

**RECONSTRUCTION AND IMPROVEMENT PROGRAM
IN THE WAKE OF HURRICANE GEORGES**

(DR-0135)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR:	The Dominican Republic	
EXECUTING AGENCY:	Technical Secretariat, Office of the President of the Dominican Republic, supported by a Program Coordinating Committee, and by intermediary of sectoral executing units	
AMOUNT AND SOURCE:	IDB:	US\$105.0 million (OC)
		US\$ 21.9 million (OC/IFF)
	Local counterpart contribution:	US\$ 12.0 million
	Total:	US\$117.0 million
FINANCING TERMS AND CONDITIONS:	Amortization period:	25 years
	Grace period	2 years
	Disbursement period:	2 years
	Interest rate:	Variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars, Single Currency Facility
OBJECTIVES:	<p>The purpose of the program is to restore parts of the country's infrastructure and economic flows that were hard hit by Hurricane Georges, with an emphasis on aid to the poor, disaster prevention, and involvement of the populace in prevention initiatives. The specific objectives are: (i) to rebuild social and production infrastructure damaged by the hurricane, in sectors agreed upon with the Dominican government; (ii) to support the reconstruction effort in low-income communities on whom the hurricane has taken a particularly severe toll; (iii) to avert macroeconomic deficits, protecting recurrent social expenditure; and (iv) to strengthen disaster-prevention arrangements, land-use planning, and rational use of natural resources.</p>	
DESCRIPTION:	<p>In pursuit of the foregoing objectives, the program has been divided into the following four components: (i) infrastructure reconstruction and improvement subprogram (US\$20.3 million), including repair of high-voltage towers in the power transmission system in the East and rehabilitation of waterworks and plant of town and city water-supply systems; (ii) low-income communities</p>	

support subprogram (US\$30 million), to help repair, rehabilitate, and rebuild social, productive, and institutional infrastructure in low-income communities that sustained damage; (iii) subprogram to support recurrent social expenditure (US\$30 million), to defray costs of social programs targeted at poverty and indigence, in order to safeguard children's welfare and assure community kitchen operation, essential drugs, etc.; and (iv) subprogram for bolstering disaster prevention and land-use planning (US\$3.8 million), which will among other things help rebuild forests, ecotourism infrastructure, and flood control works, and institute a national land-use plan. Proceeds of the loan will also be used as implementation support, given the special needs of this operation (US\$5 million). In parallel with the loan proposed herein, a nonreimbursable technical-cooperation operation (TC-98-09-49-5-DR) is being processed, its objective being institutional strengthening of the coordination, management, and control mechanisms planned both for execution of the program proposed here (DR-0135) and for reprogrammed components of previously-approved IDB operations from which funds will be shifted to aid in the rehabilitation effort.

**RELATION TO THE
BANK'S COUNTRY
STRATEGY:**

Two of the core action vectors in the Bank's present strategy for operations with the Dominican Republic are to help foster equity and preserve macroeconomic stability. The proposed program fits within this strategy, supporting as it does actions to combat poverty in the country, which is worsening in the wake of the hurricane, and to help keep the fiscal accounts in balance by way of support for recurrent social spending. The program likewise pursues the objectives of the Bank's natural-disasters policy by promoting measures to contain losses and build capacity in the country so as to leave it less vulnerable to disasters and better equipped to respond to emergencies ensuing from natural calamities. The proposed operation is also concordant with Dominican national policy in accordance with Decree 353-98 of September 23, 1998, which declared a national state of disaster.

**ENVIRONMENTAL
AND SOCIAL REVIEW:**

Given the devastation wrought by the hurricane, this reconstruction program and the Bank's general strategy in response to the emergency can be expected to have a positive impact on the environment and bring considerable social benefits. Sound measures to rebuild and improve productive and social infrastructure and community organization afford an opportunity to enhance the quality of life of Dominicans and strengthen environmental parameters. In order to ease any environmental impacts of the rehabilitation and reconstruction work, a set of eligibility and environmental design criteria have been devised and built into the program's Operating Regulations. Construction work will be carried out using designs that have been adjusted to take account of building standards and codes such as can lessen the risks of disaster to which the country is prone. In the

component to assist poor communities, established environmental systems and procedures will be applied, which are appropriate for the type of actions envisaged in the program. The sectoral executing unit will use proceeds of the loan to strengthen its environmental unit.

The planned measures to assist poor communities, investments in the production apparatus, and support for macroeconomic stability and recurrent social expenditure will help attenuate the hurricane's direct negative effects on those of fewest means, as well as its potential indirect effects in the form of inflation and currency devaluation.

BENEFITS:

The proposed activities will benefit those who are suffering in the wake of Hurricane Georges, by way of actions to remedy the deterioration this disaster has caused in their living standard and through mechanisms to help with economic, social, and environmental recovery. Support to prevent and reverse destruction of the country's physical infrastructure and to restart and maintain the movement of goods and persons are important benefits of the program. Other, more long-range, benefits will be the strengthening of mechanisms and institutions that can help the country plan for and respond to emergencies triggered by disasters of this scale.

RISKS:

The main risk has to do with the country's capacity to absorb and expend funds, given the history of difficulties in the Bank's portfolio and the manifest management weakness of government institutions. Safeguard: One cornerstone of the operation is participation by nongovernmental organizations (NGOs), women, and civil society organizations, as well as local authorities and the private sector, to channel resources earmarked for reconstruction work, particularly in low-income communities. Another is more streamlined and flexible procurement and disbursement procedures than those usually required, together with high-level management support for the program's implementation, to ensure expeditious use of the funds.

There is a risk that more flexible procurement procedures might occasion misappropriations of disbursement monies. Furthermore, the highly confrontational political climate at present might also bring with it pressure for use of program funds for political advantage. Safeguard: The special implementation arrangement devised for the program includes civil-society and private-sector monitors in the proposed coordinating body, to provide a filter as to quality and social legitimacy of the program's processes and outputs, as well as concurrent audit arrangements to assure transparency without impeding the expeditious use of the emergency funds.

**SPECIAL
CONTRACTURAL
CONDITIONS:**

Conditions precedent to the first disbursement: (i) setup of the Program Coordinating Committee (see paragraphs 3.2 and 3.3 of the proposal which follows); (ii) selection, to the Bank's satisfaction, of a consulting firm for management support and a consulting firm for concurrent auditing (see paragraphs 3.6 and 3.7); (iii) opening of a special program account in the Central Bank of the Dominican Republic (see paragraph 3.9); and (iv) entry into force of the program Operating Regulations (see paragraph 3.12).

Contract covenants: (i) retroactive financing and recognition of expenses (see paragraph 3.15); (ii) presentation of progress, concurrent audit, monitoring, technical-operational, and financial reports (see paragraphs 3.23ff); (iii) a revolving fund of up to the equivalent of 10% of the loan proceeds; and (iv) reimbursement of up to US\$30 million in government outlays for social programs as from the declaration of the state of emergency, based on a list of activities and programs agreed upon with the Bank.

**POVERTY
TARGETING:**

The program classifies as a poverty-targeted investment because its object is to tackle reconstruction work and improvements in areas of the country that are home to a higher percentage of the poor (57%, before the hurricane) than the total country percentage. Considering that at least 297,000 people are believed to have been affected by the disaster, this percentage has likely increased. The reconstruction specifically takes into consideration the hurricane's impact on this population; the institutional and preventive actions will primarily benefit the population of the stricken areas, to help alleviate the deterioration in their living conditions and strengthening women's involvement. Funds to support poor communities will be allocated ex ante to participating municipalities using a formula based on the following criteria: (i) poverty level, (ii) severity of the hurricane damage, and (iii) needs created by the disaster.

**EXCEPTIONS TO
BANK POLICY:**

See the following section on procurement.

PROCUREMENT:

Given the nature of the emergency triggered by the hurricane, it is recommended: (i) that authorization be given for limited tendering to select the management firm and auditing firm that will assist in the program's implementation (see paragraphs 2.23, 2.24, and 3.7), and (ii) that tendering and procurement for the program be streamlined, with the following rules to apply:

International competitive bidding will be mandatory for procurement costing more than the equivalent of: (i) US\$300,000 for goods; (ii) US\$3,000,000 for infrastructure works; and (iii) US\$200,000 for consulting services. Prequalification will not be necessary to commission construction projects or purchase

goods. Contracts worth over US\$3 million are anticipated only for the rebuilding of electric transmission towers. Accordingly, given the state of emergency, for that case a limited call for tenders would be arranged, inviting bids from companies that had taken part in a previous, similar call for offers.

Limited tendering for the procurement of goods and contracting of works whose cost is below the thresholds mentioned above, with no restrictions on the participation of international companies.

Direct contracting. This method may be used for construction or consulting-firm contracts worth less than US\$100,000 and goods costing less than US\$25,000.

Publicity. The General Procurement Notice will need to be published only in *Development Business*. Specific procurement notices will be published in Dominican national newspapers and on the Internet.

I. FRAME OF REFERENCE

A. Hurricane Georges

- 1.1 On September 22, 1998, Hurricane Georges raged through the Dominican Republic with an intensity fluctuating around category III and sustained winds at its eye of close to 240 kilometers per hour, gusting to 280 kilometers. The eye of the storm moved into Dominican territory in the morning at a point on the southeast coast near 18.2° north latitude and 68.4° west longitude. By the evening it had moved off along the border with Haiti, near latitude 19.0° north and longitude 71.4° west. These entry, exit, magnitude and duration parameters meant that for approximately 12 hours the eye cut almost dead-center through the country and that, given its diameter, the hurricane battered at least 70% of Dominican territory, over an area of 34,000 square kilometers. It left destruction in its path, sparing only a strip of land across the north, including the city of Puerto Plata, and the far southwest.

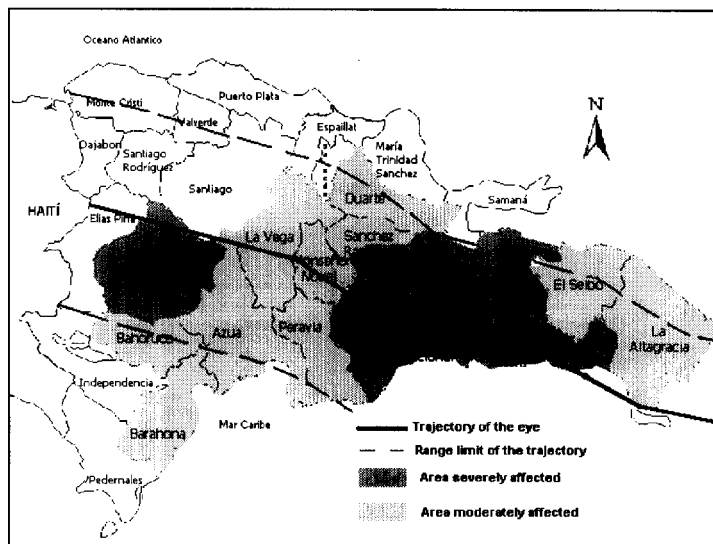


Figure 1: Dominican Republic. Hurricane Georges: Trajectory and damage.

- 1.2 As illustrated in Figure 1, the hardest-hit regions were the eastern part of the country and large expanses of the south and the area called Central Cibao. The battered area took in major towns and cities such as La Romana, San Pedro de Macorís, the capital Santo Domingo, and San Juan de la Maguana, to name a few. The disaster areas are also home to major tourism enclaves, particularly along the southeast coast, and areas of critical agricultural importance such as the fertile valleys of San Juan and the Cibao.

B. Evaluation of the impact

- 1.3 A complete, detailed assessment of the damage has yet to be produced, in part because of the limited resources, organizational apparatus, and institutional capacity of the authorities and civil society organizations to manage the disaster. However, the following summary account gives a preliminary idea of the hurricane's effects, using figures currently available.

1. Social impact and impact on poverty

- 1.4 There are 287 persons confirmed dead and 600 injured; these figures may climb, given the ongoing reports of missing persons, now officially estimated at 715, although there are conflicting accounts. Serious deficiencies in disaster prevention and response coordination were apparent after the hurricane hit, adding to its natural effects. After the tragedy the government put the number of surviving victims at 297,000, who were put up at one time or

another in 711 shelters set up in the East, the province of San Pedro de Macorís, the South, and the National District (Santo Domingo). Unofficial estimates put the number of refugees as high as 400,000, or 5% of the population, and the number of people in the disaster areas at 600,000, or 8% of the population. Even with the more modest estimates, during the hurricane the shelters had inadequate supplies of water, food, medicine and sanitary facilities to attend to the streams of people seeking relief. National and international aid has been alleviating the situation, and refugees are being urged to return to their homes, especially those who have been given basic materials with which to repair their dwellings. Nevertheless, their situation will not necessarily improve with a return to the vulnerable conditions of the *statu quo ante*.

- 1.5 Before the hurricane, an estimated 57% of the Dominican population of 8.1 million were poor, 30% being indigent. What the hurricane will do to these poverty percentages is not yet known; but given the number of persons who have lost their possessions, it is expected that more people will sink into poverty as a result of the hurricane itself and the lack of a disaster prevention and natural-resources protection culture. It is estimated that the proportion of the poor among the hurricane victims is greater than their share in the total population, since lacking options, these groups live in areas highly exposed to natural forces, epidemiological vectors, and environmental degradation. Officially, the total population in areas severely or moderately damaged by Hurricane Georges is estimated at 2.9 million (36% of the total), some 51% of whom reside in rural areas and 49% in towns and cities. According to unofficial estimates, at least 70% of the country's population live in the stricken areas.
- 1.6 The loss of agricultural production is beginning to show in food shortages as current inventories become depleted, and there will be difficulties in the next production cycle to provide basic food staples. Worsening environmental and sanitary conditions resulting from buildups of contaminated water, the lack of drinking water, and decomposing animal carcasses are taking the severest toll on residents of marginal urban areas, which are expected to suffer a higher incidence of intestinal, respiratory and skin diseases.

2. Economic impact

- 1.7 The assessment looked at damages to the capital base and physical infrastructure and production losses by sector as well as, insofar as was practicable, indirect losses in other sectors as a result of the decline in income and productivity of those directly affected. Also included in the analysis are projected imbalances in the fiscal and external accounts, price dynamics, and early policy responses.
 - a. Direct and total losses and losses by sector
- 1.8 The most severe damage was sustained in the agriculture, housing, roads, electricity, education, water supply, tourism and health sectors. Direct losses totaled some US\$1.2 billion, US\$180 million of them attributable to inadequate land-use planning and overuse of natural resources. An additional estimated US\$229 million in environmental goods and services were damaged.
- 1.9 **Agricultural infrastructure and production.** The damage to infrastructure is estimated at US\$116 million, 61% of it on crop farms and 39% in the livestock industry. The highest losses were reported in sugar refineries (US\$34 million), dairy and livestock farms (US\$47 million), and irrigation systems in the south and west of the country (US\$9.4 million).

Added to this are losses from over 3,800 hectares of land that cannot be farmed because its topsoil was washed away by rivers overflowing their banks.

- 1.10 Production losses stand at US\$358 million (US\$327 million for crop-farming and US\$31 million in the livestock industry), with a more or less severe effect on the basic diet of the populace depending on the foodstuff concerned. In the case of rice, current surpluses will make up the losses, and no imbalance between supply and demand is projected; and the bean crop was not affected since planting had not yet begun. Plantain and poultry losses, however, were high, and are particularly serious because there are few dietary substitutes for these products. Losses of coffee, cacao, sugar and tobacco will mean US\$75 million less in exports in 1998. The new production cycle will suffer since land is too uneven to plant flood crops, genetic material has been lost, and natural plant and animal health protection barriers may have been breached. The torrential rains also damaged irrigation infrastructure and irrigation crops. Intake structures and reservoirs silted up and 850 kilometers of canals and their diversion and gauging structures, plus 300 kilometers of access roads, have been damaged.
- 1.11 **Housing.** It is estimated that the hurricane destroyed 49,200 dwellings and severely damaged 121,700 others, the vast majority of them being home to low-income families in rural and urban flooded areas, at points prone to mudslides or near river banks. The cost of replacing destroyed homes is put at US\$380 million.
- 1.12 **Road infrastructure.** One quarter of the country's basic local road network, of some 7,500 kilometers, was heavily damaged, with about 3,000 meters of bridges destroyed or damaged. Of 300 kilometers of roads that had been rehabilitated with IDB support, about 10% suffered damage to their drainage systems and critical points of their pavement. The Ministry of Public Works and Communications estimates that 277 kilometers of major highways sustained significant damage. Total losses are calculated at US\$100 million.
- 1.13 **Electric power infrastructure and supply.** The transmission grids in the southeast and distribution systems in Santo Domingo, San Pedro de Macorís and La Romana were severely damaged. It is anticipated that the resulting cutback in electricity supply will be felt most strongly and immediately in poor urban areas and rural hamlets. Given that some tourism centers and the majority of free-trade zones in the southeast use some portion of the services of the Dominican Power Corporation's utilities, damage to the lines is expected to curtail those companies' productivity and affect their cost structure and competitiveness. Electricity-sector losses are calculated at some US\$46 million, not including what it will cost to gain back the energy potential of hydroelectric dams and reservoirs that have silted up.
- 1.14 **Education infrastructure.** Damage to the nation's basic public and private education infrastructure stands at US\$34 million. The Ministry of Education and Culture reports damage of US\$25 million in infrastructure and US\$3 million in furnishings. Of the 944 public establishments affected, 217 (with 868 classrooms) were completely destroyed. Private establishments, which make up 22% of the system, are reporting losses of US\$6 million. The need to take over 475 of the system's largest schools as shelters meant that some 100,000 students had their school year interrupted.
- 1.15 **Water supply and sanitation.** The rain and flooding damaged intake structures and caused breaks in water lines both in cities and in the countryside. The urban drainage system, which was deficient to begin with, at times became an agent of contamination,

increasing the risk of epidemics because of obstructed sewers and overflowing septic fields and tanks. Compounding the problem were overcrowded shelters with their makeshift sanitation services, which increased the likelihood of epidemic outbreaks. The damage to water intakes, conveyances, power lines and plant is put at US\$12 million.

- 1.16 **Tourism infrastructure and output.** Of the country's 40,000 hotel rooms, 6,000 sustained damage. The damaged hotels are in the southeast, the hurricane having spared the northern coast and causing only minor damage to facilities in the far eastern part of the country. The infrastructure bill is put at US\$254 million, most of which will be covered by insurance. Output in this industry will suffer not only because of the now-tight supply of accommodation but because of the dampening of demand, in the wake of early reports coming out of the country which magnified the extent of the damage. Foreign-exchange revenues in 1998 will be down US\$100 million.
- 1.17 **Health infrastructure.** Most of the country's hospitals have reported problems of varying degrees with their water and electrical plant. The facilities hardest hit, however, are primary care subcenters and health posts in rural areas. Damage has been reported at 30 rural clinics and in-patient subcenters, 10 of which were destroyed. There are concerns about sanitation due to the lack of drinking water, food and medicine, which could trigger an epidemic in the short term.

b. Indirect losses

- 1.18 The loss of agricultural and tourism revenue and damage to the country's electricity and road infrastructure will impair manufacturing and trade, and it is expected that the loss in value-added and associated factor income will have a negative multiplier effect on aggregate demand, though in the case of construction and government activity the effect will be expansionary due to the reconstruction effort. These effects are shown in Figure 2, which shows revised 1998 growth estimates by sector. According to Central Bank estimates, the net result of the direct effects plus their multiplier effect by way of aggregate demand will mean a total loss of value of between US\$79 million and US\$110 million, or 0.5% to 0.7% of GDP, in 1998. Growth projections for the year thus have had to be adjusted downward from 7.6% to 7% (see Technical Annex I). Damage to agriculture and tourism will likewise impact negatively on employment, given the labor-intensive profile of these sectors, though it is anticipated that such job losses will be at least partially offset by the increase in construction.

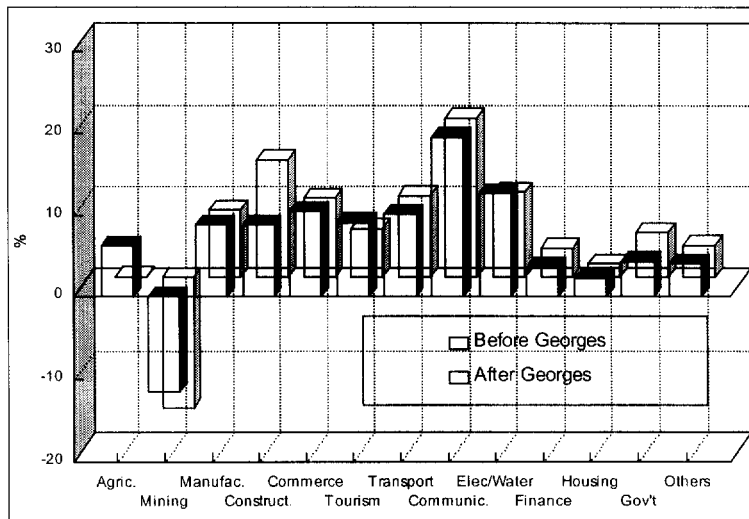


Figure 2: Dominican Republic: Growth projections by sector, 1998

c. Other economic impacts

- 1.19 Adverse effects are expected on inflation, the fiscal and external balances, and financial sector stability. The severity of these impacts will depend on the magnitude of the damage to assets, additional flows of foreign exchange entering via remittances and reinsurance, how the authorities manage the public finances, and their ability to rapidly mobilize outside resources to help shore up the fiscal and external accounts. In the face of reduced domestic supply of staples and heightened demand for intermediate and capital goods for the reconstruction process, it is anticipated that inflationary pressures will be rekindled unless there are offsetting import flows. The ensuing additional foreign-exchange requirement, combined with diminished export revenues and a weak reserve position, would generate exchange-rate instability. To avert such a scenario and its effect on prices, private-sector confidence, and financial stability, the government will need to control the public finances and quickly mobilize enough external resources to accommodate the demand for foreign exchange. Assuming no significant decline in parity during the remainder of the year, the Central Bank has upped the average inflation estimate for 1998 by 0.4 percentage points, to 4.5%, i.e., from point inflation of 4.2% before the hurricane to 6.0% after the hurricane.
- 1.20 It is expected that the fiscal accounts will be affected on the revenue side by business losses, a rise in unemployment, and a decline in real revenues, and on the expenditure side by the expected increase in current transfers to social groups hardest hit by the disaster. The Central Bank estimates that the 1998 consolidated public sector deficit, including quasi-fiscal losses, will rise from 0.6% to 2.3% of GDP. The central government accounts for the year will post a deficit of 1.4% of GDP rather than the 0.3% surplus that had been forecast before the hurricane hit. The financing gap to cover these projected deficits, after a temporary (two-month) reduction in public-sector salaries, restructuring of Paris Club payments, improved execution of projects involving multilateral financing, and launching of a special bond issue on the domestic market, will be US\$79 million, which will have to be made up through non-inflationary funding if wider monetary, financial and exchange-rate imbalances are to be averted.
- 1.21 As for the country's external accounts, the Central Bank is now forecasting a 1998 current-account deficit of 3% of GDP, rather than the -1.5% originally anticipated, as a result of the drop in exports and increased imports, though this effect would be offset in the short run by the inflow of remittances and reinsurance payments. The higher current-account deficit from the deterioration in the trade and services balance will be financed through reinvested earnings, increased public external borrowings, and a rescheduling of Paris Club debt falling due in 1998. International reserve levels are too low to be a viable source of financing: at the end of September they represented only 3.3 weeks of imports, and 12.5% of the domestic financial system's obligations (M2) to the public. Monetary policy at the current juncture has yet to be defined, but its tightness will also depend upon fiscal prudence and the government's effectiveness in securing external funding. There is a possibility of a run on financial institutions if the public perceives that a loss in the peso's value is imminent because of a lack of fiscal control or scarce foreign exchange. An even tighter monetary policy could alleviate pressures on the exchange rate or on expansion of demand from a deterioration in the fiscal accounts; but such a policy could work only for a relatively short period, since the Central Bank faces currency-management constraints as a result of its capital situation. Higher interest rates would increase the risk of the banking sector's portfolio, since it is already looking at a possible deterioration from business losses.

- 1.22 Social spending is an area of particular concern at a time when poverty has worsened and forecasts now call for a public deficit this year that will be 1.7 points higher than originally predicted, and 2% of GDP for 1999. Even before the present disaster struck, the government was planning to increase its current budget for poverty reduction by over 80%, and now it has had to earmark additional funds to help people in the disaster areas. With the fiscal situation already stretched, further pressures on current expenditure in the social sectors will mean competing for budget funds with capital outlays, and perhaps jeopardizing the availability of local counterpart funds for investment projects with multilateral funding. The expectation thus is that efforts to combat poverty will suffer unless fresh funds are found to bolster fiscal revenues.

3. Environmental impact

- 1.23 Hurricane Georges hit the Dominican Republic with powerful winds and unrelenting rain. The most serious damage caused by winds was the destruction of forests and damage to electrical plant, telecommunications, housing and production activities in areas with "leeward" exposure, such as tourism centers on the east and southeast coasts, the extensive eastern flatlands, and inter-mountain valleys and mountainsides in the center and south. The rain, in turn, caused major mudslides and avalanches in the central and Bahoruco mountain ranges, intense soil erosion, silting of rivers, reservoirs, lakes and the sea, and heavy flooding and overflows of the San Juan, Yaque del Sur, Blanco, Yuna and Nizao rivers and their tributaries. This combination of effects has taken a severe toll on the environment, the Dominican people and their vital lines of communication, and the country's social, production and subsistence infrastructure.
- 1.24 An estimated 15% to 30% of the damage was due to the effects of the hurricane that were compounded by unsound practices and the overexploitation of natural resources (deforestation, inappropriate land use, incorrect infrastructure design and location, suboptimal management and conservation of water resources, deterioration of watersheds and overuse of land, among other factors). The resulting socioeconomic and environmental losses have set back the country's sustainable development and quality of life, in addition to generating a grievous inter-generational legacy.
- 1.25 Though it has been impossible to quantify most losses in terms of units of investment, capital or services, losses of natural habitat are estimated at the following orders of magnitude: (i) 67,500 hectares of forests destroyed and 227,500 hectares damaged, equivalent to 68% of the national forest cover; (ii) 18.8 million cubic meters of timber knocked down, with an estimated collateral value of US\$188 million and additional salvage value for firewood, charcoal, biomass, etc. that is difficult to calculate; (iii) about US\$41 million in losses in environmental services units associated with the capture of CO₂, production of O₂ and water factor; (iv) 39,588 hectares affected by landslides, with 1,187.6 million cubic meters of soil lost in mudslides, severe erosion and silting; and (v) an indeterminate loss, in quantity and quality, of national biodiversity. Other losses of note are those of natural hydrological regulation and security in watersheds and a deterioration of the marine-coastal habitat, reefs, wetlands and other fragile ecosystems.

C. Actions and coordination by the government, the IDB and the international community

- 1.26 To begin to cope with the damage, on September 23, 1998, the government declared a state of national disaster by way of Decree 353-98 and, at an official meeting the following day, requested urgent support from the Bank and the international community to contend with the

emergency and begin the reconstruction and restoration of sustainable development as quickly as possible. In the course of the following weeks international emergency aid began to flow into the country, from the IBRD, IMF, European Union and IDB, among others.

- 1.27 The World Bank, in addition to shifting funds from current loans, is preparing a US\$100 million emergency operation with fresh funds for 1999-2000, including US\$50 million in investment components agreed to with the government and US\$50 million in a quick-disbursing balance-of-payments support operation. On October 29, 1998, the IMF approved an emergency credit line of US\$55 million to help finance the increase in the external and fiscal deficits that are expected in 1998 as a result of the government's extraordinary outlays to deal with the emergency. The European Union has pledged US\$42 million, including first aid and tools for reconstruction work by way of NGOs, the WHO, and the Red Cross. The aid will include US\$39 million to rehabilitate damaged infrastructure and will supplement a soft loan of US\$21 million from the Spanish government, and major in-kind donations from the governments of France and Germany.
- 1.28 The IDB delivered relief aid of US\$50,000 (ATN/SF-6164-DR) and immediately provided the government US\$10 million from active loans and unallocated loan monies, which are now being applied by the various executing agencies to the emergency rehabilitation of electricity, local roads and community works, and in the restoration of one of the most devastated areas: the San Juan Valley. In addition to this immediate emergency response, the IDB is supporting reconstruction efforts through the administrative reformulation of a further US\$85 million in loans now under way, as well as the operation proposed herein, which has been coordinated with other international agencies and fits within the Bank's natural-disaster policy.

D. The IDB's natural-disasters policy and its application to this case

- 1.29 The IDB's objective is to help member countries guard against the effects of natural disasters and resume their socioeconomic development after a disaster hits. Measures are sought to prevent losses and to bolster countries' capacity to take into consideration their vulnerability to disasters and to be better prepared for emergencies and respond better during and after such catastrophes. Emergency preparedness measures may include preparation, planning and programming, information, warning and alert systems, and the equipping and training of institutions responsible for the national disaster preparedness network. In the case at hand, given that the country is at risk every year during the hurricane season, it includes activities falling under the preparedness category, even though Hurricane Georges itself is now part of history. The "during emergencies" stage, for the most part, is now past, and the IDB acted as quickly as it could, as described in the preceding section. After the emergency – the situation in this case – the permanent restoration and reconstruction of utility infrastructure and activities to assure the safety of the population may be financed, to assure a return to normal economic activity.

E. Conclusions of the analysis and conceptual underpinning of the IDB operation

- 1.30 According to the evaluation presented, Hurricane Georges not only had an immediate visible effect on the Dominican Republic's social and production infrastructure, instantly worsening the living conditions of the poor, but also clearly pointed up the country's vulnerability factors in the medium term, relating to the health of macroeconomic flows and the capacity of Dominican society to prevent and respond to similar disasters. Specifically, recognition of the country's institutional vulnerabilities vis-à-vis the annual tropical storm cycle, as

demonstrated by this hurricane, is as important as the valuation of the physical damage sustained, for purposes of designing appropriate IDB actions to assist the reconstruction effort.

- 1.31 The diagnostic assessment not only reveals the inadequacy of private and public infrastructure design techniques, but also serious organizational and social-participation shortcomings in the national emergency preparedness and response system, which was in part responsible for the extent of the damage and for the difficulties involved in coming up with short-term remedial measures. What is more, the loss of capital base in key real economic sectors will curtail monetary flows and strongly depress macroeconomic aggregates and balances, particularly the fiscal and external accounts. The deterioration of these balances may even be worsened by the country's reduced access to international private financial markets, which are more and more reluctant to increase their exposure in emerging countries, and because of the dearth of non-distorting domestic financing available to the public sector. A particular fear is that deteriorating fiscal accounts will mean fewer budget funds for social programs targeted to the most vulnerable, who are more in need than ever in the aftermath of the hurricane.
- 1.32 Consequently, the reconstruction effort will not be completely effective unless investments required to repair infrastructure and alleviate poverty, which are necessary for restoring the *statu quo ante*, are supplemented by actions to prevent destabilization, safeguard social spending, and restore productive capacity, as well as to modernize the national emergency preparedness and response system, through the participation of society as a whole, with assurances that reconstruction will be based on technical and design specifications that emphasize prevention against similar disasters in future.
- 1.33 The operation described in the next chapter is designed to support the reconstruction and restoration of macroeconomic flows quickly and effectively, as called for by the emergency, but with particular emphasis on institutional development for disaster prevention and the strengthening of government organizations and civil society so their emergency response can be more coordinated, more effective, and more transparent. In particular, a strengthening and expansion of mechanisms involving the participation of civil society to make for more expeditious and transparent use of resources is anticipated.

II. THE PROGRAM

A. Objective

1. Purpose and goal

- 2.1 The purpose of the program is to rebuild part of the infrastructure and economic flows affected by Hurricane Georges, focusing particularly on aiding the most vulnerable population, preventing natural disasters in future, and increasing social participation in such prevention measures. Achieving this purpose, in coordination with actions by the government and the other international agencies, will contribute toward the broader objective, that the country can effectively resume its sustainable economic development.

2. The program and the Bank's general response strategy

- 2.2 This operation fits within the strategy devised by the Bank to respond to the Dominican government's request appropriately and in keeping with the emergency's requirements and phases. The strategy consists of three action levels, as follows:

- (i) **Response with immediate disaster relief**, in the form of nonreimbursable emergency assistance (ATN/SF-6164-DR) and the immediate channeling of US\$10 million from other active loans for emergency work. As was noted in chapter I of this proposal, these funds were unallocated or uncommitted, and because they did not deviate from the originally contemplated objectives in their respective programs, they were allocated to this end under the authority of the Country Office, in accordance with the Bank's operational policy.
- (ii) **Short-term assistance for reconstruction and improvements**, consisting in an administrative adjustment of the goals of loans 897, 905, 1047, and 1114/OC-DR, to shift US\$79 million in proceeds of those loans to the emergency rehabilitation of education infrastructure (US\$10 million), farm irrigation works (US\$7 million), health infrastructure (US\$14 million) and local roads (US\$48 million), including measures to prevent and mitigate future disasters. Redirecting these funds will mean adjusting the programs' original targets but with no significant change in their objectives; hence, the shift is being arranged under the authority of Regional Operations Department II, as set forth in Technical Annex II. It should also be noted that 55% of the proceeds of loan 1124/OC-DR (for strengthening of the Northeast) are allocated to Duarte and Sánchez Ramírez provinces, which were hit by the hurricane; and they will be used in accordance with a participative methodology of priority identification, and the introduction of measures to mitigate natural disasters and strengthen provincial planning offices for project execution.
- (iii) **Support for reconstruction and restoring economic flows**, consisting in the operation to be described below (Logical Framework in Annex I). It entails reconstruction outlays of US\$75.4 million plus US\$30 million for a component to support recurrent social expenditure.

3. Specific objectives

- 2.3 Consistent with the findings of the diagnostic assessment prepared by the Bank on the impact of Hurricane Georges, the program's specific objectives are the following: (i) to rebuild and

improve the social and productive infrastructure damaged by the hurricane, in sectors agreed upon with the government; (ii) to cooperate through support and reconstruction investments in low-income communities that were particularly hard hit by the hurricane; (iii) to protect recurrent social spending against the projected fiscal-account deficit in the wake of the hurricane; and (iv) to strengthen disaster prevention mechanisms, land-use planning and the rational use of natural resources.

- 2.4 Sectors that have sustained damage and are receiving other inflows of reconstruction funds from both the private sector and, in the case of the tourism sector, from insurance payments, as well as from the public sector or from international contributions, such as the housing sector, where the Dominican government, AID and other international bodies have committed funds, are not included in the Bank operation described herein.

B. Description

- 2.5 In order to achieve the above-stated objectives, a program with the following components has been devised: (i) infrastructure reconstruction and improvement subprogram; (ii) low-income communities support subprogram; (iii) subprogram of support for recurrent social expenditure; and (iv) subprogram for strengthening disaster prevention and land-use planning. Financing resources will also be used to provide support to execution, in accordance with the special needs of this operation.

1. Infrastructure reconstruction and improvement subprogram (US\$20.3 million)

- 2.6 This subprogram will include investments to rehabilitate damaged infrastructure, using in the repairs technical standards adapted to prevent future structural damage from similar weather events. The investments will cover both electricity plant and water supply and sanitation infrastructure.

a. Repair of power lines (US\$10.5 million)

- 2.7 In this component, support will be provided to rehabilitate a portion of the transmission system for the 138-kW, 69-kW and 34.5-kW grids in the eastern part of the country. These sections of line were completely destroyed by the hurricane. Although this work will not require entirely new designs, since it involves rebuilding towers and restringing lines, the work will be carried out in accordance with technical specifications that assure the prevention of future damage associated with similar weather events.
- 2.8 On the 138-kW networks, the reconstruction of the Palamara-San Pedro line will be financed, including the replacement of 56 metal towers, with upgraded specifications. Among the 69-kW networks, the program will fund the rebuilding of the following lines: (i) San Pedro de Macoris-La Romana, which includes the restoration of 38 kilometers of lines that were completely destroyed; (ii) the 42-kilometer La Romana-Higuey line, which will include replacement of cross-arms and insulators; and (iii) the 42-kilometer La Romana-El Pintado line, including pole replacement. On the 34.5-kW networks, reconstruction of lines over the Mella-Monte Plata highway, which was completely destroyed beyond kilometer 24, will be financed.
- 2.9 Reconstruction of the transmission system will restore electrical service to 500,000 people and assure stable and uninterrupted service to manufacturing plants in the cities of San Pedro de Macoris, La Romana, Higuey and Hato Mayor. It will also afford support to the region's

tourism-based economy, avoiding the expensive supply of temporary power from the Higuamo and Mitsubishi gas turbine plants.

b. Repair of water supply systems (US\$9.9 million)

- 2.10 This component will repair damage caused by the hurricane to water supply systems in the southern and central regions of the Dominican Republic, and improve the systems. The project will specifically undertake to repair the damage to water intakes and pumping stations, aqueducts, distribution network and electrical power lines and transformers for which the water utilities are responsible.
- 2.11 Funding for this component includes the rehabilitation of plant and equipment damaged by the hurricane. Together with the Santo Domingo Water and Sewage Corporation (CAASD), repairs of the Haina Manoguayabo, Duey-Guananito, and Valdesia water intakes and treatment plants will be financed.
- 2.12 Support will be provided to the National Water Supply and Sewerage Administration (INAPA) to rebuild water supply systems in the country's southern region.

2. Support to low-income communities subprogram (US\$30 million)

- 2.13 The aim of this subprogram is to repair, rehabilitate, and rebuild damaged social, production, and institutional infrastructure in the poorest communities in the disaster areas. The executing agency for this component will be ProComunidad. The subprogram is designed to cover municipalities in the provinces that are not being helped by other emergency programs administered by ProComunidad or by other programs geographically targeted and funded by the IDB. Funds for this subprogram will be allotted ex ante, using the following criteria: (i) poverty level; (ii) extent of damage caused by the hurricane; and (iii) needs created by the disaster. However, the Program Coordinating Committee will not authorize the use of the subprogram funds until ProComunidad has obtained IDB clearance of the final list of provinces and municipalities in which the subprogram would be carried out.
- 2.14 ProComunidad will examine the possibility of developing a participatory microplanning (PM) process to identify priority needs in each participating municipality. In municipalities where the PM process can indeed be used, the result will be a municipal recovery plan (MRP). In the others, ProComunidad will deploy other participatory approaches to identify the most pressing needs, to produce a municipal emergency action plan (PAEM). The mechanisms and procedures to be instituted have already been agreed on with the Bank, and are outlined in the Operating Regulations.
- 2.15 To be able to respond quickly, the subprogram will not use a list of projects decided on ex ante; however, a list of projects that would not be eligible for the subprogram has been drawn up, which includes housing, construction and repair of municipal buildings, municipal salaries or equipment, loans, vehicles, religious or political activities or premises, Patron Saint celebrations, acquisition of land, infrastructure, and activities associated with local lottery and gaming plans.
- 2.16 The subprogram also will support the creation of a locally-managed preventive maintenance fund, and will pay for exchanges of local actors to share experiences and lessons learned from reconstruction and rehabilitation work and training to strengthen local actors in risk management and disaster mitigation.

- 2.17 To assure that the subprogram will work efficiently, ProComunidad's capacity will be strengthened in the areas of planning, project evaluation, follow-up and monitoring, internal auditing, communication, finance and administration, and the cross issues of environment and gender. At ProComunidad's request the program will also continue to fund the services of the senior technical advisor who has been helping to develop the agency's management and administrative capacity.

3. Subprogram to support recurrent social spending (US\$30 million)

- 2.18 Resources under this subprogram would help fund social spending on programs to combat poverty and indigence. The aim is to help sustain the level of recurrent spending on the government's social programs, and the programs' coverage of low-income groups, particularly to supply the basic needs of poor families, such as food, nutritional supplements, medicine, and inputs for housing construction and for the work of small farmers. This support for government social spending will cover the period from the declaration of the emergency to the end of fiscal year 1999.

- 2.19 Specifically, the executing agency will use the funds for a set of social activities and programs agreed on with the government, and will provide the Bank with the appropriate justifications via the Program Coordinating Committee (CCP). These activities and programs will include, for instance: (i) child advocacy and welfare; (ii) community kitchens; (iii) school lunches; (iv) essential drugs; (v) nutrition tracking; (vi) rural medical care; and (vii) rural development and advancement of small farmers. The CCP will not authorize the use of funds from this subprogram until the executing units have obtained Bank clearance of the final list of activities and programs to be funded.

- 2.20 The Bank's contribution would cover an estimated 15% of recurrent expenditure for these programs during the last quarter of 1998 and fiscal year 1999. The plan is to retroactively recognize up to US\$10 million in expenditures to cover eligible ordinary and extraordinary outlays incurred from the time the disaster was declared until the end of fiscal year 1998. Such recognition would be above and beyond the retroactive recognition of expenditures for the other components in this operation, and the rest of the subprogram would be executed during 1999.

4. Subprogram for strengthening disaster prevention and land-use planning (US\$3.8 million)

- 2.21 Funds of this subprogram will be used to pay for institutional strengthening and orientation activities to help institute a policy that will avert disasters, make rational use of natural resources, and make for sound land-use planning in the Dominican Republic. It will address the areas and issues identified in the diagnostic assessment and fund an urgent needs inventory to be carried out by the Bank on this matter. The institutions involved in the problem will be strengthened.

- 2.22 Activities to be funded under this component include the following:

- (i) Recovery of environmental goods and services (forests and timber, ecotourism infrastructure, national parks and forest fire prevention).
- (ii) Strengthening of institutional preventive capacity by creating a flood warning center and acquiring digital aerial photographs.

- (iii) Procurement of basic tools to strengthen and consolidate the national land-use plan, including diagnostics, satellite images and evaluation of the marine-coastal sector.

5. Component to support execution of the program (US\$5 million)

- 2.23 Funds budgeted for this component will be used to engage the services of international consulting firms to help implement the program, assisting both its sectoral executing units and its coordinating body, as described in the chapter on implementation. To supplement this component, the Bank is preparing a nonreimbursable technical-cooperation operation (TC-98-09-49-5-DR) of US\$750,000 to help finance the start-up of these consulting services for the program's execution.
- 2.24 That technical assistance will fund the hiring of a high-level consulting firm to "manage" the program and components reformulated for the emergency. It will support the Program Coordinating Committee and the sectoral executing units (EUs). This assistance will be provided in such areas as project planning and development, analysis of eligibility criteria, works tendering and contracting and procurement of goods and services, and preparation of financial reports.
- 2.25 Also to be defrayed with program funds are the services of an international consulting firm to perform audits and monitor the accounting, financial, and operations side of the program (see Technical Annex VI).

C. Sizing and eligibility

- 2.26 The components have been sized out with due reference to the overall emergency needs identified by the authorities in each sector and the strategy of coordinating with the other agencies participating in the reconstruction effort. The execution capacity of the various government and civil agencies has been taken into consideration, such capacity to be bolstered by the implementation arrangement described in the next chapter.
- 2.27 Keeping within the limits set by the overall sizing of each component, specific works and actions to be financed will be set out in a semiannual plan providing for quarterly monitoring. A set of eligibility criteria has been worked out which are to be applied to actions and investments included in the semiannual work plans, for which each activity or subproject must have a technical profile containing the description, budget, completion time, and coexecuting agency responsible, as well as the specific geographic area in which the activity is to be carried out.
- 2.28 The eligibility criteria take into account that the activity is located within the emergency zone declared by the government; that there is a demonstrated nexus of causality between the hurricane and the damage sustained; that it falls within the program's activity focuses and sectors; and that it meets other requirements of the program Operating Regulations (see Technical Annex VII).

D. Cost and financing

- 2.29 The program will cost a total of US\$117 million, US\$105 million of which will be defrayed by the proposed ordinary-capital loan, of which US\$21.9 million would have an interest subsidy under the Intermediate Financing Facility, and US\$1.2 million will come from the Government of the Dominican Republic as local counterpart funding.

1. Source and use of funds

2.30 The loan proceeds will be expended as follows:

Total program cost
(US\$000)

Component	IDB loan	Local counterpart	Total cost
I. Infrastructure reconstruction and improvement	20,319	2,106	22,425
Water and sanitation	9,846	960	10,806
Electricity	10,473	1,146	11,619
II. Support to low-income communities	30,000	3,500	33,500
III. Support for recurrent social expenditure	30,000	3,500	33,500
IV. Strengthening of disaster prevention and land-use planning	3,841	427	4,268
V. Support for execution	5,000	0	5,000
Audits	3,000	0	3,000
Consultant services	2,000	0	2,000
Subtotal	89,160	9,533	98,693
Unallocated	7,398	1,921	9,319
Contingency	4,732	828	5,560
Escalation	2,666	1,093	3,759
Financial charges	8,442	546	8,988
Interest	7,420	0	7,420
Credit fee	0	546	546
Inspection and supervision	1,022	0	1,022
TOTAL	105,000	12,000	117,000
Share of total cost (%)	89.7	10.3	100.0

2. Terms and conditions

2.31 The loan amortization period will be 25 years, with a two-year grace period and two-year disbursement period. The interest rate will be variable, at the standard level charged by the Bank on ordinary-capital funds, with the interest rate subsidy applying to the portion covered under the Intermediate Financing Facility.

E. Investment timetable

2.32 The following is the expected timetable for use of the loan proceeds, in thousands of U.S. dollars.

COMPONENT	Year 1- Quarter				Year 2- Quarter			
	1st	2nd	3rd	4th	1st	2nd	3rd	4th
Rehabilitation water and sanitation	1,100	1,100	1,100	1,143	2,700	2,703	0	0
Rehabilitation power system	1,300	1,300	1,300	1,337	2,600	2,636	0	0
Support for low-income communities	3,750	5,250	5,250	5,250	7,500	3,000	0	0
Support for recurrent social expenditure	10,000	10,000	10,000	0	0	0	0	0
Strengthening of disaster prevention and land-use planning	500	500	500	420	1,000	921	0	0
Support for execution	625	625	625	625	625	625	625	625
Audits	250	250	250	250	250	250	250	250
Consultant services	375	375	375	375	375	375	375	375
TOTAL	17,275	18,775	18,775	8,775	14,425	9,885	625	625

III. PROGRAM IMPLEMENTATION

A. The borrower and executing agencies

- 3.1 The borrower will be the Dominican Republic. The executing agency will be the Technical Secretariat of the Office of the President of the Republic (STP) through sectoral executing units (EUs) that will be put in charge of the various investment activities included in the program.

B. Implementation arrangements

1. Coordination mechanism

- 3.2 To better coordinate and monitor the program, a Program Coordinating Committee will be appointed, at the level of the STP. It will be chaired by the Technical Secretary and will include other central government representatives. This body will be the channel of communication between the Bank, the central government, and civil society, and will coordinate and monitor the work and investments of the executing units, reporting and consulting periodically with civil society, as shown in Figure 3.

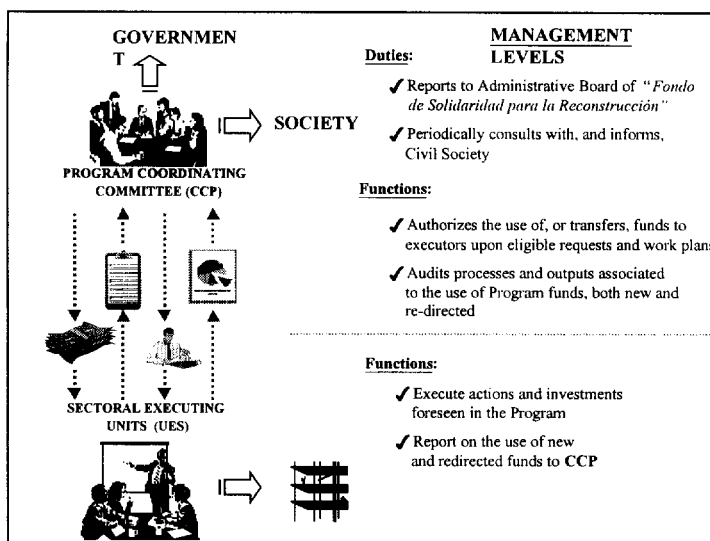


Figure 3: Levels of coordination and execution.

- 3.3 This coordination arrangement will also encompass the actions planned for emergency rehabilitation improvements to be funded with proceeds of existing loans, which would be shifted to this operation (see paragraph 2.2(ii) of this proposal). Consequently, the EUs involved will not only be those responsible for investments planned for the proposed program – i.e., CDE, CAASD, INAPA and ProComunidad – but also those responsible for the reallocated funds – the Ministry of Public Works and Communications, SESPAS, Ministry of Education and Culture, and National Water Resources Administration. The subprogram of support for social expenditure will be executed by the STP. **Creation of this Program Coordinating Committee, to the Bank's satisfaction, will be a condition precedent to the first disbursement.**

a. Functions of the Program Coordinating Committee and executing units

- 3.4 The Program Coordinating Committee will have two core functions: (i) channeling of program funds to the EUs, based on specific work plans, and (ii) quality control of processes and outputs associated with use of the funds, subject to criteria of effectiveness and transparency. In the performance of these functions having to do with coordination

and social validation of the use of funds, prior approval levels or bureaucratic centralization of decision-making will be avoided, to make for flexibility in the program's implementation, and as an exception, there will be concurrent monitoring and audits, adhering to the eligibility criteria devised for actions and procurement procedures as outlined in the Operating Regulations. The EUs will be technically responsible for activities in their respective sectors. The main functions of the EUs will be to carry through the planned actions and investments and report to the CCP on the use of program funds.

b. Consultation and community participation

- 3.5 For the component II actions and investments, which target poor communities, the program includes arrangements for consulting with and eliciting the participation of these organized communities and of local authorities to map out reconstruction priorities, select specific measures, and apply the program funds to same. This mechanism is based on the system that has already been established and tested successfully in the country as part of the Community Initiative Promotion Program (ProComunidad) (loans 825/OC-DR and 930/SF-DR).

2. Management and audits

- 3.6 In view of the short timeline for implementing this program and the executing agencies' limitations as far as expeditious funds management is concerned, the plan is to give those agencies high-level consulting support. To that end, the CCP will engage a specialized firm, which will set up special task forces to support each of the EUs as illustrated in Figure 4. The consulting firm is to ensure that work is completed as planned and that technology is duly transferred and training duly delivered to the EUs to better equip them for their duties. The terms of reference for engaging this firm are shown in Technical Annex VI. **Selection of this firm, to the Bank's satisfaction, will be a condition precedent to the first disbursement.**

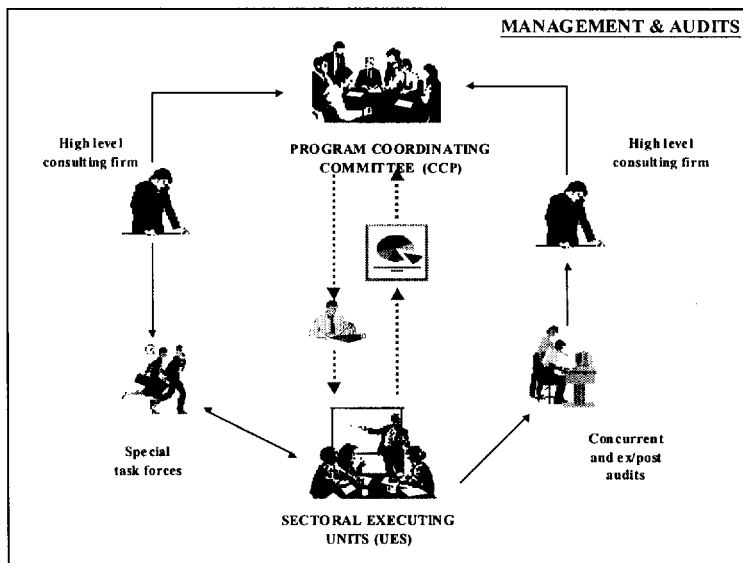


Figure 4: High level advisory support.

- 3.7 Similarly, to make for transparency and proper execution of projects, the CCP will use program funds to engage a consulting firm to perform concurrent audits of the program. Among its chief duties will be to verify project eligibility, including certification of causality, adherence to procurement procedures, and delivery of program funds and of goods procured using program funds. The terms of reference for this consulting work are shown in Technical Annex VI. **Selection of this firm, to the Bank's satisfaction, will be**

a condition precedent to the first disbursement. In order to expedite fulfillment of the conditions mentioned in this paragraph and the previous one, the selection process for hiring the aforementioned firm will be streamlined, allowing for a restricted call for offers from international firms with recognized experience in this field.

- 3.8 At the request of the Dominican government and to expedite the startup of this program in every way possible, the Bank, with funds from the Plan of Support for the Group C and D countries allocated to the Dominican Republic Country Office, will assist the executing agency in its timely compliance with these conditions precedent to the first disbursement, helping to select the above-mentioned consulting firms that will be assisting with the management and auditing of the program.

3. Allocation of program funds

a. Funds for investments

- 3.9 The program funds earmarked for investments will be allocated by the Coordinating Committee to the sectoral units based on quarterly work plans for the use of these monies, with no precontrols or decision clearance for the use of such funds. Use of the program funds will be monitored through the concurrent audit arrangement described above. The funds are to be deposited in a special account at the Central Bank of the Dominican Republic, which will have identified subaccounts assigned to each EU. The EUs will have access to the funds on the basis of the quarterly work plans submitted to the committee, and will be required to report at regular intervals to the committee on the progress of the program work and funds expended in pursuit of the program objectives.

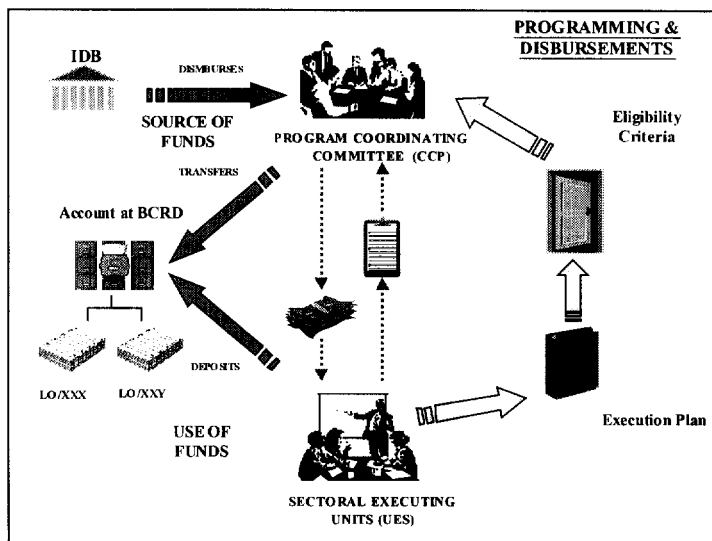


Figure 5: Investment fund flows.

b. Funds for social expenditure

- 3.10 Based on the list of eligible activities and social programs worked out between the parties, the executing agency will demonstrate to the Bank that the resources have been allocated and transferred to those programs. For retroactive financing of expenditures incurred in the last quarter of 1998, the executing agency would provide evidence of the outlays.

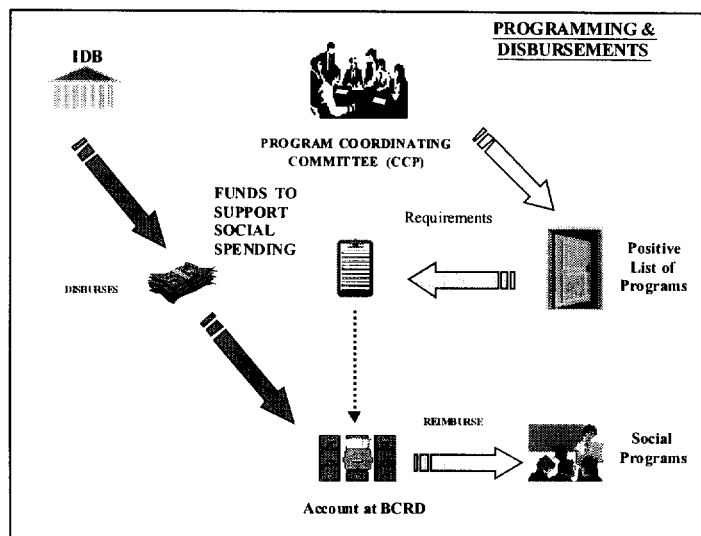


Figure 6: Reimbursement of social expenditure.

- 3.11 Funds shifted from loans already approved for the Dominican Republic will be assigned to a special subaccount within the program account, and the EUs concerned will be required to report on and account for the use of such funds, based on a quarterly work plan identical to the one submitted by the other program EUs. This allocation mechanism is comparable to the approach used in multiyear, multiple works programs, but accelerated for quarterly programming. **The deadline for EUs to draw up a plan of construction work and other actions will be one year after the effective date of the loan contract.**

C. Operating Regulations

- 3.12 The operation of the CCP, the EUs, and other public and private agencies involved in the program, as well as eligibility criteria for allotments of funds and other operating elements of the program, will be governed by a set of Operating Regulations that **must be placed into effect as a condition precedent to the first disbursement**. The draft Operating Regulations are in Technical Annex VII. The program component for which ProComunidad is responsible will be carried out using the approach described herein, but will be governed by its own operating regulations, which are consistent with that approach and with the objectives of the proposed program and its general Operating Regulations.

D. Commitment and disbursement of funds

- 3.13 The deadline for committing the program funds will be 18 months, calculated from the date of signature of the loan contract. The time limit for disbursement will be two years, calculated from that same date. Any Bank funds not committed or disbursed by the respective deadlines will be automatically canceled. For this purpose, program funds will be understood to have been committed as of the date on which the participating executing agencies sign the respective procurement agreements.

E. Retroactive expense recognition and financing

- 3.14 With Bank clearance, the equivalent of up to US\$5 million of the loan proceeds may be used to reimburse expenditures incurred to pay for eligible activities within the program before it came into effect. The Bank may also recognize up to the equivalent of 1 million Dominican pesos against the local counterpart for similar outlays. To be eligible for such retroactive recognition or financing, the expenditures would have to have been incurred prior to the loan approval date and on or after September 23, 1998, the date on which the national state of emergency was declared, and must satisfy requirements substantially similar to those set out in the loan contract.

F. Revolving fund

- 3.15 The financial side of the implementation arrangement devised is structured to make for maximum efficiency in this area in all the program components, and assure also that funds will not remain idle for prolonged periods. A revolving fund of up to 10% of the loan may be established for this purpose. The Country Office will decide on the amount to be kept in the revolving fund for each executing unit, since these funds are to be used mainly to defray scattered, minor costs; large amounts owing to foreign and local suppliers and for readily identifiable goods and services would be paid directly.

G. Procurement procedures

- 3.16 More flexible and streamlined procurement procedures are being proposed for this program so as to expedite the work entailed in reconstruction, but with all due regard to the need for transparent, honest, and socially validated use of its funds. So long as the government maintains the state of emergency but not beyond December 31, 1999, the Bank is agreeing to simplify the normal procurement procedures so that EUs can complete the respective processes. The main features of the approach to be used, which are set out in the Operating Regulations and are to be embodied in the loan contract, are the following:

- (i) **Publicity.** The General Procurement Notice will need to be published only in *Development Business*. Specific notices will be published in the Dominican national press and on the Internet.
- (ii) **International competitive bidding** will be mandatory for procurement in amounts over the equivalent of: (i) US\$300,000 for goods; (ii) US\$3,000,000 for infrastructure works; and (iii) US\$200,000 for consulting services. Prequalification will not be required for **construction contracts** or purchases of **goods**. The only contracts of over US\$3 million anticipated would be for rebuilding electrical transmission powers. Given the state of emergency, in this case restricted tendering will be conducted, inviting bids from firms which took part in an earlier, similar call for offers.
- (iii) **Restricted tendering**, for the procurement of goods and construction contracts below the thresholds referred to in the previous paragraph, with no restrictions on the participation of international companies.
- (iv) **Direct contracting**, to commission construction work and hire consulting firms on contracts worth less than US\$100,000, and for the procurement of goods valued at less than US\$25,000.

- 3.17 For the support to low-income communities subprogram, the procurement of goods, construction work, and consulting services in smaller amounts will be arranged in accordance with the simplified procedures outlined in Technical Annex IV.
- 3.18 In general, the Bank will perform a concurrent review of the tendering and contracting processes for studies and conventional works which do not require international competition. However, it reserves the right to request an ex ante review of documentation in the case of studies or works it deems to be more complex.

H. Operation and maintenance

- 3.19 Each of the executing agencies for construction work and equipment paid for with the Bank's funds must undertake to design, operate and maintain such works and equipment in accordance with generally accepted technical, environmental, and reinforcement standards. To this end, the borrower is to prepare and make readily accessible to the Bank, within the first calendar quarter of each year beginning in 2001 and for three years after the final loan disbursement, information on the state of repair of the works and equipment, based on the findings of inspections of projects funded under the program. During the life of the program and for three years after the last loan disbursement, the borrower will allow the Bank to visit and inspect the financed projects. In the event that the Bank finds that maintenance is not up to an acceptable standard, the agency concerned will be required to take the necessary measures to remedy this situation.
- 3.20 In addition to the above, for small community works included in the component affording support to poor communities, one element of that component will be a locally-managed preventive maintenance fund.

I. Inspection and supervision

- 3.21 The Bank will determine the inspection procedures it considers necessary in order to verify satisfactory progress on the program, including design, technical supervision, and environmental adaptation of program-funded works. The executing agencies must, in turn, have their own supervision plans and cooperate fully in this respect.

J. Monitoring and reports

- 3.22 Responsibility for monitoring and supervising the program will rest with the Country Office in the Dominican Republic.
- 3.23 The Bank will hold quarterly monitoring meetings with the executing agency to examine the progress report for the preceding quarter and work out a plan for the next quarter. The first such meeting will take place within 15 days after signature of the loan contract or on such other date as the parties together decide. Items to be looked at during that meeting include improvements carried out in areas devastated by Hurricane Georges, the program timetable, and the schedule for the following meetings.
- 3.24 The borrower, through the CCP, will submit the following reports to the Bank:
- (i) Progress reports on the program, within 60 days after the end of each calendar half-year or by such other deadline as the parties may decide. These are to be prepared

following the guidelines worked out with the Bank in this regard. They will list activities completed and chart their progress compared to the work plan, discuss environmental protection and control measures, point out any problems that arose in the program activities and corrective action taken or required, and provide a plan for the next period.

- (ii) Reports on concurrent technical/operational audits, environmental and comprehensive audits, and audited financial statements, in accordance with Bank policies in these areas.

3.25 Financial reports are to be submitted to the Bank six months after signature of the loan contract and annually thereafter. The program's financial statements will be submitted to the Bank annually. A final report, duly audited, will be submitted within 120 days after the program ends. Reports on the concurrent technical/operational audits and environmental and comprehensive audits of the program will be sent to the Bank every six months. The CCP will consolidate the information on the use of the funds of this emergency program.

K. Final evaluation

3.26 The final report that the borrower is to submit in accordance with paragraphs 3.24(i) and (ii) above, on implementation of the program and the audits listed therein, is to cover the program as a whole, so it can stand as the final evaluation of the operation and serve as the basis for an eventual ex post evaluation.

IV. BENEFITS AND RISKS

A. Benefits

1. Social benefits and impact on poverty

- 4.1 The program is intended to resolve emergency and reconstruction problems in parts of the Dominican Republic that are home to a higher percentage of poor people than the percentage of total country population, which already stood at 57% before the hurricane. This assures that the program is poverty-targeted and addresses gender considerations. Given the nature of the planned social-sector activities, those who stand to gain most are the poor on whom Hurricane Georges has taken such a heavy toll, to alleviate the deterioration in their standard of living.
- 4.2 Other actions proposed in the production sphere and in support of social spending will mitigate the hurricane's effects on the poor— both its direct effects, and indirect effects in the form of inflation or accelerated devaluation— and help them recover losses. The planned assistance to restore physical infrastructure and prevent and reduce future damage are important benefits of this program.
- 4.3 The program also will have longer-range social benefits, as it restores part of the damaged productive and social infrastructure and puts in place new mechanisms and regulations to help the country plan and respond to emergencies triggered by natural disasters.

2. Economic benefits

a. In the production and social sectors

- 4.4 The actions and investments that comprise this program, which will help rebuild productive and social sectors ravaged by the hurricane, will help restore the capital base lost in each of them as well as production capacity, job creation, and foreign-exchange generation. The program's benefits will be felt above all in the rehabilitation of crucial factors of production such as electrical power transmission to key areas of the country. The proposed investments will also help the country get back on track in its efforts to improve the quality of life of its human capital and in poor communities hit hard by the hurricane, through investments in education, health, and water and sanitation infrastructure.

b. For monetary aggregates

- 4.5 Some of the program's actions will afford greater freedom to macroeconomic policy authorities to maintain stability at the present juncture, by way of fiscal support to defray recurrent social costs. Direct support for government social programs will help ease the burden on the public finances in the current precarious fiscal circumstances and help avert outbreaks of inflation, thereby contributing to macroeconomic stability.
- 4.6 Likewise, fiscal support, in combination with other multilateral balance-of-payment support efforts such as the recently approved IMF injection of US\$55 million and a similar amount offered by the World Bank, helps prevent the tightening of monetary policy, which would not be a sound approach considering the Central Bank's capital position, and contains pressure on the exchange rate, which could deteriorate further under these circumstances,

trigger a run on financial institutions, and worsen the banking system's already troubled portfolio.

3. Environmental benefits and risks

- 4.7 Given the prevailing environmental conditions, the program can be expected to have an enormous environmental benefit for the Dominican Republic. Sound reconstruction and improvements of the country's social-sector and production apparatus, community health and education services and community organization, afford an opportunity to enhance people's quality of life and environmental parameters, and hence leave them less vulnerable.
- 4.8 These expectations may be borne out even further by way of actions planned for the recovery and improvement of environmental goods and services that have sustained damage (forests, soil, ecotourism infrastructure, timber) and support to build disaster-prevention capabilities in a number of institutions, as is planned in the prevention and land-use planning subprogram.

B. Risks and safeguards

1. Pertaining to design of the operation

a. Sizing and absorption capacity

- 4.9 The chief risk has to do with the country's capacity to absorb and expend funds, given the history of difficulties in the Bank's portfolio, and manifest management weaknesses in government institutions. **Safeguard:** One cornerstone of the planned program is participation by NGOs and other civil society organizations, as well as local authorities and the private sector, in channeling funds for reconstruction works, particularly in low-income communities. Another is more flexible and streamlined procurement and disbursement procedures than those usually required, accompanied by top-level support for execution, to ensure expeditious use of the funds.

b. Sizing and requirements

- 4.10 Given the country's difficulties in putting together a detailed and reliable inventory of the damage and reconstruction needs, sizing the operation reasonably and with a needs-driven approach proved to be a serious design challenge. **Safeguard:** The Bank has closely monitored the quantification of the damage, ensuring by its own independent means that such damage is in fact attributable to the hurricane and is sufficiently sector- and region-specific to design a proportionate response.

c. The emergency and the Bank's current strategy

- 4.11 Reprogramming funds of active loans to redirect them toward the emergency entails a risk of compromising the integrity of the Bank's current medium-term country strategy. **Safeguard:** The Bank's teams have identified actions and amounts to be reformulated in each active operation such as will maintain a balance between the potentially contradictory objectives of responding appropriately to reconstruction needs without abandoning the strategy of medium-term reforms in IDB operations.

2. Pertaining to the operation's execution

a. Execution and transparency

- 4.12 There is a risk that more flexible procurement procedures might occasion misappropriations of funds. Furthermore, the highly confrontational political climate at present might also make for pressure for the use of program funds for political advantage. **Safeguard:** The special implementation arrangement devised for the program includes consultation with and periodic reporting to civil society and the private sector generally by the proposed coordinating body, to provide a filter as to quality and social validation of the program's processes and outputs, as well as concurrent-audit arrangements to assure transparency without impeding the expeditious use of the emergency funds.

b. Execution and management capacity

- 4.13 There is a consensus as to the need to authorize a relaxing of the Bank's usual procedures in matters of goods and service procurement, to expedite disbursement of the emergency program funds. Nevertheless, it is recognized that this will only partially resolve the execution problem, which is closely tied to the quality of the human resources the executors assign to manage the projects, and to the management capacity of the executing units. **Safeguard:** This operation includes specific mechanisms to monitor the relaxed procedures, with management support for expending of the funds and a special management arrangement whereby top-level consulting firms will be engaged to quickly strengthen the sectoral executing units and assure expeditious and technically sound use of the funds.

c. Coordination of national and international efforts

- 4.14 Some factors closely tied in with design and sizing of the program are the weight, function and direction of Bank intervention in the context of other international aid, especially multilateral aid. **Safeguard:** In designing this operation, the Bank has coordinated its plans with the various national and international support channels, through technical and management agreements with other international agencies, the aim being to maximize impact and minimize wasted efforts and resources.

**RECONSTRUCTION AND IMPROVEMENT PROGRAM
IN THE WAKE OF HURRICANE GEORGES
(DR-0135)**

LOGICAL FRAMEWORK

OBJECTIVE	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL The country effectively resumes its sustainable economic development	Annual GDP growth rate remains at least 4%	Central Bank statistics	The government and civil society adopt measures for rational resource management
PURPOSE Infrastructure damaged and economic flows impaired by Hurricane Georges restored	70% of damaged infrastructure is restored, applying standards to prevent future disasters	Subprogram supervision reports	Other concurrent national and international actions and investments are carried through
	Fiscal deficit less than ____% of GDP, two years after the hurricane	Central Bank statistics	A relatively stable political climate and institutions
PROJECTS 1. Social and productive infrastructure damaged by hurricane is rebuilt	____ water supply systems and ____ electric transmission towers repaired in two years	Subprogram supervision reports	Actions and investments of the other components are carried through as planned
2. Low-income communities supported in their reconstruction effort	____ communities benefit from works in two years	Subprogram supervision reports	idem
3. Stable post-hurricane macroeconomy	External current account deficit less than ____% of GDP two years after the hurricane	Subprogram supervision reports	idem
4. Dominican government equipped to steer disaster prevention, natural resources use, and land-use planning	Losses of human capital and natural resources reduced by 20%	Subprogram supervision reports	idem

PLAN OF OPERATIONS
SUPPORT FOR THE RECONSTRUCTION AND IMPROVEMENT PROGRAM
IN THE WAKE OF HURRICANE GEORGES

(TC-98-09-49-5-DR)

EXECUTIVE SUMMARY

RECIPIENT: The Dominican Republic

EXECUTING AGENCY: Technical Secretariat, Office of the President of the Dominican Republic (STPR)

FINANCING: Nonreimbursable IDB-FSO funding: US\$750,000 total (US\$450,000 foreign exchange, US\$300,000 local currency)

OBJECTIVES: The general objective of this technical cooperation is to make for swifter and more efficient and effective implementation of the Bank's "Reconstruction and Improvement Program in the Wake of Hurricane Georges" (DR-0135) and of other initiatives intended to restore damaged infrastructure and rebuild economic flows that have been impaired in the wake of this recent disaster. In pursuit of this objective, the operation proposed here would fund institutional strengthening of the coordination, management, and control arrangements planned for DR-0135 and reprogrammed components of previously approved Bank operations in the Dominican Republic, from which resources will be shifted to help cope with the hurricane's aftermath (loans 897, 905, 1047, and 1114/OC-DR).

DESCRIPTION: The technical assistance funds would defray the costs of hiring: (1) a high-level consulting firm to serve as "manager" of program DR-0135 and the components of other operations that have been reformulated to aid in the emergency; (2) a high-level consulting firm to perform an initial assessment of strengthening needs and then concurrent audits of the aforementioned program and reconfigured components. The consulting firms will support the Program Coordinating Committee (CCP) and sectoral executing units (EUs). Some of the focuses of their work will be project planning and development, analysis of eligibility criteria, construction tendering and contracts, procurement of

goods and services, and preparation of progress and financial reports.

**RELATION TO THE
BANK'S STRATEGY:**

A cornerstone of the Bank's strategy for its operations with the Dominican Republic is the strengthening of the country's institutional apparatus and modernization of the State, the specific aim being to help make the workings of government more efficient and transparent. The proposed operation would pursue not only this strategy but also objectives and actions encompassed in the Bank's natural-disasters policy.

**ENVIRONMENTAL/
SOCIAL REVIEW:**

The Bank's Committee on Environment and Social Impact approved this program on November 2, 1998.

BENEFITS:

The proposed technical cooperation will help make certain that the benefits sought by the program it is designed to support are fully realized. Specifically: (i) it will strengthen implementing capacity for that program so its effects will be felt more quickly and investments can be made more efficiently and effectively; and (ii) it will help make processes more transparent and lessen the likelihood of diversions of funds in circumstances in which more flexible procedures are being arranged.

RISKS:

The chief risk of this type of assistance is that it can set up a parallel apparatus in the country, alongside regular implementation mechanisms. This would duplicate efforts and leave to the side the institution-strengthening efforts in which the Bank and the authorities are currently engaged together to improve project execution. **Safeguard:** The management and audit firms will work with task forces, in concert with the executing units, and among their functions will be transfer of technology and training of their counterparts.

**SPECIAL
CONTRACTUAL
CONDITION:**

As special conditions precedent to disbursement of the technical-cooperation funds: (i) the Program Coordinating Committee must have been appointed as provided in paragraphs 3.2ff of loan proposal DR-0135, and (ii) the local teams that are to be the consulting firm's counterpart must have been appointed.

PROCUREMENT:

The consulting firms would be engaged through a restricted call for proposals, as described in paragraph 4.5 of this plan of operations.

APPROVAL This technical-cooperation operation is being
PROCEDURE: processed in parallel with the proposal for a loan
 for an emergency relief program (DR-0135).

I. BACKGROUND

- 1.1 On September 22, 1998, Hurricane Georges raged through the Dominican Republic with an intensity fluctuating around category III and sustained winds of close to 240 kilometers per hour, gusting to 280 kilometers. The confirmed toll thus far is 287 dead, 600 injured, and 297,000 people whose homes and property have been destroyed or damaged in the stricken areas. The heaviest losses are being reported in the agriculture, housing, roads, electricity, education, water supply, tourism, and health sectors. The tally of direct losses has hit US\$1.2 billion, US\$180 million of which can be traced to inadequate land-use planning and the overuse of natural resources. A further US\$229 million in damage has been caused to environmental goods and services.
- 1.2 Compounding the problem is the drop in agricultural and tourism revenues and damage sustained by the country's electric power and road infrastructure, which will in turn impair manufacturing and trade. The anticipated multiplier effects of this impairment of added value and associated factor income are expected to dampen aggregate demand and could push up inflation, widen fiscal and external imbalances, and perhaps threaten the stability of the financial system.
- 1.3 Given the magnitude of the devastation, on September 23, 1998, the government declared a national state of disaster, by way of Decree 353-98. At an official meeting the following day it asked the Bank and the international community for urgent support to cope with the aftermath of the disaster and immediately launch a reconstruction effort and put the country's sustainable-development efforts back on track.
- 1.4 The Bank has put together an emergency package featuring the following three major pieces: (i) a shift of US\$10 million in unallocated funds from active loans to pay for eligible emergency work; (ii) administrative reformulation of US\$85 million from active loans, which will be redirected to help cope with the disaster; and (iii) loan DR-0135 to aid in the reconstruction effort and restore macroeconomic flows quickly and effectively, as the current emergency situation demands. In each case there is an emphasis on developing institutional capacity for disaster prevention and on strengthening government and civil society organizations so their emergency response can be more coordinated, effective, and transparent.

- 1.5 The aforementioned reformulation and the new program both provide for more flexible procedures and special operational arrangements so that the objectives can be achieved swiftly and effectively in these emergency circumstances. Two major constraints have been identified that could thwart achievement of the targets of these Bank initiatives: there are weaknesses of various sorts in the central and sectoral units in charge of executing these programs, and the streamlined procedures being proposed could result in less transparency in the activities in question.
- 1.6 To address these concerns, there is provision in the implementing arrangements devised for the emergency programs (DR-0135 and reformulations of other loans) for two types of mechanisms to enhance efficiency and transparency.
- 1.7 Specifically, the Program Coordinating Committee (CCP) would use DR-0135 funds to hire: (i) a specialized firm to set up special task forces to help the CCP and each executing unit (EU) manage the emergency programs, and (ii) a consulting firm for concurrent auditing of the program.
- 1.8 The aim of the technical cooperation proposed here is to supplement the above-mentioned financing with nonreimbursable funding to cover the stage of bringing in the two consulting firms and having them begin work.

II. OBJECTIVES

- 2.1 The general objective of this technical cooperation is to make for more efficient implementation of the Bank's "Reconstruction and Improvement Program in the Wake of Hurricane Georges" (DR-0135) and of other initiatives to restore damaged infrastructure and rebuild economic flows that have been impaired in the wake of the disaster. In pursuit of this objective the proposed operation calls for institutional strengthening of the coordination, management, and control arrangements planned for DR-0135 and of reprogrammed components of previously approved Bank operations, from which resources will be shifted to contend with the hurricane's aftermath.
- 2.2 The specific objectives of the technical cooperation will be to: (i) assess institution-strengthening needs to carry through the emergency actions; (ii) enhance the efficiency of such actions by setting up and placing in operation a support mechanism in the management area; and (iii) make this process more transparent by arranging for concurrent auditing.

III. DESCRIPTION

- 3.1 The specific objectives listed above would be pursued by way of the following three components into which the program has been structured: (1) assessment and plan, (2) management, and (3) concurrent auditing.

1. Assessment and plan

- 3.2 This component will defray the cost of producing a quick assessment of institution-strengthening needs of the executing units in charge of the emergency programs, and developing a strengthening plan for those units (direct and advisory support, training, etc.). The assessment and plan are to be produced by a top-level consulting firm – the same firm to be commissioned for component 3 – and will serve for the hiring of the consulting firm that will have responsibility for the management component and as a road map for same. Technical Annex VI contains draft terms of reference for this work.

2. Management

- 3.3 In view of the short timeline for implementing the emergency program and the executing agencies' limitations as far as expeditious funds management is concerned, the plan is to give those agencies very senior consulting support from what will be referred to as the management firm. To that end, on the basis of the assessment and plan produced in component 1, the CCP will engage a specialized firm which will set up special task forces to support the CCP itself and each executing unit. The consulting firm is to ensure that work is completed on time and that technology is duly transferred and training duly delivered to the executing units, to better equip them for their duties. The terms of reference for this consulting assignment are in Technical Annex VI.

3. Concurrent audits

- 3.4 To help ensure transparency and sound project execution, the CCP, using funds from the technical cooperation, will engage a consulting firm to perform concurrent audits of the program. Among its core functions will be to verify project eligibility, conformity of actual outlays with authorized figures, adherence to procurement procedures, and delivery of program funds and of goods procured using program funds. The draft terms of reference for this consulting work are in Technical Annex VI.

IV. IMPLEMENTATION

A. Organization

- 4.1 The executing agency for the program will be the Technical Secretariat in the Office of the President of the Dominican Republic (STPR), by intermediary of the Program Coordinating Committee (CCP).
- 4.2 The Technical Secretary or person appointed by that official will be the senior executive in charge of the technical-cooperation operation. Among the Secretary's functions will be progress tracking of the program, review and approval of reports and work plans, and coordination with other agencies for the implementation of technical and administrative decisions that come out of the program or otherwise affect it.
- 4.3 The Technical Secretary would appoint, from among qualified STPR professional staffers, one officer to serve as both CCP secretary and coordinator of the program. Working under the Secretary's supervision, this coordinator would be placed in charge specifically of the technical cooperation's execution and coordination and of day-to-day administrative matters in that regard.
- 4.4 As technical support for the program's implementation the CCP will engage the consulting firms referred to in paragraphs 3.2-3.4. The CCP will submit terms of reference for these outside consultants (based on the draft terms of reference contained in document VI in the technical files) to the Bank for approval, together with the proposed contracting procedures.
- 4.5 The consulting firms will be hired through a restricted call for proposals. With the Bank's help the CCP will draw up a list of five auditing firms and a list of 10 management firms who will be sent information on the program and invited to bid on these contracts. The firms will be selected on the strength of the technical caliber of their proposals, using the two-envelope procedure.
- 4.6 The duration of the consulting firms' contracts will match the proposed life of program DR-0135 and reformulated components. The technical-cooperation funding would only be used for the assessment/plan development stage and for the four-month startup phase for the management and concurrent audit services, respectively. During this initial stage the consulting firms would focus on systems setup and training, so that a discontinuation of their services would have as slight an impact as possible on work

in the emergency programs. The contracts with the firms would expressly state that continuation of their services beyond that initial phase would be contingent on final approval by the authorities of the DR-0135 program.

- 4.7 The program is to begin within 30 days after signature of the agreement between the recipient of the cooperation and the Bank, with the startup of work of the program's Technical Director. The Bank is to be officially advised of the start date. The entire operation will last five months at most, calculated from the date of the agreement with the Bank.

B. Requirements

- 4.8 Outside advisory support. These services involving international and local consultants on short- and medium-term contracts will be provided by the consulting firms mentioned above. The draft terms of reference of their work are in document VI in the technical files. The recipient of the cooperation is to present the final terms of reference to the Bank for approval before contracts are finalized. The following are the services required for this technical cooperation:

- a. Consulting firm for concurrent auditing: Total equivalent to 8 senior international consultant-months, and 8 local consultant-months.
- b. Management consulting firm. Total equivalent to 18 senior international consultant-months, and 18 local consultant-months.

- 4.9 Local counterpart. A further requirement for the project is that the STPR and each of the sectoral executing units appoint, from among their staff, at least two officers as counterparts for the program's external consultants. Those officers will provide support, from the local perspective, for the systematization of all matters pertaining to calls for proposals, procurement of goods and services, fund recording and disbursement systems, opening of current accounts, and processing and authorization of payments as part of the program's work plans, procurement and contracting.

- 4.10 To assure continuity for the program's execution, any change, removal, or replacement of counterpart personnel that the recipient of the cooperation deems necessary is to be done by agreement between the parties.

- 4.11 Equipment and supplies. Using up to US\$20,000 equivalent of the funding and with technical advice from the consulting firm or specialized agency that will be hired, the STPR will purchase computer hardware, accessories, filing equipment, and supplies.

All of these are to be installed and in operation within a month after the program begins.

4.12 Wiring and other installations and maintenance. The agreement to be entered into with the Bank will state that: (i) no equipment may be purchased using program funds until existing computer and recording equipment is properly wired and connected and electrical and hookup arrangements are ready for any new items; and (ii) the STPR undertakes to include in its budget sufficient funds for staff, supplies, and services for the comprehensive maintenance of equipment added by the program, wiring, and associated installations. The recurrent costs ensuing from the program will be modest, so the STPR's budget should be ample to defray them.

4.13 General support. Using local counterpart funds, the STPR will provide logistical support needed for the operation, including: resources for equipment installation, premises for the program, office equipment and furniture, office supplies, utilities, and secretarial staff.

C. Reports

4.14 The consulting firms will produce the reports listed in the component 1 work plan and submit them to the STPR Technical Secretary for review and approval.

4.15 On the basis of the aforementioned reports the recipient of the cooperation will submit the following reports to the Bank.

4.16 Initial report. This is to be presented within 30 days after work begins. The assessment and plan drawn up by the audit firm will be part of this report, which will also provide a monthly timetable with quantitative targets for each activity or activity area, benchmarks against which to track achievement of these targets, and the end-objectives for each activity or area.

4.17 Final report. This report will be submitted within 10 days after the program ends. It will summarize the work done and give a detailed analysis of specific targets attained, outcomes and outputs, and the usefulness and appropriateness of the monitoring benchmarks and the technical cooperation's impact on the program. If any targets or objectives were not achieved, the report must explain why.

D. Cost and financing of the program

4.18 The total estimated cost of the program is US\$750,000 equivalent. The Bank would contribute US\$450,000 equivalent in foreign exchange from the net income of the Fund for Special Operations and

US\$300,000 equivalent in local-currency funds from that same source.

BUDGET
(in U.S. dollars)

Item	Foreign exchange	Local currency	TOTAL
1. Management firm	200,000	100,000	300,000
2. Firm for concurrent auditing	230,000	170,000	400,000
6. General support		20,000	20,000
98. Contingency	20,000	10,000	30,000
TOTAL	450,000	300,000	750,000

E. Disbursements

1. Conditions precedent to disbursement

- 4.19 Two special conditions will need to be fulfilled before funds can be disbursed: (i) the Program Coordinating Committee must have been appointed as outlined in paragraphs 3.2ff of loan proposal DR-0135, and (ii) the local teams that are to be the consulting firm's counterpart must have been appointed.

2. Disbursement procedure

- 4.20 When the conditions precedent have been satisfied, funds will be disbursed following Bank procedures, timed with the payments set out in the consulting-firm contracts. The time limit for disbursement will be six months after the disbursement eligibility date. To expedite the program, an advance of funds of up to US\$75,000 may be established, to be accounted for following standard Bank rules and practices for advances.

V. BENEFITS AND RISKS

A. Benefits

- 5.1 The proposed technical cooperation will help make certain that the benefits sought in the program it is designed to support are fully realized. Specifically: (i) it will bolster implementing capacity

for that program, so its effects can be felt more quickly and investments can be made more efficiently and effectively; and (ii) it will help make processes more transparent and lessen the likelihood of diversions of funds in circumstances in which greater flexibility is going to be afforded in procedural requirements.

B. Risks

- 5.2 The chief risk of this type of assistance is that a parallel apparatus can be set up in the country alongside regular implementation mechanisms. This would duplicate efforts and leave to the side the institution-strengthening efforts currently under way between the Bank and the authorities to improve project execution. **Safeguard:** The management and audit firms will work with task forces and in concert with the executing units, and among their functions will be transfer of technology and training of their counterparts.

VI. MONITORING AND EVALUATION

- 6.1 Monitoring and evaluation arrangements planned for this operation are as follows: (i) close monitoring by the Country Office with support from the project team, focusing particularly on in-process evaluation and allowing flexibility if any element needs to be changed; and (ii) a mid-term IDB review mission about five months into the program, to evaluate progress and see if changes are needed.

RGII-DR065P
DR-0135
Original: Spanish

PROPOSED RESOLUTION

REPUBLICA DOMINICANA. PARTIAL PAYMENT OF INTEREST ON LOAN No. ____/OC-DR TO THE REPUBLICA DOMINICANA

(Program of Reconstruction and Improvements Resulting from Hurricane "Georges")

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, as administrator of the Intermediate Financing Facility Account, hereinafter referred to as the "account", to enter into such contract or contracts as may be necessary with the República Dominicana, as Borrower, and to adopt such other measures as may be necessary to utilize the resources of the account to pay a part of the interest due by the Borrower on outstanding balances of up to US\$21,900,000 of the loan authorized by Resolution DE- ____/ __, in accordance with applicable Bank policy.

RGII-DR066P
DR-0135
Original: Spanish

PROPOSED RESOLUTION

REPUBLICA DOMINICANA. LOAN ____/OC-DR TO THE REPUBLICA DOMINICANA

(Program of Reconstruction and Improvements Resulting from Hurricane "Georges")

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 República Dominicana as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Program of Reconstruction and Improvements Resulting from Hurricane "Georges". Such financing will be for the amount of up to US\$105,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the "Terms and Financial Conditions" and to the "Special Contractual Conditions" of the Executive Summary of the Loan Proposal.

PROPOSED RESOLUTION

**REPUBLICA DOMINICANA. NON-REIMBURSABLE TECHNICAL COOPERATION
FOR THE SUPPORT OF THE PROGRAM OF RECONSTRUCTION AND
IMPROVEMENTS RESULTING FROM HURRICANE "GEORGES"**

The Board of Executive Directors

RESOLVES:

1. 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 agreements as may be necessary with the República Dominicana and to adopt such measures as may be pertinent for the execution of the plan of operations which is part of Document AT-_____, with respect to a nonreimbursable technical cooperation for the Support of The Program of Reconstruction and Improvements Resulting from Hurricane "Georges".
2. That up to the equivalent of US\$450,000, or its equivalent in other convertible currencies, and up to the equivalent of US\$300,000, in dominican pesos, both chargeable to the net income of the Fund for Special Operations, are authorized for the purposes of this resolution.
3. That the above-mentioned sums are to be provided on a nonreimbursable basis.