

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

DOMINICAN REPUBLIC

MANZANILLO PORT REHABILITATION AND EXPANSION

(DR-L1141)

LOAN PROPOSAL

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LINKS
<p>REQUIRED</p> <ol style="list-style-type: none"> 1. Multiyear execution plan / Annual work plan (AWP) 2. Monitoring and evaluation plan 3. Environmental and social management report (ESMR) 4. Procurement plan <p>OPTIONAL</p> <ol style="list-style-type: none"> 1. Economic analysis 2. Why invest in sustainable infrastructure and which infrastructure to invest in 3. Manzanillo wharf – Project narrative and innovation measures 4. Gender annex 5. Inclusion of persons with disabilities annex 6. Disaster and climate change risk analysis and disaster risk management plan 7. Climate change annex 8. Safe and inclusive mobility annex 9. Technical report – Program road component 10. Program Operating Regulations – Preliminary version 11. National Freight Logistics Plan 2020-2032 (PNLOG) 12. Strategic guidelines – Formulation of the Public Sector National Multiyear Plan 2021-2024

ABBREVIATIONS

APORDOM	Autoridad Portuaria Dominicana [Dominican Port Authority]
CGRD	Contraloría General de la República Dominicana [Office of the Comptroller General of the Dominican Republic]
CNZFE	Consejo Nacional de Zonas Francas de Exportación [National Council of Export Free Trade Zones]
EIRR	Economic internal rate of return
ESIA	Environmental and social impact assessment
ESMP	Environmental and social management plan
FAO	Food and Agriculture Organization of the United Nations
FIDIC	International Federation of Consulting Engineers
HDM4	Highway Development and Management Model 4
ICB	International competitive bidding
INTRANT	Instituto Nacional de Tránsito y Transporte Terrestre [National Institute for Transit and Land Transportation]
iRAP	International Road Assessment Programme
IRI	International roughness index
LIBOR	London Interbank Offered Rate
MOPC	Ministry of Public Works and Communications
NCB	National competitive bidding
ONE	Oficina Nacional de Estadística [National Statistics Office]
PNLOG	Plan Nacional de Logística de Carga 2020-2032 [National Freight Logistics Plan 2020-2032]
QCBS	Quality- and cost-based selection
RD-1	Duarte Highway
SFD	Sector framework documents
SIGEF	Sistema Integrado de Gestión Financiera [Integrated Financial Management System]
TEU	Twenty-foot equivalent unit
UEPFRE	Unidad Ejecutora de Proyectos Financiados con Recursos Externos [Execution Unit for Externally Funded Projects]

PROJECT SUMMARY

DOMINICAN REPUBLIC

MANZANILLO PORT REHABILITATION AND EXPANSION

(DR-L1141)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Dominican Republic			Amortization period:	25 years
Executing agency:			Disbursement period:	5 years
Ministry of Public Works and Communications (MOPC), acting through the Execution Unit for Externally Funded Projects (UEPFRE)			Grace period:	5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital):	100 million	100%	Credit fee:	(c)
			Inspection and supervision fee:	(c)
Total:	100 million	100%	Weighted average life (WAL):	15.25 years
			Currency of approval:	United States dollars
Project at a Glance				
Project objective/description: Contribute to improve competitiveness and socioeconomic growth in the northern part of the country by providing effective port and logistics infrastructure. The specific objectives are to: (i) reduce transportation costs and times for freight with origin/destination in the northern part of the country; and (ii) increase the total movement of freight (tons) and containers (TEUs) through Manzanillo.				
Special contractual conditions precedent to the first disbursement of the loan proceeds: (i) the program Operating Regulations will have been approved, including: workflows, internal controls, and environmental and social management plans setting out the requirements and procedures applicable in program execution, on the terms previously agreed upon with the Bank; and (ii) the following will have been appointed for program execution: (a) technical coordinator; (b) planning specialist; (c) procurement specialist; (d) financial specialist; (e) port specialist; (f) environmental specialist; and (g) social specialist (see paragraph 3.4). Additionally, as a special contractual condition precedent to the first disbursement of the resources for Components I, III, and IV, an interagency agreement will be signed between the Dominican Port Authority (APORDOM) and the Ministry of Public Works and Communications (MOPC) establishing the obligations of the parties and the mechanisms for coordination between them (see paragraph 3.5).				
Special contractual conditions of execution: Regulations will have been approved for the administration and operation of the Manzanillo shipping terminal under the landlord model prior to the start of the port operational phase (see paragraph 3.6). See the socioenvironmental contractual conditions in Annex B of the environmental and social management report (required link 3).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges: ^(d)		SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input checked="" type="checkbox"/>
Crosscutting themes: ^(e)		GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>

- (a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- (b) Under the flexible repayment options of the Flexible Financing Facility (FFF), changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life (WAL) of the loan or the last payment date as documented in the loan contract.
- (c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.
- (d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Socioeconomic framework.** The Dominican Republic has experienced sustained economic growth in recent years. In the period 2004-2019, the country posted average real economic growth of 5.6%, which is above the Latin America and Caribbean average of 2.7%, as a result of a development strategy based on the contributions of foreign investment, tourism, and international trade.
- 1.2 **The health crisis.** The pandemic caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) has hit the economy hard at the regional level.¹ Since the pandemic began, there have been more than 258,000 confirmed cases² in the Dominican Republic, leading to an estimated economic downturn of 6.7% in 2020, as well as intense pressure on public revenue and expenditure to address this economic crisis.³ In terms of employment, the working population had shrunk 5.8% by the end of 2020 (in the formal sector, 6.3%, and in the informal sector, 4%); productive sectors like tourism and other services and the construction sector (-6%), were significantly affected. Relative to 2019, the overall poverty rate rose 2.4 percentage points from 21% to 23.4% of the population. Extreme poverty also increased, from 2.7% to 3.5%, and is more marked in rural areas (4.1%).⁴
- 1.3 **More and better infrastructure to revive the Dominican economy.** The infrastructure sector directly influences productivity in industry, trade, and sectors of the economy like tourism and agriculture⁵ and is essential to connecting production zones with markets. Furthermore, investing in improving the efficiency of logistics services is an opportunity to drive growth without increasing the tax burden.⁶ The publication "[Development in the Americas 2020. From Structures to Services. The Path to Better Infrastructure in Latin America and the Caribbean](#)" underscores the need for Latin America and the Caribbean to implement policy measures to improve the efficiency of the infrastructure investment process and the regulation of services in line with sustainability standards. This is key to boosting demand, increasing competitiveness, and creating jobs⁷ with associated productive linkages, as well as to improving the regional distribution of income while reducing greenhouse gases and air pollution ([optional link 2](#)).

¹ The Bank estimates that the countries of Latin America and the Caribbean lost more than 4.5 million formal jobs between February and April 2020 as a result of the coronavirus, and could lose up to 17 million, with many workers earning smaller incomes ([IDB, 2020](#)).

² [Johns Hopkins University](#). Cutoff date: 12 April 2021.

³ Dominican Republic: Overview ([World Bank, 2020](#)).

⁴ "[COVID-19 bajo la lupa](#)". [COVID-19 Under the Magnifying Glass]. Ministry of Economy, Planning and Development, 2020.

⁵ For example, a 1% increase in transportation productivity would increase agricultural productivity by 1.2% ([IDB, 2019](#)).

⁶ [IDB, 2019](#).

⁷ Schwartz et al. (2009) found that in Latin America and the Caribbean, every US\$1 billion invested in infrastructure potentially creates around 40,000 direct and indirect jobs per year.

- 1.4 The Government of the Dominican Republic thus understands that public investment consistently leads to greater impacts on economic growth than the alternative of increasing current spending.⁸ It has therefore included strengthening supply chains and investing in road and port logistics infrastructure in its Public Sector National Multiyear Plan ([optional link 12](#)), as key lines of action for the post-pandemic recovery. It likewise includes specific targets for the logistics sector among its regional development objectives through: (i) consolidation of priority value chains; (ii) formation of new logistics clusters; and (iii) promotion of new free trade zones with value-added services and public-private partnership incentives. The aim is to foster economic growth, reduce social inequality in disadvantaged regions, and make better, decent livelihoods available for the rural population.⁹
- 1.5 **National Logistics System.** The Dominican Republic is a country with high logistics costs,¹⁰ low agricultural sector productivity, and barriers to efficient import and export processes.¹¹ Consequently, it needs to foster regional value chains to create sustainable and better paid quality formal jobs. In addition to the pandemic, the country's accession to the World Trade Organization's Trade Facilitation Agreement and the creation of the National Trade Facilitation Committee in 2017 have accelerated the pace of the necessary reforms in its regulatory,¹² institutional,¹³ and foreign trade processes, contributing to the [digitalization, simplification, and reduction of freight transportation processes](#), times, and logistics costs, to increase imports and exports. Regional integration will be essential to developing regional value chains that create sustainable, high-quality jobs.
- 1.6 Through the National Freight Logistics Plan 2020-2032 (PNLOG) ([optional link 11](#)), which was supported by the Bank, the country identified the principal trade corridors, essential transport hubs, and logistics cluster development actions around which to strategically focus its medium-term efforts (see map in [Figure 1](#)). In turn, the BIDeconomics study¹⁴ identified the following major opportunities for the Dominican Republic: (i) consolidation of regional value chains for the creation of sustainable jobs over the long term; and (ii) reduction of transportation and logistics costs as key factors in improving national competitiveness rates.

⁸ After two years, the cumulative impact of public investment on the economy is three times greater than the impact of current spending (Izquierdo et al., 2018).

⁹ [International Labour Organization, 2013](#).

¹⁰ The Dominican Republic has the fourth highest ton-km price in the region, at US\$0.14 per ton-km (IDB, 2013). The average container rate is US\$4.75 per km, triple the Mesoamerican average.

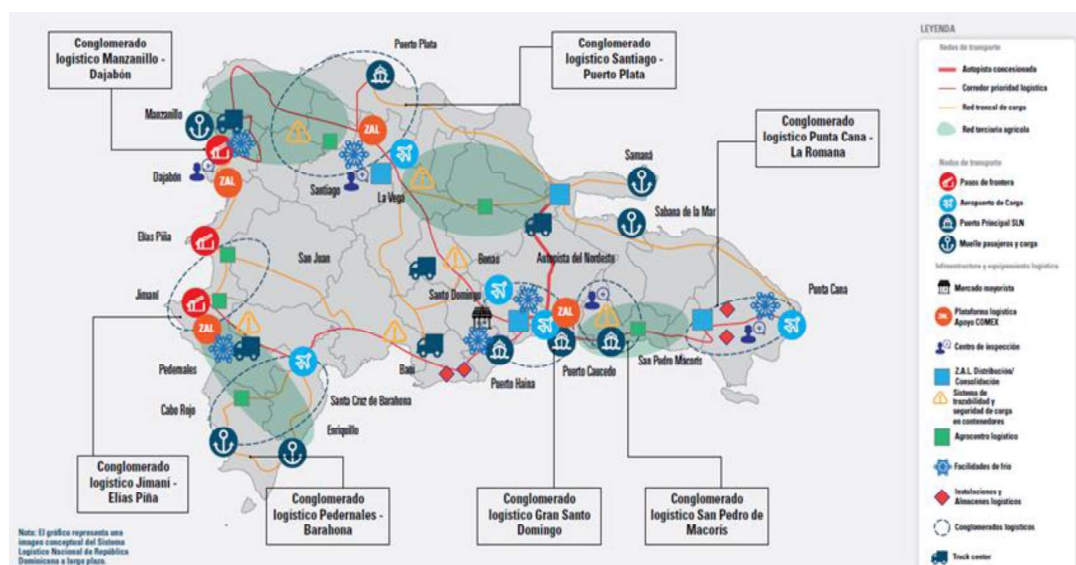
¹¹ A freight transportation union structure that restricts competition; customs and digital platform processes that are not integrated, leading to fragmentation and longer processing times, etc.

¹² [Law 63-17 on Mobility](#); approval of the freight transportation regulations or implementation of the [freight transportation reference cost platform](#).

¹³ Establishment of the logistics office at the National Competitiveness Council and creation of the National Institute for Transit and Land Transportation ([INTRANT](#)).

¹⁴ BIDeconomics República Dominicana: Oportunidades para un desarrollo sostenible, inclusivo y resiliente [BIDeconomics Dominican Republic: Opportunities for Sustainable, Inclusive, and Resilient Development] ([IDB, 2020](#)).

Figure 1: National Logistics System



Source: PNLOG ([optional link 11](#)).

- 1.7 **Agricultural and industrial development.** The country's most important export area is the north (El Cibao)¹⁵ due to the growth of free trade zones, whose primary market (82%) is the United States. Half of the country's free trade zones are located in this region.¹⁶ The actions identified in the National Logistics System for this region prioritize: (i) rehabilitation of the Port of Manzanillo port and logistics infrastructure;¹⁷ and (ii) improvement of the road infrastructure in the port's area of influence with the Duarte Highway (Montecristi–Navarrete–Santiago de los Caballeros–Santo Domingo) as backbone and a network of secondary and rural roads. These actions will help improve facilities and logistics services, as well as connectivity and accessibility for [agricultural producers](#) and businesses in the Santiago de los Caballeros industrial complex.¹⁸ This area is home to more than 240 businesses in 32 free trade zones, most of which are strategic suppliers in global supply chains for medical equipment, electronics, tobacco, etc. In 2018, their exports totaled US\$1.257 billion; in 2017, 81% of exports were sent to the United States of America, and 21,000 containers were shipped through the Port of Haina. The textiles produced in the

¹⁵ This region is made up of seven provinces, and has a population of two million people and high poverty rate (45%). [Diagnóstico para el Desarrollo Económico de la Región de Cibao Norte](#) [Diagnostic Assessment for the Economic Development of the North Cibao Region], 2018.

¹⁶ [Informe Estadístico Sector Zonas Francas 2019](#) [Free Trade Zones Statistical Report 2019], National Council of Export Free Trade Zones (CNZFE) and PNLOG ([optional link 11](#)).

¹⁷ The [PNLOG 2020-2032](#) identifies the Manzanillo–Dajabón logistics cluster as one of the priority strategic actions for implementation.

¹⁸ Manzanillo's [proximity](#) to U.S. ports will lead to significantly shorter freight import and export transit and waiting times, in a sector with just-in-time logistics processes.

border zone¹⁹ are also destined for this market. The border zone has notable potential due to its preferential access to the U.S. market under the Haiti Economic Lift Program (HELP). This development will also add value to the existing organic banana export operations²⁰ by increasing their potential for adding other agroindustrial products, and [will lower transportation costs](#) (and thus logistics costs) by making it possible to move the freight from the producer and border areas to closer export hubs (see paragraph 1.8).

- 1.8 **The Port of Manzanillo and its road connectivity are catalysts for the agroindustrial and logistics development of the northwest region.** The Port of Manzanillo²¹ was built as part of a private logistics complex²² due to its natural depth and protection from the waves and its strategic location on the navigation route to the U.S. For more than two decades it has aspired²³ to become the country's primary northern port,²⁴ promoting exports from the agroindustrial sector and northern free trade zones; and to drive additional private investment by leveraging its geostrategic position in line with a vision as an economic development hub of the northwest region (see paragraph 1.7), while ensuring the sustainable management of its natural resources ([required link 3](#)). Operation of the Port of Manzanillo was previously concessioned, but these concessions were of short duration and not considered successful because they occurred without first investing public resources in rehabilitating the port to serve as a multipurpose port (incorporating containerized cargo) and without strengthening its institutional structure for effective management. In 2004, the government promoted the simultaneous concessioning of the Port of Manzanillo and an adjacent free trade zone to the firm Cementos Cibao, as a strategy for the development of an industrial hub in Pepillo Salcedo. In 2010, Cementos Cibao transferred the port operation rights to

¹⁹ Two ventures (SEA-E in the Caracol Industrial Park and CODEVI, Dajabón) together export around 10,000 containers annually.

²⁰ Accounting for 95% of national production. Organic bananas are the country's [second-most exported](#) product under the national system (5.8% in 2017, according to the National Statistics Office (ONE), mostly out of Manzanillo). The Dominican Republic is the world's largest producer of organic bananas, accounting for around 55% of global production and 50% of the organic bananas sold in the European Community ([Plan para el Desarrollo Económico Región Cibao Norte](#) [Plan for the Economic Development of the North Cibao Region], 2018 and [FAO, 2017](#)).

²¹ The Port of Manzanillo has only a small share of the port market, with "dedicated" cargo. Nearly all its export cargo (a total of 220,000 tons in 2019) consists of organic bananas for the European market shipped in refrigerated containers (reefers) and pallets stowed in refrigerated holds. Meanwhile, the import cargo (a total of 120,000 tons in 2019) consists of bulk ore (coal and occasionally clinker) ([optional link 1](#)).

²² The United Fruit Company purchased the land and began building the port in 1940, together with the logistics area and a 40-km railroad to connect the farms, galvanizing banana exports through the La Cruz de Manzanillo project. In 1969, the government took over the project and the infrastructure deteriorated. Starting in 1990, producers' associations recovered the export activity and invested in drip irrigation to produce organic bananas, primarily for the European market.

²³ [Plan Maestro para el Desarrollo del Puerto de Manzanillo](#) [Master Plan for the Development of the Port of Manzanillo] (1998). The logistics area is owned by the Dominican government and leased to the company [Marítima Dominicana S.A.](#)

²⁴ Two other ports are located in the north: (i) Samaná, which does not handle cargo operations, and (ii) Puerto Plata, which was concessioned for expansion as a cruise ship terminal with only one dock reserved for cargo.

Corporación Portuaria del Atlántico, requiring a port concession contract to be signed with the Dominican Port Authority (APORDOM) in 2011. That contract was terminated in 2013 because the Atlantic Port Corporation was unable to carry out investments. Since then, APORDOM has been responsible for operation of the port. The gradual, step-by-step development of the port will efficiently accommodate the specialized commercial activity of the country's north, complementing the country's two main ports²⁵ (Haina²⁶ and Caucedo²⁷), both of which are privately managed and located in the south. Currently, 92% of container cargo (in TEUs)²⁸ and 70% of classified cargo is moved through these two ports ([optional link 1](#)).

Figure 2: Port of Manzanillo



Source: Prepared by the authors.

- 1.9 Manzanillo's infrastructure currently is in very poor condition. Its only wharf is at risk of collapsing, and the logistics area's poor structure and facilities limit the functional services offered. Furthermore, the port has no model in terms of a plan for strategic logistics development and effective port management. The infrastructure is also highly exposed to natural events caused by climate change (see paragraphs 1.22 and 1.32, and [optional link 6](#)). The economic and

²⁵ Both of these ports are managed by the same port consortium, giving it a dominant market position; investments have totaled over US\$425 million.

²⁶ Haina is operated under a concession arrangement. The Bank financed its rehabilitation and initial expansion in 1975 (new docks, cranes, and cargo handling yards), along with technical cooperation operation 431/SF-DR to create and organize the Dominican Port Authority (APORDOM) and its legal framework, still in effect.

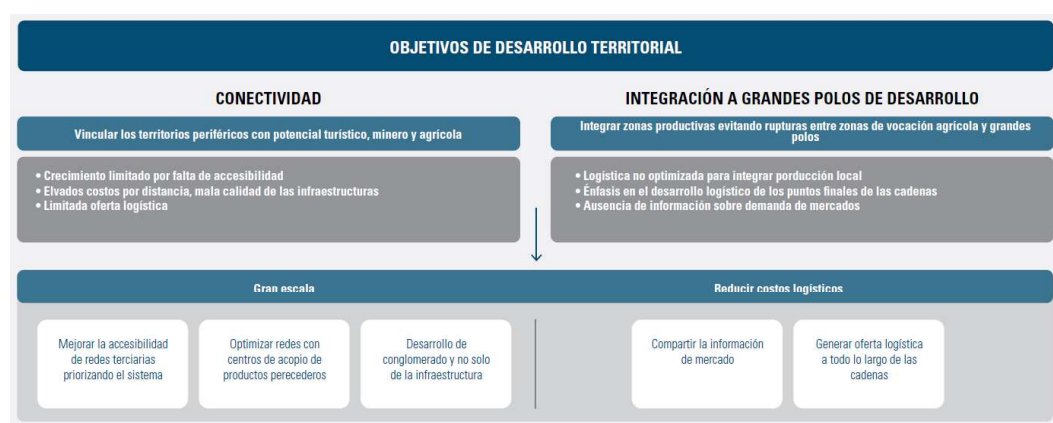
²⁷ Caucedo was built in 2004 and is privately operated. It handles specialized cargo and is the country's main container transshipment port.

²⁸ [APORDOM, 2020](#).

market analysis ([optional link 1](#)) found that the work on the current wharf is not motivated by solving a capacity problem but ensuring continuity of its operation, justified by the high cost of suspending use of the wharf in the event of collapse. Although it is possible to identify potential demand that can be captured by this port in due course, the economic justification for the project is based on the current demand for organic bananas and its expected growth (58% of the total market and 25% growth in the next 10 years, according to Ministry of Agriculture projections).

- 1.10 **Road connectivity to the port.** Road access to the Port of Manzanillo, on both the backbone and rural road systems, is a critical factor for national integration by connecting the country's most productive agroindustrial areas with consumption centers and the port, as an import and export node, lowering transportation costs.²⁹ In the PNLOG, the Government of the Dominican Republic set the following short-term priorities for intervention: (i) the [Duarte Highway](#) (RD-1), which runs 270 km across the country from north to south, carries 70% of domestic and international freight traffic, and has the highest accident rate with over 1,500 persons injured and 284 deaths in 2019 ([optional link 8](#)); and (ii) the [rural network](#) of the El Cibao producer region,³⁰ which carries agricultural freight and gives the population access to new jobs with agroindustrial potential, as well as to basic education and health care services. Both the RD-1 and the rural network are highly vulnerable to natural events because of their location (see paragraph 1.22) and the lack of climate resilience standards in their design.

Figure 3: Territorial Development Objectives – National Logistics Plan 2020-2032



Source: PNLOG ([optional link 11](#)).

²⁹ The IDB study (2020) based on the [INTRANT reference cost platform](#) shows potential transportation costs savings for three supply chains (cacao, textile, and chicken) on the order of: (i) 150% to 175% for Dajabón–Manzanillo crossborder freight; and (ii) 20% to 40% for freight from the Santiago de los Caballeros–Manzanillo area, both with respect to the southern ports as freight destinations.

³⁰ The rural network in the El Cibao region has 600 km of roads, 70% of which are in fair or poor condition.

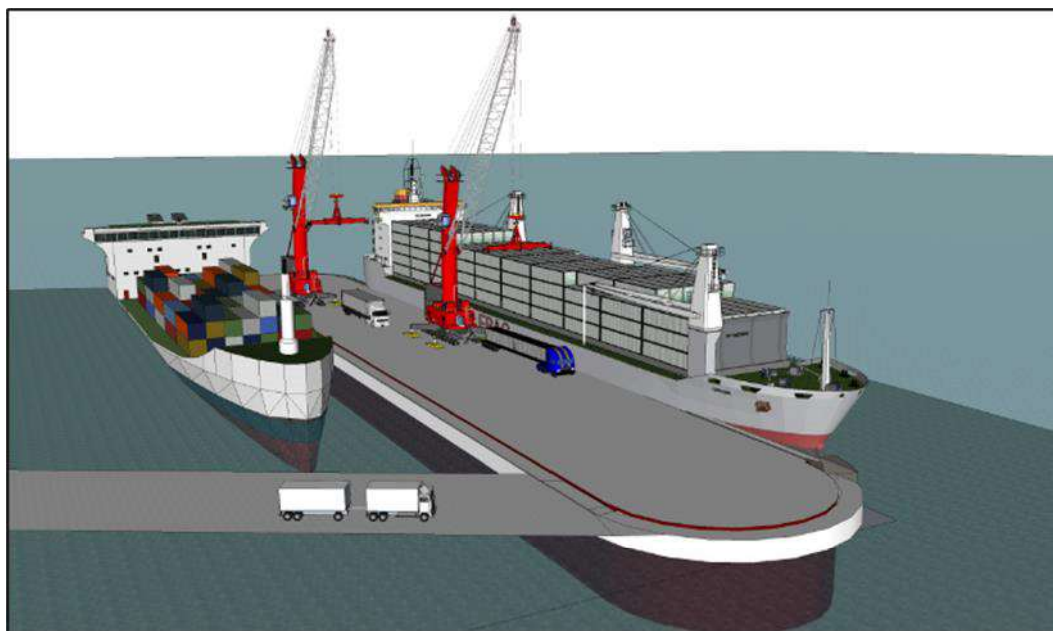
- 1.11 **Port and road transportation institutional structure.** The Ministry of Public Works and Communications (MOPC) is responsible for planning, works execution, and maintenance of road and port infrastructures in public ports. In the port sector, all the government-owned seaport facilities are considered assets of the Dominican Port Authority (APORDOM),³¹ which is responsible for: (i) running, administering, expanding, and improving the seaports; (ii) overseeing and inspecting the development, operation, and maintenance of private seaports; and (iii) implementing the port policies indicated by the executive branch. This legal framework establishes the landlord model for port governance. The Bank supported the design of this model, which has been successful throughout the region, as it protects the public interest while delegating the operation and delivery of port services to the private sector on a competitive footing. Unlike the alternatives (toolport, private service port, etc.), the landlord model works for low levels of demand and is highly flexible with regard to scaling different degrees of private-sector participation (leasing and concession) to evolving demand (see paragraph 1.16). Neither agency is very digitally advanced,³² and both need to develop new planning systems for infrastructure asset management, preinvestment, and data analysis under the [national digital transformation strategy](#). They also need new models for transitioning their vehicle fleets toward cleaner energies, in accordance with the [national strategic plan for electric mobility](#).
- 1.12 **Identification of the problem and its consequences.** The Dominican Republic's competitiveness is limited by, among other factors, the weak regional and local connectivity of the agroindustrial area in the country's northwestern region (see paragraph 1.7). There, the low road density and connectivity (see paragraph 1.10) and lack of a strategic plan for developing the logistics cluster around the Port of Manzanillo (see paragraphs 1.8 and 1.9) with containerized freight services drive up logistics costs (see paragraph 1.5) for national and transnational importers and exporters; limit opportunities for developing and consolidating new agroindustrial and productive linkages (see paragraphs 1.7 and 1.8); restrict the development of free trade zones to better position binational supply chains and create sustainable jobs in the long term (see paragraph 1.7); and limit additional new private investments under the government's logistics strategy (see paragraph 1.4 and [optional link 11](#)).
- 1.13 **Proposed program actions.** The program consists of the construction of a shipping terminal made up of a 220-meter by 40-meter platform, 200 meters offshore and parallel to the bay coastline, with a natural draft of 16 meters, connected by a cargo transfer bridge (existing 227-meter pier, upgraded and reinforced). The proposed technology consists of sheet pile circular cells driven into the sea floor. This solution was selected from the various technical options available because it will not require capital dredging or subsequent maintenance dredging, and thus will prevent water pollution while optimizing investment costs

³¹ [Established by Law 70/1970](#), Articles 3 and 4.

³² Weaknesses have been identified in the integration of project management processes at the various technical offices, and the absence of an online planning system reflecting the true investment and maintenance needs.

with minimal environmental impact. Furthermore, the basic preliminary design offers a useful life of 100 years and is more resilient to natural events (e.g., earthquakes) but will not restrict the future expansion of the shipping terminal. The platform will allow for the simultaneous berthing of two Panamax-draft (4,500 TEUs) or post-Panamax-draft (8,500 TEUs) vessels, and can be expanded in the future with more cells to receive 10,000-TEU vessels, if demand rises, and port operations intensify, as a result of the aforementioned productive development and strengthening activities (see paragraphs 1.7 and 1.8). Accordingly, a 20-hectare logistics area³³ will be set up and equipped with the basic infrastructure and appropriate technology for handling refrigerated and containerized cargo. In turn, the sustainability of these investments will be supported through actions designed to integrate the management of the port and logistics areas; lower transportation costs for the primary user (banana) and for potential new export cargo (textiles); and incorporate the basic infrastructure for handling containerized cargo from free trade zones, within a framework for safeguarding the protected areas. The operation and management model needs to be strengthened with best practices from APORDOM, as the authority, to promote competition and follow-up investments through private parties and operators (see paragraphs 1.14 and 1.16).

Figure 4: Proposed port project

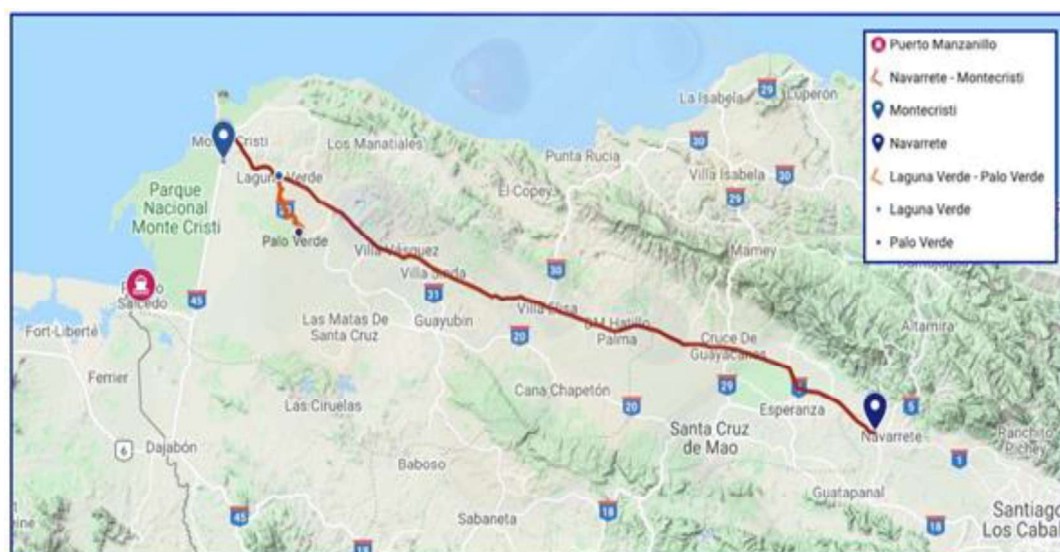


Source: Prepared by the authors.

³³ This area will be reserved for future demand growth, at no additional cost since it is public land with no other foreseeable use. Ownership of this area is being transferred from the national government to APORDOM.

- 1.14 In terms of management and technological equipment, the program will finance the: (i) Manzanillo Port Master Plan, reflecting criteria of productive development and the generation of productive linkages with a gender and diversity lens; (ii) technical, legal, and financial structuring of a concession for equipping and operating the shipping terminal as an asset held by APORDOM, under which private companies provide the port services; (iii) digitalization through technological tools for managing the road and port infrastructure and monitoring international traffic through the incorporation of electric vehicle fleets for roadside service (see paragraph 1.11); and (iv) environmental management plans for the infrastructure construction and operation stages (see paragraphs 1.18, 1.22, and 1.37).
- 1.15 The program will also finance the: (i) rehabilitation and upgrading of 90.6 km of the RD-1 between Navarrete and Montecristi, to improve operation and reduce traffic accident deaths ([optional link 8](#)), which will help attract freight from the Santiago de los Caballeros productive and industrial area (see paragraph 1.8), especially agricultural exports and containerized cargo from the free trade zones; and (ii) rehabilitation of 9 km of rural route RD-20 between the municipios of Palo Verde and Laguna Verde, which connect the main banana production zone with the RD-1 and RD-45 ([optional link 9](#)). The port and road infrastructure works will include parameters for resilience to natural hazards and climate change impacts (see paragraphs 1.22 and 1.32).

Figure 5: Targeted segments of the RD-1 and RD-20



Source: Prepared by the authors in Google Maps.

- 1.16 **Port investment operating and sustainability model.** The Port of Manzanillo operations will be organized according to the landlord port model (see paragraph 1.11), pursuant to current Dominican legislation ([Law 70-70](#) and [Decree 309-98](#)). The country applies the cornerstones of this model at its main port (Haina). The model presumes the existence of an independent public

agency, APORDOM, that manages the public assets of the port area, including the docks, storage yards and facilities, etc. In turn, private companies conduct the port operations—such as the loading and unloading of vessels and other logistical activities, like the management of storage yards and facilities—under concessions or other legal structures. In Manzanillo, the institutional, legal, and organizational aspects of this model will be developed simultaneously with construction of the shipping terminal. The program provides for preparation of the master plan (see paragraph 1.36) to formalize the government’s vision of the landlord port management model, and structure the arrangements for involving potential private operators (see paragraph 2.12).

- 1.17 **Rationale.** The Manzanillo Port rehabilitation and expansion via the new shipping terminal and the improvement of its road connectivity with climate resilience parameters will foster development of the northwest region logistics cluster (see paragraph 1.8), help improve logistics facilities and services, and increase connectivity and accessibility for producers and businesses to new markets and production and consumption centers, thereby promoting job creation. The program will also contribute to lowering transportation and logistics costs for the northwest region, which has high economic and production potential, by facilitating road connectivity and the movement of freight and people (see paragraph 1.23).
- 1.18 **Digitalization and innovation to promote sustainable infrastructure.** The IDB technical note, [“What Is Sustainable Infrastructure? A Framework to Guide Sustainability Across the Project Cycle,”](#) sets out criteria to incentivize the inclusion of sustainability standards in projects, as regards the efficient use of materials, capacity-building, technology use, and disaster and climate change risk management (see paragraphs 1.13, 1.14, and 1.15).
- 1.19 **Road safety.** According to data from the Permanent Observatory on Road Safety (2019), the Dominican Republic recorded an estimated total of 3,006 persons killed in traffic accidents for a rate of 29.28 deaths per 100,000 population, making it the country with the highest traffic accident mortality rate in Latin America and the Caribbean for an economic impact of 2% of GDP. This operation builds on and supplements the initiatives promoted by the Program to Support Mobility, Overland Transportation, and Road Safety in the Dominican Republic (loan 4914/OC-DR) and will provide support for improving road safety along the prioritized segments, through: (i) [road safety inspections \(optional link 8\)](#); (ii) the application, as a design input, of the International Road Assessment Programme’s (iRAP) [star ratings road safety methodology](#) to the Dominican Republic’s paved road system, including the targeted corridor on the RD-1; (iii) implementation of the [safe school environments](#) program at four schools on the Navarrete–Montecristi segment; and (iv) institutional strengthening of the MOPC to ensure standardization of road safety evaluation and monitoring methodologies in support of its road asset management (see paragraphs 1.35 and 1.36).

- 1.20 **Gender and productive development.** In the Dominican Republic in 2017, the workforce participation rate was 51% for women versus 78% for men.³⁴ For young people (ages 15 to 24), the gender gap in workforce participation did not change much between 2000 and 2017 (participation for women went from 29% to 32%; for men, from 55% to 57%).³⁵ The unemployment rate is 8% for women and 4% for men,³⁶ and according to International Labour Organization estimates, only 8.7% of all transportation and communications sector employees, and 3.3% of construction sector employees, are women.³⁷
- 1.21 **Persons with disabilities.** According to the 2013 National Multipurpose Household Survey, 7% of the population (708,597 persons) has some type of disability. In terms of workforce integration, 53.2% of persons with disabilities held some kind of paid employment, and a higher percentage of males are economically active (66.4%). These figures illustrate the significant exclusion from the labor market³⁸ faced by persons with disabilities in the country's productive sectors, including transportation and logistics.
- 1.22 **Energy efficiency, climate change impact, and natural disaster risks.** The country is located on the so-called "hurricane corridor." From 1871 to 2018, the Dominican Republic and Haiti were directly hit by over 100 tropical cyclones. Furthermore, as an island nation, it is one of the most vulnerable to climate change and ranked 50th on the Global Climate Risk Index for 2020,³⁹ which spans the historical period 1999-2018. It suffers recurring climate events that severely damage its transportation infrastructure (see paragraph 1.10).⁴⁰ In 2016 and 2017 alone, 644 road infrastructure works and bridges in 15 provinces had to be rebuilt, with reported damage of US\$394 million (MOPC, 2018). Pursuant to Operational Policy OP-704, a qualitative natural disaster and climate change risk evaluation analysis was done ([optional link 6](#)), finding that a disaster risk management plan would be necessary under the program.
- 1.23 **Empirical evidence.** The literature shows that improvements in freight logistics infrastructure positively impact foreign trade indicators. An analysis performed for Chile, Peru, Colombia, and Mexico⁴¹ found that a 1% reduction in domestic transportation costs would increase total exports by 1.3% to 4.5% and the number of exported products by 0.5% to 3.1%. According to another Bank study,⁴² increasing the efficiency of the region's ports to a level similar to that of the U.S. would bring freight charges down by 20%. Likewise, the positive impact on exports of a 10% reduction in international shipping costs is 10 to 20 times

³⁴ [World Bank, 2019.](#)

³⁵ [Idem.](#)

³⁶ [Idem.](#)

³⁷ [International Labour Organization, 2019.](#)

³⁸ [CONADIS \[National Council on Disability\], 2020.](#)

³⁹ Germanwatch. [Global Climate Risk Index.](#)

⁴⁰ Amnesty International. [2017/2018 Report.](#)

⁴¹ [IDB, 2016.](#)

⁴² [IDB, 2008.](#)

greater than the effect of similar reduction in tariffs. In Peru,⁴³ a highway investment program led to substantial improvement in average annual export growth (3.7%). In turn, disaster risk resilience and prevention yield benefits of four to seven times costs, in terms of avoided and reduced losses.⁴⁴

- 1.24 **The Bank's sector knowledge and lessons learned.** The Bank has experience in port investment programs and in introducing best practices for their sustainable management. The Bank financed the construction of a multipurpose wharf at the Port of Montevideo in 2008 (loan 2031/OC-UR) and improvements to the Port of Paramaribo in 2019 (loan 4828/OC-SU). In the Dominican Republic, the Bank financed, through the MOPC, the rehabilitation of the Port of Haina (operations 431/SF-DR and 172/IC-DR)⁴⁵ and the statutory establishment of the public authority (APORDOM) to manage it. As a result, the Port of Haina became the country's principal port, and significant private investments were made in its operation. Applied to the program, the lessons learned made it possible to evaluate the project as a comprehensive logistics complex in the port's area of influence, as defined by the National Logistics System (see paragraph 1.5), ensuring adequate road connectivity with production areas. At the same time, priority was put on the need to strengthen planning processes through the structuring of a port operations model consistent with a master plan setting out a local development vision, as well as the promotion of best practices for port management in terms of both regulation of competition and environmental safeguards. The Bank has financed road improvement and rehabilitation programs in the country, such as the Multiphase Program for Road Infrastructure, Phase I (loan 1939/OC-DR) and the local roads programs (loans 894/SF-DR and 1114/OC-DR), executed by the MOPC (see paragraph 3.1). The lessons learned from those programs without digital management tools include the need to strengthen infrastructure asset planning processes, as well as to promote digitalization and technology (drones, geographic information systems, etc.) in works monitoring. In addition to the investment programs, the Bank is currently supporting, through a programmatic series of budgetary support, the Program to Support Mobility, Overland Transportation, and Road Safety in the Dominican Republic (loan 4914/OC-DR), which is focused on strengthening the transportation sector regulatory and institutional framework. The relevant results, such as the freight transportation regulations or the tool for calculating [transportation reference costs](#), were taken into account in developing this program.
- 1.25 **The government's strategy.** The specific objectives of the National Development Strategy 2010-2030⁴⁶ include expanding the coverage and improving the quality of transportation and logistics infrastructure and services

⁴³ [Volpe Martincus C. et al., 2017.](#)

⁴⁴ [United Nations Office of Disaster Risk Reduction, 2011;](#) [Kull, et al., 2013;](#) [Mechler, 2016;](#) [Multihazard Mitigation Council, 2005.](#)

⁴⁵ Project for Expansion and Improvement of Puerto Haina (US\$35.5 million, 1975) and Puerto Haina Breakwater Project (US\$37 million, 1986).

⁴⁶ [Law 1-12, National Development Strategy 2030.](#)

with a view to connecting the country and supporting productive development and competitive positioning in international markets. The government's agenda for 2020-2024 ([optional link 12](#)) establishes promotion of the nationwide system for productive interconnection by equipping the cargo ports with storage and logistics centers as part of its freight transportation strategy. Furthermore, in its guidelines for developing the Public Sector National Multiyear Plan ([optional link 12](#)), the Ministry of Economy, Planning and Development includes strengthening supply chains and road and port logistics infrastructure as key lines of action to improve competitiveness. The freight transportation strategy of the National Freight Logistics Plan 2020-2032 (PNLOG) ([optional link 11](#)) promotes the nationwide system for productive interconnection by equipping the cargo ports with storage and logistics centers as part of its freight transportation strategy. The National Competitiveness Strategy 2018-2022 coincides with these guidelines and establishes specific objectives and targets for the logistics sector.

- 1.26 **The Bank's country strategy.** The operation is aligned with the pillar of the IDB Group Country Strategy with the Dominican Republic 2017-2020 (document GN-2908) that relates to improving productive and logistics infrastructure⁴⁷ to increase competitiveness and productivity by promoting global value chains and productive linkages for greater integration with local production. It is also aligned with the medium- and long-term challenge of climate change adaptation and mitigation in actions to support production-oriented activities and job creation. The operation is included in the 2021 Operational Program Report (document GN-3034).
- 1.27 **Strategic alignment.** The operation is consistent with the second Update to the Institutional Strategy 2020-2024 (document AB-3190-2) and strategically aligned with the development challenges of: (i) productivity and innovation, by promoting adequate infrastructure and reliable, accessible port and logistics services; and (ii) economic integration, by promoting access to export markets. The program also aligns with the crosscutting areas of: (i) gender equality and diversity, by promoting training for public sector partners on such issues as gender inclusion and inclusion of persons with disabilities; (ii) climate change and environmental sustainability, by strengthening the resilience of port and road infrastructure to the impacts of climate change; and (iii) institutional capacity and the rule of law, by promoting improvements in administration capacity for ports (master plan and regulations and APORDOM) and roads (management systems and the iRAP methodology). The program will also contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the indicators of "roads built or upgraded (km)" and "beneficiaries of enhanced disaster and climate change resilience (number)." All told, 50.11% of the operation resources will be invested in climate change adaptation and mitigation activities (see paragraph 1.32), in accordance with the [multilateral development banks' joint methodology](#) for tracking climate finance. These resources will contribute to the IDB climate finance target of 30% of the amount of annual approvals.

⁴⁷ The IDB is preparing the new country strategy, which is expected to continue to prioritize the issue of production.

- 1.28 The operation is consistent with: (i) the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), by promoting access to infrastructure services; (ii) the following sector framework documents (SFD): (a) Integration and Trade SFD (document GN-2715-6), by improving infrastructure for international trade; (b) Transportation SFD (document GN-2740-12), by promoting accessible, efficient, and safe transportation systems; and (c) Climate Change SFD (document GN-2835-8), as discussed in paragraph 1.27; and (iii) the following action plans: (a) Gender Action Plan for Operations 2020-2021 (document GN-2531-19); and (b) Diversity Action Plan for Operations 2019-2021 (document GN-3001), as presented in paragraph 1.27.
- 1.29 **Actions for digitalization and innovation for sustainable infrastructure.** The development of the shipping terminal includes: (i) the use of very flat, unjointed, post-tensioned concrete pavement to ensure an unrestricted horizontal operating platform with a long useful life; (ii) installation of assisted docking equipment to guide the pilot in berthing; (iii) installation of a digital system for coordinating and managing heavy vehicle access to the port facilities depending on the planned arrival (date/time) for the ship's berthing and for port and customs proceedings; and (iv) satellite-controlled automatic navigational lighting equipment powered by solar energy. To support the MOPC and APORDOM digitalization processes, the operation will prioritize technology investments associated with: (i) the development of a road asset management system that allows for multiyear planning of investments and maintenance plans with the use of artificial intelligence for assessing pavement condition; and (ii) regular use of the [Blue Spot Analysis](#) methodology, developed with the Bank's support and leadership, in the MOPC's prioritizing of investments (see paragraph 1.32).
- 1.30 **Actions for gender and productive development.** The operation will help increase women's participation in the port sector workforce through the following actions: (i) a gender and diversity action plan for APORDOM; (ii) an institutional analysis of APORDOM that includes gender and diversity guidelines to incentivize women's involvement in the operation of the national port system; (iii) master plan for the logistics development of Manzanillo, including gender and diversity guidelines and proposals for starting/operating logistics services microenterprises led by women and/or with equal participation of women; (iv) promotion of women's workforce participation in the construction, port, and logistics sectors through support in the bidding documents for the planned works, as well as through the design and implementation of a training program with the equal participation of men and women; and (v) training seminars for the contracting companies on gender equity and violence against women in the construction sector. These activities, described in [optional link 4](#)) are expected to contribute to the workforce participation of women in the Port of Manzanillo, according to the specific impact indicator presented in the Results Matrix.

- 1.31 **Actions for persons with disabilities.** The program will bolster inclusion actions through the MOPC and APORDOM social management team,⁴⁸ by means of: (i) universal accessibility standards in the design of the port and logistics infrastructure and terminal buildings, as well as in the urban accesses to the targeted road segments; (ii) workshops to promote the participation of persons with disabilities in the port and logistics sector workforce; and (iii) the inclusion of diversity guidelines for persons with disabilities in the Manzanillo master plan ([optional link 5](#)).
- 1.32 **Actions for climate change impact and natural hazard/disaster risks.** Since 2019, the MOPC has made progress on improving its infrastructure planning system, by designing a “[decision-making under deep uncertainty](#)” methodology ([Blue Spot Analysis](#)), which was supported and led by the Bank and is already operational. The use of this methodology for the program has made it possible to: (i) model vulnerability and criticality for various climate scenarios; (ii) estimate annual damages and losses and identify target areas; and (iii) prioritize mitigation measures for inclusion in the designs of port and road works, focusing on drainage and water engineering structures, erosion protection on embankments and slopes, and other factors. These more costly resilience measures are offset by lower repair costs and shorter service interruptions. With regard to energy efficiency, the program will support clean systems (powered by solar energy) for the navigational and signal lights around the port, as well as the procurement of a fleet of electric vehicles for the road assistance teams on the RD-1, including the targeted segment (see paragraphs 1.11, 1.35, and 1.36).

B. Objectives, components, and cost

- 1.33 The general objective is to contribute to improve competitiveness and socioeconomic growth in the northern part of the country by providing effective port and logistics infrastructure. The specific objectives are to: (i) reduce transportation costs and times for freight with origin/destination in the northern part of the country; and (ii) increase the total movement of freight (tons) and containers (TEUs) through Manzanillo. The operation has the following components:
- 1.34 **Component I. Port investments (US\$46,000,000).** This component will finance: (i) construction of a wharf and auxiliary facilities for handling containerized cargo, fruit reefers (refrigerated containers), bulk and general cargo; (ii) upgrading of the basic infrastructure of the logistics area with an onshore storage yard that has a surface area of approximately 200,000 square meters, and 1,000 square meters of buildings for access control, administration, marina, and firefighters; (iii) internal roads and perimeter security around the shipping terminal; (iv) technology systems for assisted docking and berthing, management of heavy vehicle access to the port facilities, and satellite-controlled automatic navigational lighting equipment; and (v) works supervision (see paragraphs 1.13, 1.22, and 1.32).

⁴⁸ [In 2018, APORDOM received the RD-Incluye 2018 seal for its practices promoting the inclusion of persons with disabilities in the port sector workforce.](#)

- 1.35 **Component II. Investments in road connectivity and improvements (US\$42,325,000).** This component will finance the rehabilitation and improvement of: (i) the Duarte Highway (RD-1), Navarrete–Montecristi segment (90.6 km); the intervention will use the existing roadbed, with no planned changes to the geometry, and will include replacing the drainage, milling, patching, and repaving works and the rehabilitation of ditches and reinforcement of structures and bridges with the iRAP high road safety standards (for lighting, signaling, speed reducers, urban access roads) (see paragraph 1.19); (ii) upgrading of rural route RD-20, Palo Verde–Laguna Verde segment (9.0 km), including work on the roadbed, reprofiling, ditches, drainage works, and surface treatment to ensure stability; and (iii) works supervision. In their designs, both projects include resilience measures for mitigating natural disaster and climate change risks (see paragraphs 1.15, 1.22, and 1.32) and universal accessibility standards for urban access roads (see paragraph 1.31).
- 1.36 **Component III. Strengthening of logistics connectivity and port management (US\$6,000,000).** This component will finance: (i) feasibility studies and detailed engineering designs; (ii) application of the iRAP road safety methodology to the country's paved road system (see paragraph 1.19); (iii) master plan for development of the Manzanillo shipping terminal, including gender and diversity guidelines (see paragraphs 1.13 and 1.14); (iv) port administration regulations under the landlord model (see paragraphs 1.13 and 1.14); (v) computerized systems for road and port management and data analysis of bidding processes (see paragraph 1.29); (vi) electric vehicles for supervision and/or roadside services (see paragraph 1.32); (vii) training program with equal participation of men and women in the workforce of the construction, port, and logistics sectors (see paragraphs 1.14, 1.20, and 1.30); and (viii) workshops to promote access of persons with disabilities in the construction and operation of the shipping terminal and road projects (see paragraphs 1.14, 1.21, and 1.31).
- 1.37 **Component IV. Socioenvironmental and climate resilience considerations (US\$4,000,000).** This component will finance: (i) socioenvironmental management programs for the construction and operation of the shipping terminal (see paragraph 1.34) and for road rehabilitation; and (ii) development and implementation of the disaster risk management plan. All these actions and their subactivities are described in the program's environmental and social management plan (ESMP) and environmental and social management report ([required link 3](#)).
- 1.38 **Support for program administration (US\$1,675,000).** Financing will be provided for: (i) coordination of program execution, including the salaries of the multidisciplinary technical permanent staff of the project execution unit;⁴⁹ (ii) operating/administrative expenses; and (iii) program audit.

⁴⁹ At the borrower's request, the Bank will consider this a recurrent expenditure pursuant to policy document GN-2331-11. This expenditure is eligible because it involves the MOPC technical/productive permanent staff working on program execution and represents less than 1% of the ministry's budget. This will guarantee sustainability within the UEPFRE after the program execution period.

C. Key results indicators

- 1.39 The program's specific outcomes (see paragraph 1.33), to be evaluated based on the indicators proposed in the Results Matrix, are as follows: (i) total movement of general and containerized freight; (ii) vessel movement; (iii) reduction of travel time and vehicle operating costs on the program roads; and (iv) quality of the roads based on the serviceability⁵⁰ and roughness indexes. The project's impact will be measured as follows: (i) impact on competitiveness and contribution to growth, using the total amount of national and free trade zone exports through the Port of Manzanillo; and (ii) gender impact, using the increase in the workforce participation of women in the Port of Manzanillo ([required link 2](#)).
- 1.40 **Technical and economic viability.** An economic evaluation of the operation was performed ([optional link 1](#)). For methodological reasons, it looked at the port works and road works separately. In both cases, the methodology used reflected the sector's standard cost/benefit analysis. For the port works, the evaluation yielded an economic internal rate of return (EIRR) of 11.5%. This result is regarded as adequate for the project, especially when considering that: (i) the evaluation was prepared under conservative criteria, as suggested by best practices; only existing freight was considered for both imports and exports; the indicated return is thus considered to be a minimum estimate; if the program leads to higher export production due to improved logistics, the project's economic return will be even higher; and (ii) for the port works, which have an expected useful life of 100 years or more, the literature suggests using lower discount rates than for projects with a shorter life⁵¹ (or equivalently, lower EIRR cutoff rates). Consequently, the resulting economic return value is considered adequate to justify the project. The economic evaluation of the road works yielded rates of 28.7% and 18.8% for the respective RD-1 and RD-20 segments, both over 12%. Analyzed as a whole, the program has a weighted EIRR of 19.3%.
- 1.41 **Beneficiaries.** The main program beneficiaries will be the population of more than 1.9 million people living in the provinces making up the El Cibao region, the companies in the export free trade zones that will gain access to better facilities and logistics services, and the agricultural producers (banana, rice, etc.) and companies in the Santiago de los Caballeros industrial complex that will gain better connectivity and accessibility to the Port of Manzanillo, lowering their transportation costs. The textile business owners and workers in the border area will also benefit with increased potential for adding other agroindustrial products.

⁵⁰ Serviceability is defined as the pavement's ability to handle the types of traffic that circulate on the road (automobiles and trucks). It is measured on a scale of zero to five, where zero means the pavement is impassable and five means it is excellent.

⁵¹ Campos, Serebrisky, and Suárez (2016) discusses the grounds for using lower social discount rates in long-term projects. For example, the United Kingdom HM Treasury Green Book uses social discount rates of 3% for projects with a horizon of between 31 and 75 years; 2.5% for projects of between 76 and 125 years; 2% for 126 to 200 years; 1.5% for 201 to 300 years; and 1% if the project lasts more than 300 years (Edwards, 2016).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Cost and financing modality.** This operation will be financed by an investment loan under the specific works modality with a disbursement period of five years. The program will have a total cost of US\$100 million and will be fully financed with resources from the Bank's Ordinary Capital.

Table 1. Estimated program costs (US\$)

Components	Total	%
Component I. Port investments	46,000,000	46.00
Rehabilitation of wharf and construction of offshore shipping terminal, Port of Manzanillo	43,360,000	43.36
Works supervision	2,640,000	2.64
Component II. Investments in road connectivity and improvements	42,325,000	42.33
Rehabilitation and upgrading of Duarte Highway–Navarrete–Montecristi segment	36,830,000	36.83
Rehabilitation of Palo Verde–Laguna Verde segment	3,749,000	3.75
Works supervision	1,746,000	1.75
Component III. Strengthening of logistics connectivity and port management	6,000,000	6.00
Component IV. Socioenvironmental and climate resilience considerations	4,000,000	4.00
Support for program administration	1,675,000	1.68
Total	100,000,000	100.00

Table 2. Projected disbursements (US\$ millions)

Source	Year					Total
	1	2	3	4	5	
IDB	2.8	15.9	41.8	35.5	4.0	100.0
%	2.8	15.9	41.8	35.5	4.0	100.0

B. Environmental and social safeguard risks

- 2.2 In accordance with Operational Policy OP-703, the program was classified as a category “A,” high-risk operation due to potential environmental and social impacts and risks, mainly associated with the execution of the maritime works. Although the project will not be executed in critical land or marine natural habitats, the construction and operation of the shipping terminal may impact local traditional fishing and the marine biotic level, and entail an environmental accident risk for the especially sensitive protected zones near the project area and for the town of Pepillo Salcedo. There may also be notable crossborder impacts (migration, potential influence on the biotic environment), given the project's proximity to the Haitian border.

- 2.3 The operation will not affect any indigenous communities or vulnerable populations, nor does it require physical and/or economic resettlement.
- 2.4 Importantly, the port works and subsequent operation do not entail dredging, since the bay is already deep enough to allow commercial vessels to berth. Furthermore, the road works will occur on pre-existing roads. The rehabilitation works are regarded as ordinary, low intervention works from an engineering standpoint. The projects will be located in stable areas, and none will involve changing the road alignment.
- 2.5 The following documentation was prepared pursuant to Directive B.5 of Operational Policy OP-703, (“environmental and social documentation”): (i) environmental and social impact assessment ([ESIA](#)) and environmental and social management plan ([ESMP](#)) for the rehabilitation and expansion of the Port of Manzanillo; (ii) ESIA and ESMP for the rehabilitation of the port access roads; and (iii) assessment of the operation’s natural disaster and climate change risk ([optional risk 6](#)). This final assessment was prepared considering the “high” natural disaster risk (Type 1 risk according to the Operational Policy OP-704 classification criteria for natural disaster management).
- 2.6 The combination of impacts and risks can be avoided, mitigated, and controlled through effective management measures and actions known to the sector and included in the operation’s ESMP.
- 2.7 The environmental and social documentation has been available on the Bank’s website since 23 October 2020 (for the port works) and 21 December 2020 (for the road works).
- 2.8 In compliance with Directives B.6 and B.8 of Operational Policy OP-703, the following public consultations were held: (i) two rounds, the first on 11 and 12 February 2021, and the second on 10 March 2021; and (ii) two rounds on crossborder impacts with Haiti, the first on 8 April 2021 and the second on 13 April 2021. Notably, the consultation with Haiti was simultaneously interpreted following the protocol established by the Ministry of Foreign Relations of the Dominican Republic, which coordinated the event. The consultations are considered meaningful and were held virtually following the guidelines for virtual consultations amid the COVID-19 pandemic.
- 2.9 Overall, the project was received positively by all attendees, and none commented negatively or opposed execution. The participants mainly requested clarification on the operation’s environmental and social management plans for the sensitive areas closest to the port (including protected areas) and the populated areas along the roads, and generally on the development opportunities for the community. The Haiti consultation participants expressed support for the project and asked to be kept informed throughout the operation.
- 2.10 The executing agency shared the access links for the environmental and social documentation with the participants, as well as the channels for questions or inquiries before and after the consultation meetings. The consultation report and conclusions were taken into account in updating the environmental and social documentation.

C. Fiduciary risks

- 2.11 Since the executing agency has extensive knowledge and experience in the implementation of Bank-financed projects and also understands the Bank's financial and operational management policies, no significant fiduciary risks are foreseen. However, a medium-high risk was identified that additional costs could prevent the works from being completed as planned. This risk will be mitigated through ongoing monitoring of the preinvestment studies, detailed technical designs, and bidding processes.

D. Other key risks and issues

- 2.12 A medium-high organizational structure risk was identified that actual operation of the shipping terminal may be delayed following completion of the port works. This risk will be mitigated by the special contractual condition for execution that the regulations have been approved for administration and operation of the Manzanillo shipping terminal under the landlord model, as well as by the support for development of the master plan and the necessary technical, legal, and financial structuring conducive to private operation. The environment among the project beneficiaries is also expected to be highly favorable (see paragraph 1.41) for a rapid, efficient port launch after the rehabilitation and expansion. Moreover, the technical analysis of potential cost overruns related to large projects, similar in nature to the program's port works, has been reviewed and will be supplemented as part of the preliminary design study prior to the competitive bidding process. The planned mitigation measures are an exhaustive evaluation of the main items and unit prices, as well as training activities in contract management of large projects (FIDIC contracts, etc.).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Dominican Republic, and the executing agency will be the Ministry of Public Works and Communications (MOPC), acting through the Execution Unit for Externally Funded Projects (UEPFRE),⁵² which has more than two decades of experience executing projects financed by the Bank and other international agencies⁵³ (see paragraph 1.24). The MOPC will coordinate and administer program execution, including fiduciary execution actions, works supervision, and social and environmental issues. It has permanent technical staff in each of the different required disciplines, who will be supplemented for program execution by the following: (i) a structural engineer; (ii) a hydraulic engineer; (iii) a supervision coordinator; (iv) three supervising engineers; (v) a planning specialist; (vi) an information technology expert with knowledge of databases with information systems; (vii) a shipping container engineer; (viii) an engineer with expertise in

⁵² Established pursuant to MOPC [Resolution 14/2018](#).

⁵³ UEPFRE is currently executing the Sustainable Agroforestry Development Program (loan 4553/OC-DR-1) and a disaster risk reduction program with the European Investment Bank (EIB).

paving; (ix) a road safety specialist; and (x) administrative support, according to program execution needs. The Dominican Port Authority (APORDOM) will provide technical support for execution of the port activities under Components I, III, and IV (see paragraphs 1.34, 1.35, and 1.37). APORDOM's technical support will be structured under an interagency agreement with the MOPC establishing the obligations of the parties and coordination mechanisms ([optional link 10](#)).

- 3.2 The UEPFRE's roles and responsibilities for program execution include: (i) planning, coordinating, directing, and evaluating execution of the works; (ii) formulating the work plan and annual budget; (iii) maintaining adequate accounting and financial controls and records; (iv) coordinating the management of disbursements of the loan proceeds with the Bank; (v) preparing and proposing the bidding documents for solicitations and competitive bidding processes, approving studies and technical files; (vi) implementing and operationalizing program monitoring and supervision actions; and (vii) preparing and delivering the financial reports on program execution and the audited financial statements to the Bank.
- 3.3 **Contracts.** The port construction work will be carried out through a design-build bidding process. A preliminary design will define the requirements for the port operation load (design vessels, loading and unloading equipment, cargo vehicles, and service overloads) and environmental load (wind, waves, currents, and earthquakes) and the technical feasibility study of the structural solution, on the terms of the Design-Build Institute of America. The construction variants submitted by qualified offerors meeting the project requirements will be analyzed in the bidding process. According to the multiyear programming ([required link 1](#)), bidding⁵⁴ for the port works should begin in 2021, and for the road segments, in 2022. The contracting periods will be sequenced and executed in a regular fashion, based on availability of designated resources and the time required by the technical staff.
- 3.4 **Special contractual conditions precedent to the first disbursement of the loan proceeds:** (i) the program Operating Regulations ([optional link 10](#)) will have been approved, including: workflows, internal controls, and environmental and social management plans setting out the requirements and procedures applicable in program execution, on the terms previously agreed upon with the Bank; and (ii) the following will have been appointed for program execution: (a) technical coordinator; (b) planning specialist; (c) procurement specialist; (d) financial specialist; (e) port specialist; (f) environmental specialist; and (g) social specialist. These measures are necessary, since Bank experience in the region shows that approval of the program Operating Regulations prior to the first disbursement facilitates the executing agency's internal organization for implementation, and the program must make sure to have human resources working on it specifically (although not exclusively), in order to achieve the planned development objectives.

⁵⁴ The preliminary design studies necessary to launch the bidding processes are under way and scheduled for completion in the third quarter of 2021.

- 3.5 **As a special contractual condition precedent to the first disbursement of the resources for Components I, III, and IV, an interagency agreement will be signed between the Dominican Port Authority (APORDOM) and the Ministry of Public Works and Communications (MOPC) establishing the obligations of the parties and the mechanisms for coordination between them.** This condition is key to ensure effective coordination of matters related to the port works, including the socioenvironmental management.
- 3.6 As a special contractual condition of execution, regulations will have been approved for the administration and operation of the Manzanillo shipping terminal under the landlord model prior to the start of the port operational phase. This condition is critical for strengthening APORDOM's planning and management mechanisms by defining private investment arrangements with clear rules, competitive processes, and a strategy aligned with the productive development of the country's northwest.
- 3.7 **Disbursements.** The loan proceeds may be disbursed via the advance of funds, reimbursement of expenditures, and direct payment to the supplier modalities. For advance of funds, each advance will be determined based on the program's financial planning for up to six months. The Bank may process a new advance of funds, when justifications have been submitted for at least 80% of the funds disbursed as advances. Financial review of disbursement requests will be ex post.
- 3.8 **Retroactive financing.** The Bank may retroactively finance, as a charge against the loan proceeds, up to US\$20 million (20% of the proposed loan amount) in eligible expenditures incurred by the borrower prior to the loan approval date on individual consultants and consulting firms for technical studies and the purchase of equipment and goods included in program Component III (see paragraph 1.36), provided that conditions substantively similar to those established in the Loan Contract were met, and the contracting procedures adhered to the core procurement principles. Such expenditures must have been incurred on or after 3 January 2020 (approval date of the project profile), but in no case more than 18 months prior the loan approval date.
- 3.9 **Procurement.** The Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15), and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15), as updated, will be followed. The procurement plan ([required link 4](#)) lists the planned procurement processes.
- 3.10 **Audits.** The external audit of the project will be performed by an external audit firm acceptable to the Bank. The independent external audit firm will be commissioned and financed, as applicable, with program resources, according to procedures, terms of reference, and request for proposals that have received the Bank's no objection. During execution, the audited financial reports will be delivered to the Bank: (i) annually, within 120 days after the closing date of each fiscal period; and (ii) at project close, no later than 120 days after the last date for disbursement in full.

B. Summary of arrangements for monitoring results

- 3.11 The monitoring and evaluation plan ([required link 2](#)) will support execution of the operation pursuant to the targets and progress indicators defined in the Results Matrix (Annex II), using the following instruments: (i) the multiyear execution plan, annual work plan, procurement plan, and annual external audits; (ii) six-monthly status reports including, but not limited to, the impact monitoring indicators, outcome indicators, indicators for the execution of each component, and indicators of compliance with the operational requirements specified in the Operating Regulations ([optional link 10](#)), as well as the environmental, social, and occupational health and safety indicators described in the ESMP ([optional link 3](#)); and (iii) the audited financial statements. The executing agency will also collect, store, and process all information, indicators, and parameters necessary to prepare the project completion report, including the annual plans and final evaluation.
- 3.12 **Evaluation.** An evaluation will be performed to quantify the causal effects of the interventions with regard to the variables presented in paragraph 1.39. This evaluation will include at least: (i) an ex post cost-benefit analysis using same the methodology as the ex ante analysis and including a comparison of outcomes to verify the parameters considered, as described in [required link 2](#); (ii) the financial execution results; (iii) established targets met, based on the agreed outcome indicators; and (iv) contractual commitments fulfilled.

Development Effectiveness Matrix		
Summary		CO-1256
I. Corporate and Country Priorities		
1. IDB Development Objectives		
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Accountability institutions strengthened (#)* -Projects supporting innovation ecosystems (#)*	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2972	Increase the efficiency and quality of justice
Country Program Results Matrix	GN-3034	The intervention is included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution	9.1	
3.1 Program Diagnosis	2.4	
3.2 Proposed Interventions or Solutions	4.0	
3.3 Results Matrix Quality	2.7	
4. Ex ante Economic Analysis	8.0	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	3.0	
4.2 Identified and Quantified Benefits and Costs	3.0	
4.3 Reasonable Assumptions	1.0	
4.4 Sensitivity Analysis	0.0	
4.5 Consistency with results matrix	1.0	
5. Monitoring and Evaluation	9.3	
5.1 Monitoring Mechanisms	1.8	
5.2 Evaluation Plan	7.5	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	C	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	ATN/FG-17933-CO, whose objctive is to support the activities for this operation.

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

Evaluability Note: The main objective of CLIPP is to support the Digital Transformation of Justice in Colombia with a medium- and long-term vision. The general objective of the first operation is to increase the effectiveness, efficiency, and transparency of the justice system in order to improve judicial processes and respond to citizens' legal needs. To achieve this goal, the loan focuses on three areas in which the project intervenes. The first seeks to promote more effective judicial management and processes, the second to improve the efficiency of judicial management and processes, and the third to render judicial processes more transparent.

The loan proposal presents a solid diagnosis of the problem, based on a limited resource capacity to respond to growing demand for judicial services. This is especially relevant given the COVID-19 pandemic, during which basic procedures to ensure access to key citizens' justice services must remain in place. The proposed solutions focus on improvements to organizational, technological, and managerial capacity, as well as improvements to digital justice. These solutions are appropriate for responding to the identified problems and their contributing factors. The results matrix is congruent with the vertical logic of the project. Outcome indicators are appropriately defined to measure the program's achievements and fulfillment of its objectives. All impact indicators are aligned with the overall objective.

The ex-ante economic analysis of the operation is appropriate, with reasonable and standard assumptions for this type of project and reasonable sensitivity analyses. It is based on the benefits of lower economic costs for citizens due to the reduction in procedural time as a result of improvements in judges' productivity. The analysis shows a positive net present value in the main scenario, as well as under several conditions included in the sensitivity analysis.

The monitoring and evaluation plan includes an impact evaluation in which a simple stratified randomization will be carried out. This evaluation will stratify municipalities using different baseline variables, such as case resolution rate, savings in the management of judicial processes, and procedural time, among others. Administrative data will be used for all baseline variables. The experiment will contribute to the literature by generating important evidence on the impact of information and the use of technology in judicial processes. The remaining indicators will be measured using a before-and-after method. Monitoring and evaluation activities will be carried out by the Superior Council of the Judiciary and the Ministry of Justice and Law in coordination with the Bank.

RESULTS MATRIX

Project objective:	The general objective is to contribute to improve competitiveness and socioeconomic growth in the northern part of the country through the rehabilitation of port infrastructure and logistics services. The specific objectives are to: (i) reduce transportation costs and times for freight with origin/destination in the northern part of the country; and (ii) increase the total movement of freight (tons) and containers (TEUs) through Manzanillo.						
General Development Objective							
Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: To contribute to improve competitiveness and socioeconomic growth in the northern part of the country through the rehabilitation of port infrastructure and logistics services							
National exports through the Port of Manzanillo	FOB value (US\$000s)	125,905,177	2019	2026	133,598,738	Foreign Trade Yearbook. National, free trade zone, other, and total exports, by product, according to customs subheading and nomenclature (harmonized system). National Statistics Office. Responsibility: Dominican Port Authority (APORDOM)	Expected staggered growth of 1% per year in the first 3 years of operation (2024-2026)
Free trade zone exports through the Port of Manzanillo	FOB value (US\$000s)	1,548,429	2019	2026	1,643,047		
Workforce participation of women in the Port of Manzanillo	%	To be determined	2021	2026	To be determined	Monitoring reports. Responsibility: APORDOM.	Pro-gender.

Specific Development Objectives

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Specific development objective 1: Reduce transportation costs and times for freight with origin/destination in the northern part of the country											
Average vehicle operating cost	Constant US\$ per veh/km	Light - 0.26	2021						Light - 0.25	Traffic study HDM4	On the Duarte Highway (RD-1)
		Heavy - 0.80							Heavy - 0.73	Responsibility: Ministry of Public Works and Communications (MOPC)	On rural route RD-20
		Light - 0.83							Light - 0.55		
		Heavy - 1.49							Heavy - 1.08		
		Light - 69.1							Light - 68.7		
Average travel time	Minutes	Heavy - 95.0							Heavy - 94.6		On RD-1
		Light - 14.7							Light - 8.9		On RD-20
		Heavy - 16.6							Heavy - 10.0		
Serviceability index ¹	Scale of 1 to 5	3						5	Traffic study	On RD-1	
Roughness index (IRI) ²	(m/km)	1							4	Responsibility: MOPC	On RD-20
		To be determined							To be determined		On RD-1
										End-of-project target will be a 50% reduction from the baseline value.	
Specific development objective 2: Increase the total movement of freight (tons) and containers (TEUs) through Manzanillo											
Total movement of freight through Manzanillo	Metric tons	339,114	2020	0	0	343,505	349,355	359,834	359,834	Statistical Yearbook, APORDOM	Expected staggered growth of 1% per year in the first 3 years of operation (2024-2026)
Total movement of containers through Manzanillo	TEU	12,253		0	0	12,735	12,990	13,380	13,380	Responsibility: APORDOM	

¹ Based on the standards of the American Association of State Highway and Transportation Officials (AASHTO).

² Reducing the IRI by 50% increases the useful life by 27%.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Total movement of vessels through Manzanillo	Units	107		0	0	108	110	113	113		

Outputs

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Component 1: Port investments											
Current wharf, rehabilitated	Unit	0	2021	0	0	0	1	0	1	Supervision reports Responsibility: MOPC	
New offshore terminal, built and operational	Unit	0		0	0	0	1	0	1		
Container area, rehabilitated	Unit	0		0	0	0	1	0	1		
Supervision of port works, contracted	Unit	0		0	1	0	0	0	1		
Component 2: Investments in road connectivity and improvements											
Roads rehabilitated and upgraded	Km	0	2021	0	0	10.0	40.0	49.6	99.6	Supervision reports Responsibility: MOPC	
Roads with detailed engineering designs with road safety and accessibility elements, completed	Km	0		0	90.6	0	9.0	0	99.6		
Supervision of road works, contracted	Unit	0		0	1	0	1	0	2	Monitoring reports Responsibility: MOPC	

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Component 3: Strengthening of logistics connectivity and port management											
Number of beneficiaries of the program roads with improved resilience ³	Unit	17,871		18,396	18,757	19,325	19,735	20,154	20,154	Traffic study Responsibility: MOPC	Comprising users of RD-1 and RD-20.
Component 3: Strengthening of logistics connectivity and port management											
Feasibility study of solutions for critical points on RD-1, completed	Unit	0	2021	0	0	0	1	0	1	Monitoring reports Responsibility: MOPC	
Application of the iRAP safety classification methodology to the Dominican Republic road system, completed	Unit	0		0	1	0	0	0	1		
Design of a long-term maintenance plan for the Port of Manzanillo, completed	Unit	0		0	0	0	1	0	1		
Road asset management system, purchased and implemented	Unit	0		0	0	1	0	0	1		
IT platform for the UEPFRE for the homogeneous analysis of bidding data, purchased and implemented	Unit	0		0	1	0	0	0	1		

³ This indicator comprises the vehicle traffic on RD-1 (Navarrete Exit-Junction 216 [Access to Esperanza]) and RD-20 (Laguna Verde-Palo Verde segment). The annual values are the projected benefits in the given year, and so are not cumulative.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Electric vehicles for supervision, with chargers, purchased	Unit	0		0	0	5	0	0	5		
Master plan for the logistical development of Manzanillo, including gender and diversity guidelines, completed	Unit	0	2021	0	0	0	1	0	1	Monitoring reports Responsibility: APORDOM	Pro-gender.
Institutional analysis of APORDOM's structure, including guidelines for gender and persons with disabilities in the national port system, completed	Unit	0		0	0	1	0	0	1		
Gender guidelines and accessibility standards for ports, developed	Unit	0		0	1	0	0	0	1		
Analysis of alternatives for operation of the Port of Manzanillo, completed	Unit	0		0	0	1	0	0	1		
Activities in the Gender and Diversity Action Plan, implemented by APORDOM	Activities	0		0	0	1	1	1	3		Pro-gender. Annual implementation report on activities in the Gender and Diversity Action Plan.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Component 4: Socioenvironmental and climate resilience considerations											
Workplace accidents with extreme consequences registered at the program works	Unit	0	2021	0	0	0	0	0	0	Monitoring reports Responsibility: MOPC	
Serious environmental accidents in the Port of Manzanillo area	Unit	0		0	0	0	0	0	0		
Environmental and social management program for port construction, developed and functional	Unit	0		0	1	0	0	0	1		
Environmental and social management program for rehabilitation of program roads, developed and functional	Unit	0		0	1	0	0	0	1		
Direct jobs created at the program works, disaggregated by gender ⁴	Jobs	0		50	120	260	320	396	396		
Workshops on gender equality and violence against women for contractor companies and other involved agencies, designed	Unit	0		1	1	1	1	0	4	Minutes of workshops held Responsibility: MOPC	Pro-gender

⁴ The annual values are jobs created in the given year, and so are not cumulative.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Persons trained at workshops on the participation of women and persons with disabilities in the workforce of the construction, port, and logistics sectors, disaggregated by gender	Unit	0		20	20	20	20	0	80	Monitoring reports Responsibility: APORDOM	
Training sessions on economic opportunities for women in administration, leadership, and entrepreneurship, delivered	Unit	0		0	0	0	1	1	2		
Environmental and social management program for port operation, developed	Unit	0		0	0	0	1	0	1		

Country: Dominican Republic

Division: INE/TSP

Operation No.: DR-L1141

Year: 2021

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Ministry of Public Works and Communications (MOPC), acting through the Execution Unit for Externally Funded Projects (UEPFRE)

Operation name: Manzanillo Port Rehabilitation and Expansion

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation (any system or subsystem approved subsequently may be used for the operation, pursuant to the terms of the Bank's approval)

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	

2. Fiduciary execution mechanism

The MOPC will coordinate and manage program execution, including fiduciary execution actions and the supervision of works and social and environmental issues. The Dominican Port Authority (APORDOM) will provide technical support for program execution on the port works and activities under Components I, III, and IV. APORDOM's technical support will be structured under an interagency agreement with the MOPC establishing the obligations of the parties and mechanisms for coordination with the other institutions involved in program execution.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	<p>The executing agency's fiduciary capacity has been evaluated as medium and is regarded as adequate for project execution, given the MOPC's extensive experience in implementing Bank-financed projects and knowledge of the Bank's financial and operational management policies, having previously executed: (i) the Multiphase Program for Road Infrastructure (loan 1939/OC-DR); and (ii) Productive Development and Competitiveness of the Province of San Juan (Subcomponent 2.1) (loan 3107/OC-DR). It is currently executing Component II of the Sustainable Agroforestry Development Program (loan 4553/OC-DR-2).</p> <p>The evaluation of the Dominican Republic's public financial management system (August 2017 and October 2019) indicated that, in general terms, its average level of development is medium, and the use of country systems does not pose major risks for the execution of IDB-financed projects. The updated diagnostic assessment of the public procurement system, performed in February 2016 using the methodology of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC), identified it as a somewhat advanced system with some opportunities for improvement with regard to sanction and control mechanisms.</p>
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4. Fiduciary risks and risk response

Area (financial management / procurement)	Risk	Risk level	Risk response
Financial management and procurement	Possible limitations in the management of bidding processes and delays in the preparation of financial reports.	Medium	Ongoing strengthening of the executing agency through training, assistance, and supervision in fiduciary matters by the Bank's fiduciary team.

5. Policies and guidelines applicable to the operation

- Financial management: Financial Management Guidelines for IDB-financed Projects (document OP-273-12); Disbursement Handbook; Audited Financial Reports and External Audit Management Handbook.
- Procurement: Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15), and Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15).

6. Exceptions to policies and guidelines

- None

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

<p>Applicable exchange rate for justification of expenditures incurred in the local currency of the borrower's country:</p> <ul style="list-style-type: none"> - Option (b)(i) of Article 4.10 of the General Conditions of the Loan Contract: The effective exchange rate of the payment date of the expenditure in the local currency of the borrower's country will be used to determine the equivalency of expenditures incurred in local currency.
<p>Type of auditing:</p> <ul style="list-style-type: none"> - Annually, the program's audited financial statements, no more than 120 days after the close of each fiscal year. - At project closing, the program's final audited financial statements, no more than 120 days after the date of the last disbursement.
<p>Other reports:</p> <ul style="list-style-type: none"> - First six months of each period, an unaudited financial execution report, within 60 days after the close of the six-month period.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	Procurements of works, goods, and nonconsulting services in accordance with the procurement policies (document GN-2349-15), subject to international competitive bidding (ICB), will be executed using the Bank's standard bidding documents or other documents agreed upon by the executing agency and the Bank for the specific procurement. Likewise, the selection and contracting of consulting services will be conducted in accordance with the consultant selection policies (document GN-2350-15) using the standard request for proposals issued by the Bank or a request for proposals agreed upon by the executing agency and the Bank for the specific selection. The project's sector specialist will be responsible for reviewing the technical specifications and terms of reference for procurements during the preparation of selection processes. This technical review may be ex ante and is independent of the procurement review method.						
<input checked="" type="checkbox"/>	Recurrent expenditures	The recurrent expenditures required for project implementation that are approved by the Project Team Leader and financed will be incurred pursuant to the executing agency's administrative procedures. These procedures will be reviewed and accepted by the Bank, provided that they do not violate the principles of economy, efficiency, and competition. At the borrower's request, these recurrent expenditures will include financing of the salaries of the multidisciplinary technical permanent staff of the program execution unit. This expenditure is considered consistent with policy document GN-2331-11 and meets the eligibility and sustainability criteria.						
<input checked="" type="checkbox"/>	Retroactive financing	The Bank may retroactively finance, as a charge against the loan proceeds, up to US\$20 million (20% of the proposed loan amount) in eligible expenditures incurred by the borrower prior to the loan approval date on individual consultants and consulting firms for technical studies and the purchase of equipment and goods included in program Component III, provided that conditions substantively similar to those established in the Loan Contract were met, and the contracting procedures adhered to the core procurement principles. Such expenditures must have been incurred on or after 3 January 2020 (approval date of the loan profile), but in no case more than 18 months prior the loan approval date.						
<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex ante or ex post, depending on the level of fiduciary risk identified for the project and specific process. Ex post reviews will be conducted according to the annual supervision plan. The ex post review reports will include at least one physical inspection visit of the procurement processes subject to such review (the inspection will verify the existence of the procurements, leaving verification of quality and compliance with specifications to the sector specialist). The thresholds for ex post review are:</p> <table border="1"> <thead> <tr> <th>Works</th><th>Goods/services</th><th>Consulting services</th></tr> </thead> <tbody> <tr> <td>N/A</td><td>N/A</td><td>Firms: N/A Individuals: US\$50,000</td></tr> </tbody> </table>	Works	Goods/services	Consulting services	N/A	N/A	Firms: N/A Individuals: US\$50,000
Works	Goods/services	Consulting services						
N/A	N/A	Firms: N/A Individuals: US\$50,000						

<input checked="" type="checkbox"/>	Records and files	The executing agency will be responsible for using established procedures to maintain records and supporting documentation for procurement processes and all proofs of payments made using project resources.
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Main procurements

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$)
Goods				
Electric vehicles for supervision and immediate roadside assistance	ICB Sustainability criteria		Q3-Year 2	1,880,000
Procurement of road asset management system	ICB Multistage		Q1-Year 2	2,000,000
Works				
Construction of shipping terminal	ICB Multistage		Q3-Year 1	43,360,000
Rehabilitation 90.6-km segment (RD-1)	ICB		Q3-Year 1	35,173,222
Nonconsulting services				
Firms				
Environmental and social management program for construction of shipping terminal	QCBS		Q2-Year 1	2,100,000
Supervision of detailed engineering and construction of shipping terminal	QCBS		Q3-Year 1	2,640,000

Link: [Procurement plan](#).

Procedures	Rationale for use
Multistage process	<p>The possibility of multistage processes is considered for the following:</p> <ul style="list-style-type: none"> (i) Detailed engineering and construction of the shipping terminal. (ii) Procurement of road asset management system. Since the rehabilitation of the port involves aquatic works with a limited market, the available technical solutions will be analyzed, to identify the most viable options. For the procurement of the management system, this type of process will make it possible to analyze the newest technological solutions, to ensure the system's sustainability.

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budget	<p>The annual budget is prepared by the Ministry of Finance, acting through the General Budget Office, in coordination with the Ministry of Economy, Planning, and Development and the other government bodies involved in the process. The MOPC, acting through the UEPFRE, will be responsible for project planning and budget and will use planning tools, including the Bank's (project execution plan, annual work plan, procurement plan, and financial plan).</p>
<input checked="" type="checkbox"/>	Treasury and disbursement management	<ul style="list-style-type: none"> ▪ Project cash flow programming will be consistent with the annual work plan. The procurement plan with the Bank's no objection should cover a period of at least 12 months. ▪ The project will use a special bank account in the project's name and in United States dollars at the Central Bank, to be managed through a subaccount in the National Treasury Single Account. ▪ The mechanism for submitting disbursement requests will initially be manual; however, the modality may be subject to change, if the authorities agree to use the Bank's electronic disbursement system. ▪ The transaction currency will be the U.S. dollar. ▪ The exchange rate to be used will be the effective exchange rate of the payment date of the expenditure in the local currency of the borrower's country: option (b)(i) of Article 4.10 of the General Conditions of the Loan Contract. ▪ The disbursement modality to be used for the program will be advance of funds, based on financial planning for up to 6 months. The level of justification for rendering of accounts will be 80% of the accumulated balance pending justification.
<input checked="" type="checkbox"/>	Accounting, information systems, and generation of reports	<p>The International Public Sector Accounting Standards (IPSAS) will be followed. The Integrated Financial Management Module for the Execution Units of Projects with External Financing (UEPEX) of the country's Integrated Financial Management System (SIGEF) will be used as a technology platform for accounting records, which will utilize the cash basis method. All of the project's key financial reports, including disbursement requests, will be generated directly from this system.</p> <p>The applicable policies and handbooks will be supplemented by the program Operating Regulations with documented definition of workflows and internal controls.</p>

<input checked="" type="checkbox"/>	Internal control and internal audit	The Office of the Comptroller General of the Dominican Republic (CGRD) is responsible for the government's internal audit function, supported by internal audit units at each agency of the country's public administration.
<input checked="" type="checkbox"/>	External control and financial reports	<p>The borrower and/or executing agency will select and retain external auditing services, in accordance with the terms of reference previously agreed upon between the executing agency and the Bank, establishing the type, timing, and scope of the review. The external auditor selected and the auditing standards to be applied will be acceptable to the Bank. Given the operation's nature and risk, audited financial statements for the program will be required, preferably audited by a firm with plus-level eligibility. The type of audit and the required auditor eligibility level may be changed over the course of the project, depending on the findings of the Bank's supervision.</p> <p>Audited financial reports are required:</p> <ul style="list-style-type: none"> ▪ Annually: Delivered to the Bank within 120 days after the closing date of each fiscal period (31 December); and ▪ At project close: Delivered to the Bank no later than 120 days after the last date for disbursement in full.
<input checked="" type="checkbox"/>	Financial supervision of the operation	The financial specialist will be responsible for regular onsite and desk reviews and support (at least one review per year), subject to change during execution. The supervision will consist of monitoring implementation of the activities recommended for capacity-building of the unit, the status of the fiduciary arrangements, ex post reviews, inspection visits, and ongoing dialogue and communication with the executing agency. Supervision will also take place through the annual financial audits.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Dominican Republic. Loan ___/OC-DR to the Dominican Republic
Manzanillo Port Rehabilitation and Expansion

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Dominican Republic, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the project "Manzanillo Port Rehabilitation and Expansion". Such financing will be for the amount of up to US\$100,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ 2021)