Report Number : ICRR0021278

1. Project Data

Operation ID	Operation Name
P155425	DO Strengthening PFM DPL
Country	**Practice Area(Lead)**
Dominican Republic	Governance

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-85480	30-Jun-2017	60,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
04-Nov-2015	30-Jun-2017	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	60,000,000.00	0.00
Revised Commitment	60,000,000.00	0.00
Actual	60,000,000.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
Hjalte S. A. Sederlof	Robert Mark Lacey	Malathi S. Jayawickrama	IEGEC (Unit 1)

2. Project Objectives and Policy Areas

a. Objectives

The Strengthening Management of Public Finances Development Policy Loan (SMPF) is a stand-alone DPL. Its development objective as set out in the Program Document (PD, page 10) is to support the Dominican Republic's efforts to: *(i) improve flexibility and transparency in the management of public debt; (ii) strengthen planning, budgeting, and execution of public expenditures; and (iii) enhance transparency and monitoring of government operations.*

b. Were the program objectives/key associated outcome targets revised during implementation of the series?

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c. Pillars/Policy Areas

There were three pillars:
Pillars 1 and 2 aimed at strengthening the management of public finances:
Pillar 1 included policy actions to improve flexibility and transparency in the management of public debt, by enhancing the ability to refinance debt in a timely way when conditions were favorable; and by the regular publication of consolidated public debt data to monitor improved coordination between issuing agencies (the Central Bank and the Ministry of Finance);
Pillar 2 included policy actions to strengthen planning, budgeting and execution of public expenditures, aiming at (i) increased coverage and more informed design and monitoring of health interventions; (ii) improved results orientation in the planning and execution of public programs; and (iii) better controls in public procurement;
Pillar 3 included policy actions to enhance transparency in government operations through improved monitoring of the use of public funds by relevant government agencies, by publishing poverty data on a regular basis, by systematic monitoring of education sector performance, and by monitoring of the use of public funds in the non-profit sector.

d. Comments on Program Cost, Financing, and Dates

Project cost and financing. The IBRD loan of US$60 million was fully disbursed.
Dates. SMPF was approved on November 4, 2015, became effective on December 28, 2015, and closed on June 30, 2017, the original closing date.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The DPL's objectives were, and remain, relevant to government policy and the Bank's Country Partnership Strategy (CPS). They supported priorities in the government's national development strategy that aimed at putting into place a public financial management system that could ensure the fiscal space necessary for implementing development objectives. While the country had experienced robust economic growth during much of the decade leading up to the DPL, this was not reflected in public finance – public sector debt was expanding and debt service payments were growing; and public services, in particular education and health care, remained unsatisfactory despite increased coverage and larger budgetary allocations. To address these issues, the DPL was to help improve debt management capacity and increase efficiency in public spending, especially in education and health care, which were major items of public spending. The

objectives were consistent with Bank strategy as set out in the CPS for FY15-FY18, where one of the main results areas involved efficient, effective, transparent and sustainable management of public resources.

Rating
High

b. Relevance of Design

Program design – policy areas and proposed actions – was relevant to achieving the PDO. It focused on improving allocation and results-orientation in the use of public resources through improved public expenditure controls and enhanced transparency and accountability. The design was informed by lessons drawn from previous Bank operations, notably the ICR and a subsequent PPAR for a Public Finance and Social Sector DPL (P115145); and complemented with technical assistance financed by rust funds from the EU and USAID. It also complemented the Government's citizens' portal to the budget, introduced prior to the DPO. Lessons drawn from the Public Finance and Social Sector DPL signaled the importance of ensuring that DPL objectives align with government reforms, have clearly defined and measurable results indicators, and, when appropriate, are supported by targeted technical assistance. Design also drew on an IEG learning product – *The Quality of Results Frameworks in Development Policy Operations (Report No. 78787)* – that emphasized the importance of a set of relevant of prior actions to form a robust results framework. Consequently, the results framework as presented in the PD (the policy and results matrix, pages 27-30) included a set of prior actions that could reasonably be expected to facilitate achieving intended outcomes. The prior actions were accompanied by relevant and monitorable results indicators. The macroeconomic policy framework was adequate: the government had met commitments to fiscal consolidation and budget deficit targets for 2015. Fiscal responsibility had been underpinned by a series of decisions on budget reform, some of which were supported by this operation. The IMF's assessment letter, issued in August 2015, stated that the macroeconomic outlook was positive with risks to the outlook being moderate and mainly a function of global conditions.

Rating
High

4. Achievement of Objectives (Efficacy)

Objective 1
Objective

To improve flexibility and transparency in the management of public debt

Rationale

The objective was to improve debt management practices with a view to increasing fiscal space for implementing public policies and programs. The objective was to be achieved by (i) improving the ability of the government to undertake debt refinancing on short notice in response to changes in financial markets; and (ii) by better coordination of debt management strategies between agencies authorized to issue public debt (i.e. the Central Bank and the Ministry of Finance).

1. Flexibility in debt refinancing

Outputs

Flexibility in conducting liability management operations was introduced with the adoption of a public debt law (prior action). It allowed the authorized agencies to conduct large (up to 10 percent of the non-financial public debt stock) liability management operations in a timely way, without having to seek congressional approval; as long as such operations resulted in reducing the public debt stock or public debt service (prior action).

Outcomes

The public debt law strengthened the agencies' ability to quickly renegotiate debt when financial market circumstances were favorable, resulting in an enhanced liability management capacity. An immediate and tangible outcome of the new legislation was the pre-payment of the Dominican Republic's debt to the Caribbean oil alliance (PetroCaribe), an outcome target specified in the results framework. This generated US$550 million in financial savings, and led to an immediate decrease in the value of the debt stock equal to 3.3 percent of GDP. According to the ICR (p. 14), the Government also conducted other liability management operations, although not of the magnitude of PetroCaribe. The ability to apply the public debt law when market circumstances are favorable has significantly and permanently strengthened the potential for effective public debt management.

2. Coordination of debt management strategies

Outputs

An inter-institutional technical committee on debt was established to develop and implement a coordinated debt management agenda (prior action). The committee is operational.

Outcomes

The committee has established guidelines for compilation and publication of debt statistics and for elaborating the government's financing strategy. The former allows consolidation and regular publishing of public sector debt data, increasing transparency in public debt management. So far, information on the consolidated public sector debt has been published for the period 2000-2017 (April 2018). The aim is to provide data to the public on a quarterly basis (the original target was to do so semi-annually. It is expected that interaction on debt consolidation and related data operations in the committee will improve debt coordination between the authorized agencies. Over the longer term, its activities are expected to contribute to improved sustainability of public finances.

Rating
Substantial

Objective 2
Objective
To strengthen planning, budgeting, and execution of public expenditures

Rationale
Rationale

The objective was to be achieved by (i) improving coverage and quality of primary health care (the program's focus on the social sectors reflects their prominence among expenditure categories and the fact that quality of service delivery remained low despite significant budgetary allocations in the past). This was to be achieved through expansion of results-based financing; (ii) introducing a national system of monitoring and evaluation (NSME) of public programs to ensure consistency between budgetary allocations and public programs, and development priorities; and (iii) strengthening public procurement through better control of the procurement process.

1. Expansion of results-based financing agreements in the health sector

Outputs

Following successful piloting of results-based financing of primary care services in three regions under a Bank-supported health sector reform project (P106619), the government expanded the model to primary care in five more regions and the capital district (prior action).

Outcomes

In the model, financial resources are transferred to regional health authorities based on achievement of targets for coverage and quality. Coverage was improved with the geographic expansion of the model; as

was the quality of key services as indicated by ante-natal care and immunization rates. Since expansion began in 2014, a total of 288,000 persons had been registered in primary care centers (2017), compared to an outcome target of 158,000 and a baseline of 81,000. Health indicators in the regions have improved: time-appropriate risk evaluations of pregnant women increased from 2.98 percent in 2013 to 56.18 percent in mid-2017; and full immunizations rose from 6.89 percent in 2013 to 49.18 percent in mid-2017.

2. Introduction of a National System of Monitoring and Evaluation (NSME)

Outputs

The government mandated the ministry of economics, planning and development to develop an NSME to ensure consistency between budgetary allocations, planning, and development priorities (prior action).

Outcomes

The NSME is not yet operational, and its future shape and timing is uncertain. So far, the conceptual framework for an information technology platform has been developed with assistance from the Bank, and some training for implementing the platform has been provided. The ICR points to considerable challenges to further advancing the agenda, notably institutional ones stemming from the incipient state of the policy area and the multiple agencies involved, which complicates organizational and institutional arrangements.

3. Strengthening of public procurement

Outputs

The government has developed an e-procurement portal to international standards (prior action), with assistance from the Bank. The portal was introduced in 2015, and by end-2016 it was fully operational in 130 budgetary institutions, surpassing the outcome target of 120 institutions; by November, 2017, it was operational in 166 institutions..

Outcomes

The Government has been gradually strengthening the legal framework for public procurement, including compulsory disclosure of all procurement processes. The introduction of the e-procurement portal is expected to significantly improve the public financial management environment. As use of the portal expands among budget institutions, the orderly application of procurement processes should significantly improve, as discretionary commitment and spending practices are replaced by the portal. Subsequent government decrees have further strengthened the procurement processes by introducing an oversight function to ensure that spending commitments are properly budgeted and have the necessary funds; and by mandating the use of the portal for management of all government procurement.

Rating
Substantial

Objective 3
Objective
to enhance transparency and monitoring of government operations

Rationale
Rationale

The objective was to be achieved by better monitoring of the use of public funds, by regularly publishing poverty data, monitoring progress in the education sector, and monitoring the allocation of public funds to the non-profit sector.

1. Poverty programs

Outputs

The government established an inter-institutional poverty committee for the publication of transparent and reliable poverty figures (prior action). So far, the committee has published four poverty bulletins between 2015 and 2017, exceeding the original target of two bulletins.

Outcomes

Poverty statistics now appear on a regular basis, and the potential for influencing policy-making is evident. However, it is not yet evident to what extent they are being used. Moreover, the ICR notes that the information provided may not yet be of sufficient quality to serve as a reliable basis for evidence based policy making on poverty. In time, improvements in poverty data are likely to bring greater focus to the country's poverty strategy, but today this does not yet appear to be the case.

2. Education

Outputs

To support its education initiatives, and in particular an "education pact" – an arrangement involving public and civil society entities engaged in improving coverage and quality in the education system - the government established a mechanism involving all interested parties (public and private) to monitor progress under the education pact (prior action).

Outcome

The monitoring mechanism has so far given rise to three reports covering the period 2015-2017, and reviewing progress against commitments under the education pact. However, these reports have mainly been limited to government commitments, not those of non-governmental partners. While the mechanism does seem to enhance transparency with regard to government spending, it is currently not supporting full monitoring of the "education pact".

3. Non-profit organizations

Outputs

Regulations were issued to strengthen the results-oriented allocation of budget funds to the non-profit sector, and monitoring of their use (prior action). The regulations included guidelines on the funds' allocation system, mechanisms for monitoring results; and requirements that fund recipients publicly disclose the use of received funds, and results they achieve. The Bank worked closely with the government on developing the guidelines.

Outcomes

With the new regulations, the allocation of public resources to the non-profit sector has received a framework for their transfer, and similarly, a framework for effectively monitoring of their use and the results achieved. With the introduction of the new regulations, the percentage of funds allocated to non-profits and based on management or service-delivery agreements rose to 58 percent of the 2017 budget for non-profits, surpassing the target of 50 percent. For the 2018 budget, this had further increased to 90 percent.

Rating
Modest

5. Outcome

Relevance of objective was rated **high**, as it aligned with the Government's aims and needs in fiscal management and with elements of World Bank strategy that supported better fiscal management. Relevance of design was rated **high,** as design directly supported achievement of stated objectives. Efficacy for the first objective was rated **substantial**, as policies for improved flexibility and greater transparency appear to have been successfully introduced, where both elements increase maneuverability in debt management. Efficacy for the second objective was also rated **substantial**, reflecting better outcomes in primary care and in the

introduction of a common e-commerce platform for public procurement. Although, the NSME is not yet operational, and its future shape and timing is uncertain. Efficacy for the third objective was rated **modest**; measures in two of the three areas still exhibited weaknesses that could influence the quality of decision-making.

a. Outcome Rating

Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

The risk to the development outcome appears moderate. The DPL supported a set of interventions that are necessary to build a good public financial management system which, in turn, contributes to creating fiscal space for reaching development objectives. The operation's objectives are part of the country's development strategy, remain relevant, and continue to have the active support of the government. Some elements of the operation face risks – essentially institutional ones. Project performance is lagging with regard to the introduction of a national monitoring and evaluation system, where little was achieved under the project; systematic monitoring of the education pact is only partial, while the involvement of a significant number of agencies continues to pose challenges of coordination; and poverty data needs strengthening before robust analyses can be undertaken. Beyond institutional challenges, however, risks are few and involve potential disruptions in financial flows due to external events; they do not influence the institutions and processes built under the project. While there is no direct follow-up to the DPL, ongoing investment operations supported by the Bank and the Inter-American Development Bank – in education, governance, health – are likely to build on and further develop the reforms supported under the project.

a. Risk to Development Outcome Rating

Modest

7. Assessment of Bank Performance

a. Quality-at-Entry

The operation was anchored in the Government's reform agenda, and its relevance for Bank assistance strategy and the government's development priorities was high. It built on past and ongoing Bank initiatives in the country, and in particular on previous engagements in public finance and the social sectors. The policy measures supported under the operation aimed at core elements of the reform agenda that were likely to facilitate the strategic allocation and results-based use of public resources. The results framework was coherent, and the prior actions formed a solid base for advancing the reform agenda. The risk assessment was realistic, and it recognized limited capacity in government to design and implement the reform. Consequently, technical assistance was introduced at critical points. Management arrangements for implementation could have been stronger. The general directorate of public credit - Credito Publico – was the Government's implementing agency, and while it played an important role in

advancing project preparation, a stronger focus could have been put on its role during implementation. There, its obligations and relationships with other implementing agencies appeared not to have been sufficiently defined. This was somewhat offset by the fact that the Bank was able to bring together five global practices (governance, macro-fiscal, poverty, education, health, and social protection) to coordinate the establishment of the operation. The operation was prepared quickly, with loan funds disbursing within four months of the Government's request for assistance.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

During the initial stages of implementation, and in particular when EU and USAID trust fund financing was available for technical support, supervision appears to have been adequate. However, once trust funds closed, supervision became more sporadic, and was partly compromised by a limited Bank allocation for supervision. Likewise, collaboration among the global practices, which the ICR notes as having been good during preparation, seems to have weakened during implementation. The analysis of efficacy (Section 4) indicates that implementation was uneven. Moreover, the role of Credito Publico would turn out not to be sufficiently defined to have a strong implementation presence on the ground, and this appears not to have been addressed by the supervision team.

Quality of Supervision Rating

Moderately Unsatisfactory

Overall Bank Performance Rating

Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

Strong ownership and commitment at the technical level is reflected in the overall satisfactory outcome of the project. The main implementing agency, Credito Publico, in coordinating among several agencies, played a key role in facilitating project preparation. Its performance during implementation was less robust, partly because it appears not to have had the necessary mandate to monitor other agencies – such a mandate should have been established at project preparation.

Government Performance Rating

Moderately Satisfactory

b. Implementing Agency Performance

The Government as a whole implemented the program and there is no separate assessment of the implementing agency.

Implementing Agency Performance Rating

Not Rated

Overall Borrower Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The policy matrix and the results framework for the operation provided a clear causal link between prior actions and expected outcomes, as well as indicators that plausibly measured results that promoted the objectives sought. The indicators were drawn from the institutional reform agenda of each participating institution. In all cases, the indicators were already being tracked by the relevant institutions and used in their own progress reports to the presidency and congress. In that sense, the operation built on the Government's existing monitoring and evaluation systems, and mitigated the potentially adverse effects on policy-making of weaknesses in the monitoring arrangements between Credito Publico and participating agencies.

b. M&E Implementation

The M&E arrangements did not work as intended. Neither the Credito Publico nor the Bank undertook systematic monitoring of results indicators. However, the necessary information was still being provided by individual institutions as they were wont to do in their reporting to the presidency and congress.

c. M&E Utilization

With the absence of systematic monitoring by the Bank and Credito Publico, information does not appear to have been used for project level course corrections; whatever course corrections there may have been, were likely to be driven by individual institutions in their normal processing of indicators.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

No safeguard policies were triggered. With regard to social effects, the ICR (page 21) states that "it is likely that the DPL has had considerably positive poverty and social impact since the focus on primary care is expected to provide incentives and benefit the population at the lower income level. In this regard, as of mid-2017, there have been significant achievements in the percentage of women and children benefiting from the primary care services provided.."

b. Fiduciary Compliance

The ICR reports no fiduciary issues

c. Unintended impacts (Positive or Negative)

None noted.

d. Other

None noted.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Moderately Satisfactory	There were moderate shortcomings in efficacy, especially in relation to the third objective. Measures in two of the three areas still exhibited weaknesses that could influence the quality of decision-making.
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Satisfactory	Moderately Satisfactory	There were minor shortcomings in Quality at Entry and significant shortcomings in Quality of Supervisiion.
Borrower Performance	Satisfactory	Moderately Satisfactory	There were moderate weaknesses in the oversight

		and monitoring of implementation
Quality of ICR	Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

IEG draws the following lessons:
Government commitment is crucial The program was of direct practical relevance to the Government – in creating fiscal space. This helped to maintain the focus on reforms even when oversight responsibility for implementation was unclear (Credito Publico).

Inadequate planning and resource allocation can undermine the Quality of Supervision. Broad collaboration across global practices in the Bank is essential not only during project preparation but also during implementation, and sufficient resources need to be allocated to allow a rigorous supervision effort.

Clear, well-designed and formalized oversight and monitoring responsibilities among the Borrower's institutions, defined at the outset, are important for smooth implementation. With multiple agencis responsible for different aspects of implementation, inter-agency conflicts are likely to rise if overall responsibilities are not sufficiently well defined.

DPLs can benefit when accompanied by investment operations. While prior actions are essential milestones of reform, their implementation also needs to be planned and executed, often in situations where local capacities are limited. Here, the introduction of investment operations or technical assistance was essential for putting the policy initiatives into place (Section 3b)..

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides the background and rationale necessary for an assessment of the results and ratings of the operation. A more thorough discussion of implementation, especially the Bank's performance on supervision, would have been helpful in assessing that rating. Overall, the document was internally consistent, and in accordance with OPSC guidelines.

a. Quality of ICR Rating
Substantial