>% of income or consumption</i>)	..	56.5	54.5	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (<i>% of GDP</i>)	..	1.2	1.5	3.9	3.8
Education (<i>% of GNI</i>)	..	..	2.1	4.0	4.3
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	..	..	80	94	93
Male	..	..	80	94	93
Female	..	..	80	93	92
Access to an improved water source					
<i>(% of population)</i>					
Total	..	88	86	93	95
Urban	..	95	87	97	98
Rural	..	78	84	80	86
Immunization rate					
<i>(% of children ages 12-23 months)</i>					
Measles	54	78	79	93	93
DPT	39	72	82	92	93
Child malnutrition (<i>% under 5 years</i>)	..	8	3	4	..
Life expectancy at birth					
<i>(years)</i>					
Total	65	70	73	74	72
Male	63	67	70	71	69
Female	67	72	76	77	75
Mortality					
Infant (<i>per 1,000 live births</i>)	56	40	22	19	19
Under 5 (<i>per 1,000</i>)	75	50	27	23	23
Adult (15-59)					
Male (<i>per 1,000 population</i>)	..	..	202	190	201
Female (<i>per 1,000 population</i>)	..	..	132	103	123
Maternal (<i>per 100,000 live births</i>)	..	170	100	86	82
Births attended by skilled health staff (%)	..	93	98	89	96

CAS Annex B5. This table was produced from the CMU LDB system.

11/01/11

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

CAS ANNEX B3 - IBRD/IDA PROGRAM SUMMARY

Dominican Republic

As Of Date 10/27/2011

Proposed IBRD/IDA Base-Case Lending Program ^a

<i>Fiscal year</i>	<i>Proj ID</i>	<i>US\$(M)</i>	<i>Strategic Rewards b (H/M/L)</i>	<i>Implementation b Risks (H/M/L)</i>
2012	DO (AF-C) to Emerg. & Disaster Mgt	20.0		
	DO-3rd Perform.&Accbilty of SocSctrs DPL	70.0		
	Result	90.0		
2013	DO- Budget Support (To examine PASS related agenda priorities)	70.0		
	DPL			
	CARCIP	27.0		
	Result	97.0		
Overall Result		187.0		

ANNEX B3 DOMINICAN REPUBLIC: IFC INVESTMENT OPERATIONS PROGRAM

			2009	2010	2011	2012*
Original Commitments (US\$m)						
	IFC and Participants		1.07	46.52	51.02	2.76
	IFC's Own Accounts only		1.07	46.52	39.02	2.76
Original Commitments by Sector (%)- IFC Accounts only						
	FINANCE & INSURANCE		100	46.26	13.59	100
	INFORMATION				41.56	
	TRANSPORTATION AND WAREHOUSING			43	44.84	
	UTILITIES			10.75		
	Total		100	100.01	99.99	100
Original Commitments by Investment Instrument (%) - IFC Accounts only						
	Equity					7.47
	Guarantee		100	3.26	13.59	92.53
	Loan			85.99	44.84	
	Quasi loan			10.75	41	
	Risk product				0.56	
	Total		100	100	99.99	100
* Data as of October 01,2011						

CAS ANNEX B4 - SUMMARY OF NONLENDING SERVICES -

As Of Date
10/27/2011

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions				
FSAP update Dominican Republic	FY09	148		
DO Informality and poverty	FY09	93		
DO Improving the Perform. of Reg. Hlth S	FY09	61		
Dominican Rep - ICR ROSC	FY10	70		
DO Policy Notes	FY10	135		
DR ROSC A&A - Update	FY10	10		
DO Support to the National Dev. Strategy	FY10	272		
DO Energy NLTA	FY11	175		
DO Poverty Monitoring NLTA	FY11	109		
Underway				
DO Prog Inst & Governnce Rev	FY12			
DO-Social Sectors NLTA (multisector)	FY12			
DO Better Quality of Public Expenditures	FY12			
Strengthening Public Media in DR	FY12			
Planned				

a. Government, donor, Bank, public dissemination.

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

CAS ANNEX B8 - OPERATIONS PORTFOLIO (IBRD/IDA AND GRANTS)

Dominican Republic

As Of Date 10/27/2011

Closed Projects											
	42										
IBRD/IDA *											
Total Disbursed (Active)	79.32										
of which has been repaid	1.78										
Total Disbursed (Closed)	823.27										
of which has been repaid	389.70										
Total Disbursed (Active + Closed)	902.59										
of which has been repaid	391.48										
Total Undisbursed (Active)	181.58										
Total Undisbursed (Closed)	1.07										
Total Undisbursed (Active + Closed)	182.66										
Active Projects											
		Last PSR							Difference Between		
		Supervision Rating			Original Amount in US\$ Millions				Expected and Actual		
Project ID	Project Name	Development Objectives	Implementation Progress	Fiscal Year	IBRD	IDA	GRANT	Cancel.	Undisb.	Disbursements^{af}	
									Orig.	Frm Rev'd	
P095863	DO Municipal Developme	S	S	2010	20				19.45	2.37	
P106619	DO (APL2) Health Ref II	MS	MS	2010	30.5				26.41	3.26	
P089866	DO Electricity Distrib Reh	S	MS	2008	42				31.24	27.83	
P109932	DO Emergency Recovery &	MS	MS	2008	80				46.75	46.75	
P078838	DO Financial Sector Techn	S	MS	2004	12.5				1.84	1.84	
P090010	DO Social Sectors Investm	MS	MS	2008	29.4				20.65	10.65	6.19
P096605	DO Youth Development P	MS	MS	2006	25				8.81	8.81	3.74
P054221	DO(APL1)Water&Sanitatio	MS	MS	2009	27.5				26.43	10.76	
Overall Result					266.9				181.58	112.28	9.93

ANNEX 5: KNOWLEDGE SERVICES

A notable feature of the CPS is the intensive program of knowledge services (economic and sector studies, non-lending technical assistance, and grant funding) provided by the Bank to the Dominican Republic. This reflects the Bank's global expertise, ability to leverage resources from other international financiers which value Bank capacities and leadership, as well as the need to target timely and well focused interventions outside of the normal pace and character of lending operations.

Strategic Objective 1. Strengthen Social Cohesion and Improve Access to and Quality of Social Services

The **Programmatic Social Sectors NLTA** is helping the Government build knowledge and capacity to enact the reforms supported by the programmatic PASS DPL series. The NLTA has also supported the Government in assessing and monitoring the social impacts of the PASS-supported reforms. Finally, the NLTA works to address broader knowledge and advisory gaps on the performance and quality of social services and the design of a social protection strategy that builds resiliency to crises.

This NLTA has also leveraged support from a **Poverty and Social Impact Analysis (PSIA) Trust Fund** and a **Spanish Fund for Latin American and the Caribbean (SFLAC) Trust Fund**.

Strategic Objective 2. Promote Competitiveness in a Sustainable and Resilient Economic Environment

The **Dominican Republic-Haiti Quisqueya Growth and Poverty Report**, which is exploring the potential opportunities for joint growth and poverty reduction through a deeper economic relationship, is expected to be finalized by the end of 2011. Preliminary conclusions show that the countries could benefit from a stronger economic integration, including strengthening trade links.

The World Bank **Treasury's Reserve Advisory and Management Program (RAMP)** is supporting public debt management and strengthening the Central Bank's investment capabilities for the management of foreign exchange reserves, training of a new generation of university graduates in finance, who now play a significant role in financial management at the Central Bank.

A **Competitiveness NLTA** is supporting the design of a logistics and transport national strategy and support to improve the trade facilitation system in the country. The Certification in Gender Equity in Firms as Means to Enrich and Promote Competitiveness trust fund is supporting the National Competitiveness Council's efforts to mainstream gender in the country's development strategies through design and pilot implementation of a Firm Certification model on gender equality to further attract private sector's agents into the implementation of good practices in the workplace.

The **Adaptation to Climate Change and Disaster Risk Management NLTA** was launched in FY12 and will focus on the assessment of climate impacts on the surface hydrology of the country.

The **Energy Sector NLTA** has supported the development of a comprehensive strategy for energy sector reform in collaboration with the IDB, and an action plan which is currently under implementation.

Strategic Objective 3. Enhance Quality of Public Expenditures and Institutional Development.

Performance informed budgeting is being introduced in the social sectors, supported by the analysis and dialogue under the Quality of Public Expenditures NLTA. As conditions of the **PASS** series, performance agreements have been signed between the Ministries of Finance, Economy, Planning and Development, and Public Administration with the Ministries of Health and Education. The agreements would cover both institutional and program targets. Performance indicators will relate to internal processes and systems such as planning, procurement, monitoring, personnel and organizational structure as well as priority public programs related to the volume and quality of goods and services delivered by the agency. The agreements call for programs of self-evaluation, validation of the results, and dissemination to internal and external users including the public. The **Health Sector Reform Second Phase APL (PARSS2)** has made good progress in several key areas: (i) contracts have been signed between National Health Insurance Authority (SENASA) and two pilot Regional Health Services outlining a results-based financing mechanism for the first level of care; (ii) Government is moving to establish an autonomous entity to administer/oversee the regional network of health services, retaining policy direction in the Ministry of Health; and (iii) the quality of spending for medicines is targeted through a consultative process among key stakeholders to design a better integrated supply chain for medicines.

The **Quality of Public Expenditures NLTA** is supporting the strengthening of financial management and procurement mechanisms, and the introduction and institutionalization of performance information by key actors along the budget cycle. The NLTA has supported the ongoing efforts in the social sector, including the **PASS DPL** series and **Social Sectors NLTA**. The NLTA is serving as a platform for the Government and the Bank to build trust and to seize political windows of opportunity by providing just in time support to the long-term trajectory of reform implementation and working closer with development partners to strengthen continued PFM dialogue. This work is now being expanded with the support of a 1 million euro TF provided by the EU.

The Institutional and Governance Review is currently under preparation. It will analyze the underlying political economy and governance issues that inhibit the country from addressing fundamental development challenges in key sectors like education, health, and energy, and identify potential drivers or opportunities to change those factors. The team will seek to integrate the lessons emerging from the variety of institutional reforms being pursued through the CPS as well as to tap the insight of key national and external stakeholders. The IGR is expected to be completed by late FY12.

Activities to strengthen fiduciary capacity. The Bank actively participated in the 2010 Update of the European Union led Public Expenditure and Financial Accountability (PEFA)

exercise, which has been used as an important source of information in assessing fiduciary risk of Public Financial Management systems. The Bank's leading role at **IPAC** has served as a coordination platform for PFM donors' interventions. The renewed interest for the implementation of the Single Treasury Account; the development of a tool for self-evaluation of governmental entities for improved accountability; and the institutional strengthening of the public oversight entities, are some of the recommendations that are being implemented with Bank support. Following the 2009 Update Report on Observance of Standards and Codes on Accounting and Auditing, The Bank has provided support, in coordination with other donor partners, mainly with IDB and the USAID –Transparency and Anti-Corruption Project, to the Chamber of Accounts (DR Supreme Audit Institution), the General Comptroller's Office, the General Accounting Office, the Department of Prosecution of Corruption (DPCA) to assist in the implementation of the 2009 ROSC A&A Update. The academy, and the Institute of Certified Public Accounts, the standard setting body for the private sector, have also participated in training activities to broadly disseminate International A&A standards.

Strategic Objective 4. Build Capacity and Constituencies for Reform

A **Public Budget Monitoring Project** (funded by a US\$150,000 Global Partnership Facility grant) aims at strengthening capacities for analysis and budget monitoring in civil society.

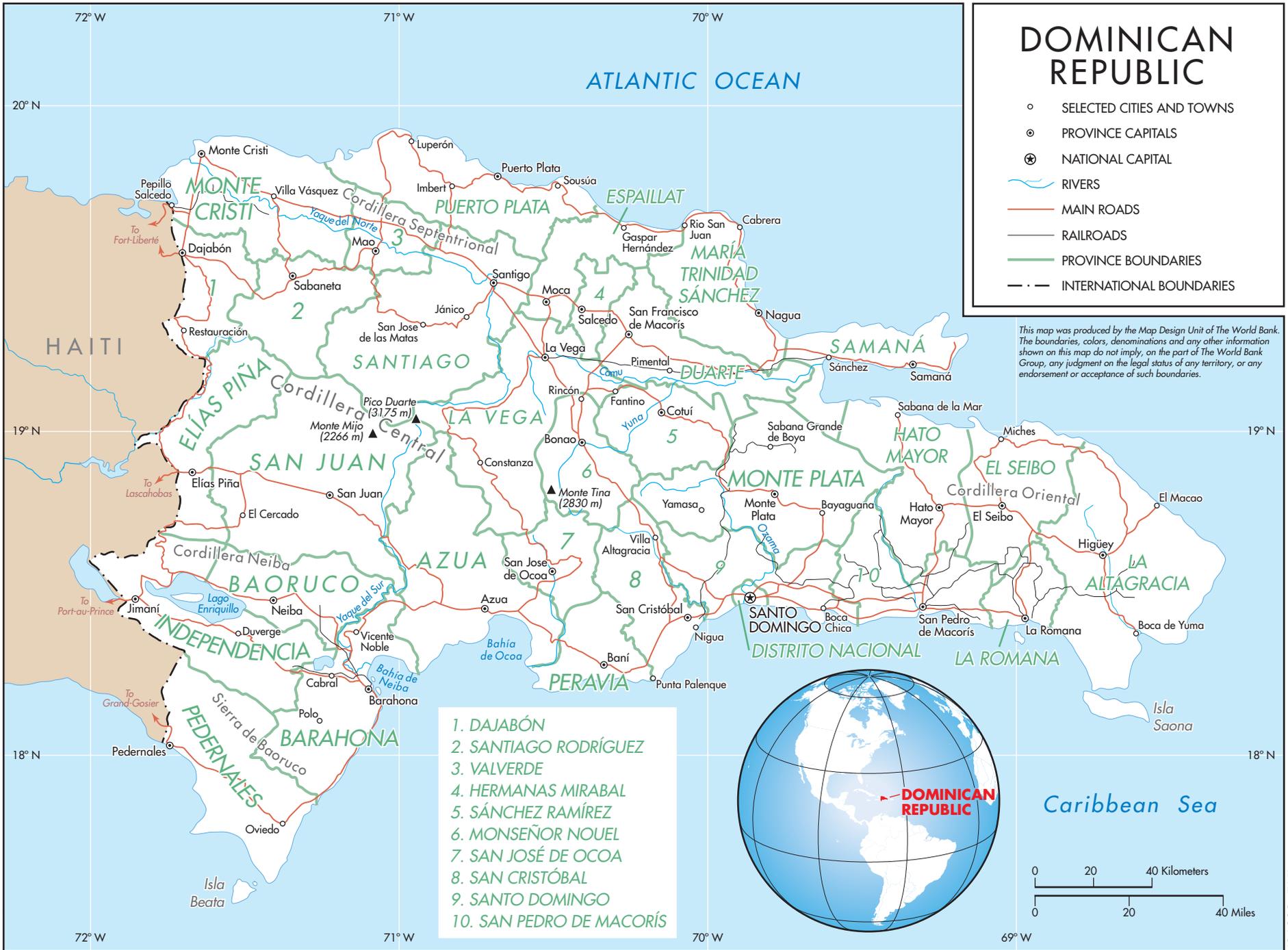
The **Access to Information Project** implemented in seven poor municipalities (financed by the Japan Social Development Fund for US\$420,000) seeks to enhance the capacity of vulnerable groups in rural areas by making public information accessible and training them on how to analyze the information and participate in policy discussions and program design in collaboration with local governments.

A **Municipal Participatory Budgeting Project** through Mobile Technology (supported by a Korean trust fund for about US\$72,000), linked to the Municipal Development Project, is piloting the use of mobile technology to enhance citizens' participation in Participatory Budgeting and social accountability in two municipalities.

USAID is collaborating with the Bank (with an EFO of US\$350,000) in a Capacity Building Program for **Strengthening the Demand for Good Governance** in three pilot provinces training about 540 representatives of small and pro-poor community based organizations in advocating for public administration accountability and transparency, in policy analysis and formulation, and in pro-poor service delivery, as well as providing technical assistance to about 200 grassroots and community based organization to improve their own management capacity.

Through the **Gender Mainstreaming Capacity and Advocacy in DR Civil Society Organizations' (CSO) TF** about 150 CSOs and 100 Municipalities staff have been trained to integrate gender equality in local municipal plans and policies by a Bank trained corps of local trainers. The awareness raising material produced (two videos and two practical guides on how to integrate gender issues at the municipal level) has been used to reach out to CSOs and local public administration staff in other five municipalities.

IPAC is a broad multi-donor and multi-stakeholder participatory mechanism involving representatives from civil society, Government, the private sector, and 12 international development agencies aiming to improve transparency, strengthen institutions and fight corruption in the Dominican Republic. The Bank's leading role in coordination and facilitation of civil society, donors, private sector and the Government has contributed to an enhanced dialogue and enabled a genuine coordination platform for donors' interventions. During its year of existence IPAC has established 10 working groups, developed 30 recommendations, set up milestones to mark implementation progress, named governmental focal points, and held three accountability workshops to follow up on the recommendations using a scorecard system. The IPAC represents a new country approach to tackling corruption.



DOMINICAN REPUBLIC

- SELECTED CITIES AND TOWNS
- ⊙ PROVINCE CAPITALS
- ★ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- PROVINCE BOUNDARIES
- - - INTERNATIONAL BOUNDARIES

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1. DAJABÓN
2. SANTIAGO RODRÍGUEZ
3. VALVERDE
4. HERMANAS MIRABAL
5. SÁNCHEZ RAMÍREZ
6. MONSEÑOR NOUËL
7. SAN JOSÉ DE OCOA
8. SAN CRISTÓBAL
9. SANTO DOMINGO
10. SAN PEDRO DE MACORÍS

