

**PROGRAM OF SUPPORT FOR REFORM AND MODERNIZATION OF THE  
EXECUTIVE BRANCH**

**(DR-0073)**

**EXECUTIVE SUMMARY**

**BORROWER AND  
GUARANTOR:**

The Dominican Republic (DR)

**EXECUTING AGENCY:**

The Technical Secretariat of the Office of the President (STP)

**AMOUNT AND SOURCE:**

IDB (OC):	US\$ 9,000,000
IDB (OC/IFF):	US\$12,500,000
Local counterpart:	US\$ 5,340,000
Total:	US\$26,840,000

**FINANCIAL TERMS AND  
CONDITIONS:**

Amortization period:	20 years
Execution period:	4 years
Disbursement period:	4.5 years
Interest rate:	variable
Inspection and supervision:	1%
Credit fee:	0.75%
Currency:	US\$ (Single Currency Facility)

**OBJECTIVES:**

The general objective of the program is to develop permanent and effective institutional capacity for central public administration in support of the government's efforts to control macroeconomic variables, develop an equitable distribution policy, and improve the efficiency of social spending allocation.

These objectives will be accomplished through the development of institutional capacity to formulate, coordinate, execute, and evaluate economic and sector policies and programs transparently, efficiently, and effectively. In particular, this program would include the

development of: (i) high-level coordination mechanisms for macroeconomic and social policy with the appropriate technical support units; (ii) critical capacity within the Executive Branch to conduct the institutional transformation and modernization process and support design and implementation of the plan referred to in (iii) below; and (iii) a modern, integrated plan for restructuring, streamlining, organizing, operating, and automating public administration with an internal regulatory structure and a professional career system.

**DESCRIPTION:**

This program would consist of the following subprograms:

(i) Strengthening capacity for formulating and coordinating economic and social policies (US\$4,677,600). This subprogram would finance technical assistance, training, and equipment for institutional development of high-level coordination mechanisms for macroeconomic and social policy as well as appropriate technical support units;

(ii) Strengthening basic capacity for the strategic, operational, and financial management of public administration (US\$11,147,138). The subprogram would finance improvements in the government's managerial capacity with respect to personnel and administration, strengthening of the National Office of Administration and Personnel (ONAP) in its capacity as the agency responsible for establishing the civil service regime and implementing and managing the structuring and organization of public administration. This subprogram would also finance improvements in the basic institutional capacity of the STP, the National Planning Office (ONAPLAN), ONAP, National Statistics Office, ONE, and the Department of Education (SEEC);

(iii) Formulation of a strategic plan for restructuring, streamlining, organizing, operating, and automating public administration with an internal regulatory framework and a professional career system (US\$834,000). In order to formulate the Strategic Plan for Change Management (PEGC), the program would finance a series of preliminary activities to generate the information necessary and prepare the way for implementation, including: (a) design and implementation of the National Civil Service Registry (RNSP); (b) definition of a basic salary scale for public administration, a system of incentives, and procedures for incorporation into a career system; (c) formulation of a personnel development and training plan; and (d) a diagnostic assessment of other Executive Branch departments and preparation of the restructuring proposal; and

(iv) Institutional strengthening in the area of information systems and technologies (US\$4,525,063). The aim of this subprogram is to create an Office of Information Technologies Coordination (OCTI) to standardize the use of information technologies (IT). Rules applicable to IT would also be developed in cooperation with the OCTI in respect of computer hardware as well as software.

## **BENEFITS:**

Over the short term, improvements will be made in the communication and coordination required among the various agencies legally responsible for economic and social policy implementation. Capacity for macroeconomic and social analysis would also be improved, enabling the government to contend with future challenges while maintaining macroeconomic stability. Finally, a highly qualified team will be put in place to direct and manage the short- and medium-term institutional reform process.

Over the long-term, analytical capacity in the macroeconomic, social, and organizational fields will be institutionalized, making the government more responsive to emerging problems. The government would, in particular, be better able to exercise fiscal prudence and allocate social spending properly, with staff policies enabling it to recruit and retain qualified personnel for State support functions.

**RISKS:**

Since most of the benefits of this program would be enjoyed by the next administration, it could be argued that the current administration may not perceive an interest in approving this operation or initiating its execution. During the last mission, however, the current administration indicated it was mindful of this perception but considered the program a matter of national interest to be initiated as soon as possible, regarding any delay as unnecessary and detrimental to the country. In this regard, the government has sent the Bank a policy letter expressing its commitment to the proposed reforms.

Success in accomplishing the objectives of this operation will depend on the following: (i) transparent budget administration subject to clear rules known to all; (ii) sufficient counterpart resources; (iii) balanced budgets, at least for the agencies affected; and (iv) control over staff size, at least in the agencies affected. Accordingly, the government has undertaken to adopt the measures set forth in the matrix included in Annex 1.

**THE BANK'S COUNTRY  
AND SECTOR  
STRATEGY:**

The aim of the Bank's country strategy is to support the DR's efforts to maintain macroeconomic balance (stabilization function), promote equity (distribution function), and combat poverty with more efficient spending (allocation function), through measures designed to improve the targeting of social spending, modernize the State, and stimulate the private economy.

The program would complement activities being conducted under other Bank projects. It would in particular help to prepare the affected departments institutionally to properly assimilate the financial instruments to be developed with resources from the financial management program (1093/OC-DR). The operation would also support the institutional strengthening component of the basic education improvement program (897/OC-DR), which has been stalled by numerous changes in the education sector, such as approval of the Education Act and the Ten-Year Education Plan.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

Prior to the first disbursement of the financing, the borrower must present evidence to the Bank that: (i) it has hired a specialized firm to support the executing agency in the administrative and technical work required for execution; and (ii) it has appointed the national coordinator for the program (paragraph 3.2).

Special conditions with regard to program execution are indicated in paragraphs 3.8, 3.15, and 3.16, and in Annex I. Conditions with respect to supervision, evaluation, and reporting are indicated in paragraphs 3.23 to 3.25. Those regarding audits can be found in paragraph 3.30.

**EXCEPTIONS TO BANK  
POLICY:**

None.

**PROCUREMENT:**

The program would finance technical assistance and consulting services to conduct studies, design training programs and materials, develop computer applications, conduct public information campaigns, provide supervision and optional assistance, procure goods and civil works, and perform other activities in support of the program. Bank procedures will apply to the hire of consulting services financed with loan resources. A public international competitive selection process (ICS) will be conducted for consulting contracts in amounts of US\$200,000 or more. The rules of international public bidding (IPB) will apply to procurements in excess of US\$250,000 and to construction works in excess of US\$1.5 million. Consulting contracts and procurement of goods in amounts beneath these thresholds will be subject to the provisions set forth in Annex D to the loan contract.

## I. BACKGROUND

### A. Historical perspective of public administration in the Dominican Republic

- 1.1 The institutional weakness of public administration in the Dominican Republic is rooted in history. Civil wars and financial disruptions during the second half of the past century, as well as military invasions and authoritarian governments during this century, among other factors, have been obstacles to the consolidation of an efficient, effective, and professional public administration in government.

### B. Diagnostic assessment of public administration in the Dominican Republic

- 1.2 From a conceptual standpoint, the functions of government can be classified in three groups: macroeconomic management (stabilization), redistribution, and allocation of public goods and services.<sup>1</sup>
- 1.3 Stabilization function. Macroeconomic variables in the Dominican Republic (DR) indicate a relatively healthy economy. However, analysis of the DR's performance in the area of economic stabilization shows the following. Over the past 25 years, growth rates in the country's GDP and actual consumption have been three times more volatile than the average for countries in Latin America and the Caribbean (LAC). Growth in domestic investment has been five times more volatile than the average for industrialized countries and 2.5 times more than in the LAC countries. Volatility in the rate of inflation has been seven times greater in the DR than the average for industrialized countries and three times greater than the average for the Caribbean countries. Volatility in the real rate of exchange has been five times greater than the average for industrialized countries, double the rate in the countries of Latin America and triple that in the Caribbean.
- 1.4 Distribution function. With respect to the distribution function, the observed concentration of income (observed Gini) in the DR is 0.52. By way of comparison, the world average is 0.41; for Brazil, the figure is 0.59, one of the highest; for the United States it is 0.37; and for Spain, 0.26. Poverty affects 57% of the population, and indigence 30%. In rural areas, more than 40% of all children suffer from malnutrition.
- 1.5 Allocation function. Finally, analysis of the DR's performance in allocating public goods and services reflects a low level of social spending and inefficient allocation. Social spending accounted for 6.6% of GDP in 1994 and 5.6% in 1995, which is

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<sup>1</sup> Musgrave, R. 1959 *The Theory of Public Finance*. New York: McGraw-Hill. See also The Center for Institutional Reform and the Informal Sector (IRIS) Report *Reform and Modernization of the State: an Institutional Framework for Reform of the Executive Branch with Indicators and Questionnaires for Diagnosis and Project Design*, University Of Maryland, October 1997. This report was commissioned and coordinated by RE2/OD4 for the preparation of this program.

below the average for Latin America (between 10% and 15% of GDP). Weaknesses in the efficiency and composition of public spending are reflected in social indicators such as those shown in the following table:

Social indicators	Dominican Republic	Latin America and the Caribbean
<b>HEALTH AND NUTRITION</b>		
Infant mortality (per 1000 births)	44.1	43.0
DPT immunization (children one year of age)	83%	74%
Access to drinking water	65%	80%
Access to health care services	70%	—
Children underweight (under age 5)	38%	—
Public health spending (% GDP)	1.2%	—
<b>EDUCATION</b>		
Primary school enrollment (net)	92%	89%
Secondary school enrollment (gross)	33%	45%
Illiteracy (over age 15)	17.7%	15%
Public spending on education (% GDP)	1.8%	1.4%

- 1.6 One of the most important causes of the problems cited above lies in the low level of institutional development within the DR's public administration. For example, the estimated "bureaucratic development" indicator for the DR's public administration is one of the lowest among developing countries. This indicator ranges from 13.5 (Singapore) to 1 (Kenya). The figure is 2 for the Dominican Republic, 4 for Ecuador, 7.6 for Brazil, and 9 for Costa Rica.<sup>2</sup>
- 1.7 In the DR, many attempts at reform (i.e. customs, tax, Social Security, budget, civil service, administrative organization, etc.) have been frustrated because they occurred within an institutional vacuum. Cases of agencies applying modern and sound regulatory principles (e.g. in the area of civil service) can frequently be found, but administrative mechanisms are too weak to enforce them effectively.
- 1.8 Five of the main problems undermining the administration's ability to support the government in performing its three basic functions are as follows: (i) the lack of formal mechanisms for policy coordination; (ii) the discretionary and non-transparent character of the budget process; (iii) the inadequate professional level of public officials; (iv) an organizational and administrative structure defined without reference to clear objectives or operational criteria; and (v) the lack of an information system to support the decision-making process.

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<sup>2</sup> James E. Rauch and Peter B. Evans, *Bureaucratic Structure and Bureaucratic Performance in Less Developed Countries*, National Bureau of Economic Research (May 1997). This indicator measures such bureaucratic characteristics as the capacity to generate new ideas, the proportion of senior officials entering public administration through competitive selection, the average duration of administrative careers, and the percentage difference between public and private sector salaries.



- 1.9 The following matrix summarizes the diagnostic assessment of the DR's public administration.

LEM	RESULTS	INDICATORS	INSTITUTIONAL CAUSES
ate policy tion	<ul style="list-style-type: none"> <li>▪ Economic volatility</li> <li>▪ Inequitable income distribution</li> <li>▪ Ineffective allocation of social spending</li> </ul>	<ul style="list-style-type: none"> <li>▪ Volatility of growth rates, inflation, domestic investment, and exchange rates</li> <li>▪ High Gini coefficient (paragraph 1.4)</li> <li>▪ Inadequate and ineffectively allocated social spending (paragraph 1.5)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inadequate development of coordination mechanisms</li> <li>▪ Inadequate information</li> <li>▪ Institutional complexity</li> </ul>
onary, non- ent budget	<ul style="list-style-type: none"> <li>▪ Lack of control over fiscal spending (economic volatility)</li> <li>▪ Difficulty in determining public debt (idem)</li> <li>▪ Ineffective allocation of social spending</li> <li>▪ Non-viability of medium-term reform processes</li> <li>▪ Disincentive to impact and cost-effectiveness analysis</li> </ul>	<ul style="list-style-type: none"> <li>▪ Between 60% and 90% of investment spending is discretionary</li> <li>▪ Between the 50% and 60% of total spending is discretionary</li> <li>▪ Current spending has increased by 115% over the past two years</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inadequate budget legislation</li> <li>▪ The 1401 account</li> <li>▪ Lack of effective mechanisms to control current spending</li> <li>▪ Use of different nomenclature in treasury, budget, and comptroller reports</li> <li>▪ Economic policy reasons</li> </ul>
ate el ment	<ul style="list-style-type: none"> <li>▪ Inability to recruit, motivate, and retain qualified personnel to provide support for the basic functions of government</li> </ul>	<ul style="list-style-type: none"> <li>▪ 0.002% of public employees have been incorporated within the civil service</li> <li>▪ Average real salaries for public employees are 44% below those in the private sector</li> <li>▪ Average real salaries for public employees are 29% below their 1978 level</li> <li>▪ There is good legislation in place but it is not applied</li> </ul>	<ul style="list-style-type: none"> <li>▪ Weaknesses in INAP (personnel training) and ONAP (organization of the civil service)</li> <li>▪ Economic policy reasons</li> </ul>
ate rative e	<ul style="list-style-type: none"> <li>▪ The functional structure of government limits its effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>▪ Assignment of identical functions to different organizations without the establishment of hierarchy</li> <li>▪ The "real" organizational structure does not correspond to the official structure</li> <li>▪ Planning, management, and supervision functions are often concentrated within the same office</li> </ul>	<ul style="list-style-type: none"> <li>▪ Weaknesses in ONAP (office responsible for structuring and organizing public administration)</li> <li>▪ Ambiguous and conflicting objectives</li> <li>▪ Inadequate professional level of public employees</li> <li>▪ Economic policy reasons</li> </ul>
ate ion	<ul style="list-style-type: none"> <li>▪ Decisions are not properly informed and justified. As a result: <ul style="list-style-type: none"> <li>▪ Macroeconomic management is difficult</li> <li>▪ The establishment of equitable distribution policies is difficult</li> <li>▪ Effective spending allocation is difficult</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of a legal framework for IS</li> <li>▪ 2 PCs for every 100 employees</li> <li>▪ 1 IT expert for every 1,000 employees</li> <li>▪ Average salaries for IT technicians are five times lower than in the private sector</li> <li>▪ There is no network system</li> <li>▪ Operating systems and programming languages are antiquated</li> </ul>	<ul style="list-style-type: none"> <li>▪ Discretionary budget management discourages the use of technical inputs</li> <li>▪ Absence of institutions for regulating IS</li> <li>▪ Inadequate personnel policies</li> <li>▪ Economic policy reasons</li> </ul>

It should be noted that the institutional causes are not the only or most important factors behind the results analyzed. Economic policy considerations, and other historical and social factors also play an important role.

- 1.10 Policy coordination. Public sector management in the Dominican Republic is fragmented and incomplete. There is no coordination among the various departments, and the specialized institutions created to coordinate government action have not functioned in practice. This lack of coordination particularly affects the government's capacity to control economic variables and allocate social spending.
- 1.11 For economic as well as social matters a varied number of public agencies have been assigned particular responsibilities by law, resulting in functional fragmentation and duplication. In the area of macroeconomic policy, there is no effective institutional arrangement allowing for the needed coordination among relevant executive branch agencies, or between those agencies and monetary authorities.
- 1.12 There are several reasons for this situation. First all, the coordination mechanisms were not properly developed from a regulatory standpoint. This left their organization, external relations, and operations in a legal vacuum. Second, discussions in the areas of economic or social policy are not based on sound technical information.
- 1.13 Discretionary, non-transparent budget process. During earlier administrations, a series of legal institutions were created that tended to centralize decision-making and to reduce third-party control over the decision-making process in general, and the budget allocation process in particular. Through one account, entitled 1401, the President of the Republic has been able to control the allocation of 60% of the budget on a discretionary basis.
- 1.14 In 1997, despite efforts to reduce budgetary discretion, approximately 50% of all budget resources were managed through the aforementioned account. Moreover, budgetary laws and practices do not allow for the timely and efficient control of spending. For instance, Treasury reports do not use the same nomenclature as the budget acts or the Comptroller General's Office. This makes it difficult to determine whether spending actually corresponds to appropriations and permits discretionary growth in government debt. Finally, budget legislation does not provide for proper mechanisms to control increases in current spending. This is borne out by the fact that current government spending increased by 115% over the last two years.
- 1.15 This situation generates a series of structural problems. On the spending side, macroeconomic variables are more difficult to control, and the allocation of social spending is less efficient because discretionary authority removes any incentive to use technical and economic criteria.
- 1.16 Personnel management. The body responsible for regulating government personnel policy is comparable to those existing in most industrialized democracies. Law 14/91, and its implementing regulations (81/94), introduced a valuable set of institutional and legal elements for the establishment of a modern civil bureaucracy. These include in particular the introduction of an administrative career system, a selection and appointment system based on the principles of equality, competence,

and transparency, and a system of promotion and compensation based on performance.

- 1.17 The National Public Administration Institute (INAP) was created in 1994 to implement the National Training System, with a view to ensuring effective, continuous training for civil servants. The National Office of Administration and Personnel (ONAP), under the Technical Secretariat of the Office of the President (STP), is the agency responsible for implementing the civil service system.
- 1.18 Despite the adoption of these measures, the DR's public administration has still not effectively implemented these provisions and institutions. Seven years after urgent implementation of the administrative career system was ordered, only 351 of the 220,897 civil servants have been accredited as career officials. Staff are selected and hired without the proper confirmation of qualifications for their positions. The average salary for civil servants is 29% lower in real terms than in 1978, while over the same period, average salaries in the private sector increased by approximately 15% in real terms. Finally, ONAP professionals are motivated but very few in number, poorly paid, dysfunctionally organized, and inadequately trained to contend with a job as complex as implementing a modern personnel management system.
- 1.19 Under current conditions, the government cannot attract and retain a sufficient number of qualified personnel to support the administration in the three basic functions of government.
- 1.20 Structure and organization. The structure and organization of public administration in the Dominican Republic are not based on criteria of rationality and efficiency, and the responsibilities and functions of the public agencies have not been properly defined. On more than a few occasions, the same set of responsibilities has been given to different organizations, leading to a juxtaposition of functions. Transport regulation, for instance, has been assigned to three departments and a specialized agency without the establishment of any hierarchy among them. This situation renders policy formulation, coordination, and evaluation extremely difficult.
- 1.21 The General Manual of Classified Executive Branch Civil Service Positions was introduced in 1996 to provide a rational, uniform organizational structure for executive branch departments. This manual has not been used in practice for reasons similar to those explained in the case of personnel management.
- 1.22 Beyond its role as agency responsible for implementing the civil service system, ONAP has also been entrusted with establishing and managing the structure and organization of public administration. Despite its efforts, ONAP has not been able to meet expectations because, among other reasons, it lacks the legal and technical hierarchy to enforce its decisions with respect to personnel as well as administrative structure and organization.

- 1.23 Information systems. At the current time, the decision-making process is not properly supported with a supply of relevant, timely, and accurate technical information. As mentioned earlier, the problems of centralization, discretionary decision-making, and non-transparent budgeting have tended to divert attention from the need for sound technical information. These circumstances have not been propitious for the development and maintenance of an information system geared to the functions of modern government, based on the use of new information technologies.
- 1.24 The DR's government appears to lack a body for information technology decision-making and policy formulation. As a result, its computer hardware is limited to less than two microcomputer systems for every one hundred posts, and a number of highly obsolete multi-user central units.<sup>3</sup> All of this makes it very difficult to use information technology as a public administration tool for the three basic functions of government.

#### **C. Justification of the program**

- 1.25 In 1996, the citizens of the Dominican Republic freely elected a new government with a reformist political agenda. The election of this new administration represents an historic opportunity to reverse nearly a century-and-a-half of institutional neglect and equip the Dominican government with the institutional and managerial capacity necessary to perform its three basic functions. The objectives established by the current administration are as follows: (i) the assurance of microeconomic stability; (ii) redefinition of the government's role in the economy; (iii) modernization of the State and strengthening of its institutions; and (iv) the fight against poverty and social inequalities.
- 1.26 If the basic functions are to be properly performed, there must be political stability, macroeconomic balance, and institutional capacity to identify the problems and design and implement policies and programs to solve them efficiently. The program presented here would support the government in developing permanent institutional capacity for its three basic functions.

#### **D. Lessons learned**

- 1.27 During the preparation of this program, other countries (i.e. Israel, New Zealand, U.S.A.) were consulted on their experiences with governmental reform. The following lessons were derived from study of these experiences and have been used in designing this report.

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<sup>3</sup> The number of PCs per 100 public employees is 74 in the U.S., 25 in the United Kingdom, 18 in France, 13 in Spain, 10 in Germany, and 7 in Japan.

- 1.28 **Lesson 1:** Viable reform requires macroeconomic stability. In times of macroeconomic instability, adjustment measures tend to take precedence over the processes of institutional reform. This program would strengthen the government's capacity to monitor macroeconomic variables and base decisions on technical criteria.
- 1.29 **Lesson 2:** Viable reform requires – as a condition *sine qua non* (though not in itself sufficient) – a reduction in discretionary authority and an increase in budget transparency. It is therefore essential to have a budget process subject to clear, transparent rules, known to all, in order for any modernization effort to succeed. The Bank approved the integrated financial administration program (1093/OC-DR) for this purpose. During the execution period, both operations will be closely coordinated.
- 1.30 **Lesson 3:** Critical mass must be reached, in terms of managers and officials capable of directing and administering the reforms. This program would form such a critical mass of officials to manage the institutional reform processes.
- 1.31 **Lesson 4:** There is a strong correlation between successful reform and the existence of a detailed, comprehensive, medium-term strategic plan, based on consensus and defined, attainable goals. This program would help to design a strategic plan with these characteristics and would finance consensus-building activities.
- 1.32 **Lesson 5:** The reform of public administration is an eminently political process. This means that the country's political and social conditions, which are by definition dynamic, will determine the pace, direction, and scope of reform. It is therefore important for the Executive Branch to have sufficient institutional capacity to implement reforms and change course as circumstances change. This program would provide the country with such capacity.

**E. The Bank's country strategy**

- 1.33 The aim of the Bank's country strategy is to support the DR's efforts to maintain macroeconomic balance (stabilization function), promote equity (distribution function), and combat poverty with more efficient spending (allocation function), through measures designed to improve the targeting of social spending, modernize the State, and stimulate the private economy.
- 1.34 This program would complement activities being conducted under other Bank projects. It would in particular help to prepare the affected departments institutionally to properly assimilate the financial instruments to be developed with resources from the financial management program (1093/OC-DR). The operation would also support the institutional strengthening component of the basic education improvement program (897/OC-DR), which has been stalled by numerous changes in the education sector, such as approval of the Education Act and the Ten-Year Education Plan. During the preparation of this operation, the Institutional

Development Plan (PTI) was prepared for the Department of Education (SEEC). The PTI takes into the account the above-mentioned institutional changes and would serve as the basic document for reformulation of the institutional strengthening component of 897/OC-DR. The project team has negotiated basic conditions with SEEC to ensure that the PTI will be executed in its entirety.

## **II. OBJECTIVE AND DESCRIPTION OF THE PROGRAM**

### **A. General objective**

- 2.1 The general objective of the program is to develop permanent and effective institutional capacity for central public administration in support of the government's efforts to control macroeconomic variables, develop an equitable distribution policy, and improve the efficiency of social spending allocation.

### **B. Specific objectives**

- 2.2 These objectives will be accomplished through the development of institutional capacity to formulate, coordinate, execute, and evaluate economic and sector policies and programs transparently, efficiently, and effectively. In particular, this program would include the development of: (i) high-level coordination mechanisms for macroeconomic and social policy with the appropriate technical support units; (ii) critical capacity within the Executive Branch to conduct the institutional transformation and modernization process and support design and implementation of the plan referred to in (iii) below; and (iii) a modern, integrated plan for restructuring, streamlining, organizing, operating, and automating public administration with an internal regulatory structure and a professional career system.

### **C. Description of the program**

- 2.3 The program would include the following subprograms:
- i) Strengthening capacity to formulate and coordinate macroeconomic and social policies;
  - ii) Strengthening basic capacity for the strategic, operational, and financial management of public administration;
  - iii) Formulation of a strategic plan for restructuring, streamlining, organizing, operating, and automating public administration with an internal regulatory framework and a professional career system; and
  - iv) Institutional strengthening in the area of information systems and technologies.
- 2.4 The proposed program would finance the first phase of a long-term process which, by its nature, will have to be implemented by successive administrations. Based on the data available on the actual timetable for fulfilling the conditions precedent, it is believed that the preparatory activities for the program indicated in paragraph 4.3 would be performed by the current government. Once this program has been completed, the strategic plan to be developed under this operation should serve as a basic document for dialogue between the country and the Bank on the subject of



executive branch reform. This would provide the comprehensive perspective and continuity necessary for the reform process.

- 2.5 The proposed operation would finance institutional development of the Technical Secretariat of the Office of the President (STP), and its functional departments, as the agency responsible for reporting on and coordinating governmental decision-making and directing the reform process. The aim in particular is to create a series of offices performing strategic functions and provide them with sufficient financial, material, institutional, and human resources to perform their work effectively.<sup>4</sup> This operation would also consolidate the institutional reforms proposed by the Basic Education Program II (897/OC-DR) and the PDI, by raising the professional level of SEEC non-teaching staff, following the methods and sequence proposed by this program.

**1. Strengthening capacity for formulating and coordinating economic and social policies (US\$4,677,600)**

- 2.6 This subprogram would include the implementation of a mechanism for macroeconomic coordination and a mechanism for social coordination to facilitate macroeconomic management and improve the efficiency of social spending allocation. Financing would be provided in particular for technical assistance, training, and equipment for the institutional development of high-level macroeconomic and social policy coordination mechanisms with the appropriate technical support units.

**a. Macroeconomic coordination mechanisms (US\$2,666,800)**

- 2.7 The project would finance the creation of a Macroeconomic Policy Steering Committee (CCPM) and the establishment and placement in operation of an Office of Macroeconomic Advisers (OAM) within the Technical Secretariat of the Office of the President, to provide technical support to the CCPM.
- 2.8 The CCPM would be composed of the Secretary of Finance, the Governor of the Central Bank, and the Technical Secretary of the Office of the President who would act as the CCPM's coordinator. The aim of the CCPM would be to advise the President of the Republic on the coordination of government policies and measures with potential implications for macroeconomic stability.
- 2.9 The functions of the CCPM would be as follows:
- i) issue opinions on macroeconomic parameters for the formulation of general budgets, and prepare the estimates of fiscal revenues;

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<sup>4</sup> The departments under the STP are the National Office of Administration and Personnel (ONAP), The National Statistics Office (ONE), and the National Planning Office (ONAPLAN).

- ii) evaluate the budgetary and macroeconomic impact of any revenue or spending measure taken during the fiscal year;
- iii) recommend guidelines for external and domestic debt policy, analyze the effects of borrowing on debt servicing and structure, and analyze and issue opinions on the budget proposals of the decentralized agencies;
- iv) monitor budgetary execution by the nonfinancial public sector;
- v) issue opinions on the macroeconomic effects of any structural or institutional reform to be adopted by the authorities, or economic reforms instigated by the President of the Republic; and
- vi) analyze other factors or policies that might affect the prospects for economic growth and stability.

2.10 In performing these functions, the CCPM will receive support from the OAM. The OAM will prepare the reports and technical analyses requested by the CCPM in the course of its duties. The OAM will be composed of at least five top-level macroeconomists and directed by an economist of recognized professional prestige with the necessary research and support staff.

2.11 This project would include in particular:

- i) providing technical assistance with: (a) preparation of the draft decree to create, structure, organize, place in operation, and internally regulate the CCPM and the OAM; (b) competitive selection of the staff to be assigned to the OAM and their incorporation into the administrative career system; and (c) preparation of a proposal to reorganize the departments and institutions concerned with economic matters;
- ii) hiring experts to be assigned to the OAM for a period of 46 months;
- iii) implementing an economic information system to support the monitoring of macroeconomic variables;
- iv) fitting out the OAM with computer equipment and furniture as well as office equipment and supplies for a period of 46 months; and
- v) financing the economic studies necessary to provide information as a basis for economic policy decision-making.

**b. Social policy coordination mechanism (US\$2,010,800)**

- 2.12 This project would finance the creation of a Social Policy Steering Committee (CCPS) and the strengthening of the National Planning Office (ONAPLAN) to provide technical support to the CCPS in the allocation of social spending.
- 2.13 The CCPS would be composed of the Directors of the National Housing, Water Supply, and Sewerage Boards, and the General Department for Women's Affairs, as well as the Secretaries of Education, Health, Labor, and Technology under the Office of the President, which would act as the coordinator of the CCPS. The aim of the CCPS is to define the government's social strategy and agenda, review and evaluate it, prioritize the sector programs so as to reflect the government's strategic goals in the area of social policy, and help strengthen the various coordinating bodies at the subnational government level.
- 2.14 To facilitate the work of the CCPS and organize the institutional structure for the social sector, support would be provided to ONAPLAN in preparing and implementing a proposal to reorganize and streamline public agencies with responsibilities in the area of social policy, based on function and efficiency-related criteria. The quality of the technical inputs required for the diagnostic assessment, design, targeting, and evaluation of social policies would also be improved by strengthening the social information system. In particular, a Social Information Unit (UIS) would be created within ONAPLAN and staffed with expert personnel, methodological and technical instruments, and the equipment necessary to perform its functions. The capacity of the UIS to analyze the impact of social projects and to take gender considerations into account in planning would be strengthened through training of its technical staff and the collection of information through surveys on socioeconomic classification differentiated according to sex. In particular, the functions of the UIS would include:
- i) providing support to the CCPS in performing its functions;
  - ii) developing the methodological design of the social information system;
  - iii) identifying the social information needs of the various public services concerned; and
  - iv) developing the tools for conducting the socioeconomic surveys and using the survey findings to characterize the socioeconomic situation of the DR's population.
- 2.15 The program would finance the design and implementation of a socioeconomic classification survey to supplement the information generated by the poverty map. The poverty map that exists now is based on the census, and is therefore conducted at intervals longer than the duration of an administration's term. It is therefore an

instrument not well calibrated for the purposes of specific government programs. The surveying would generate valuable information reflecting the full range of socioeconomic conditions at reasonable costs.

2.16 Finally, financing would be provided for five ex post evaluation studies of selected projects to show the importance of ex post as well as ex ante evaluation in deciding on social projects.<sup>5</sup> **The criteria for selecting projects can be found in the Bank's technical archives.**

2.17 This project would include in particular:

- i) providing technical assistance with: (a) preparation of the draft decree to create, structure, organize, place in operation, and internally regulate the CCPS and the Social Information Unit (UIS) within ONAPLAN; (b) competitive selection of the staff to be assigned to the UIS, their incorporation into the administrative career system, and proper training; and (c) effectively institutionalize social policy;
- ii) hiring the experts to be assigned to the UIS for a period of 46 months;
- iii) financing five ex post evaluation studies of public projects;
- iv) fitting out the UIS with computer equipment and furniture as well as office equipment and supplies for a period of 46 months; and
- v) financing the design of an economic classification survey and initiating its use.

## **2. Strengthening basic capacity for the strategic, operational, and financial management of public administration (US\$11,147,138)**

2.18 Over the short term, the subprogram would finance improvements in the government's managerial capacity with respect to personnel and administration. Over the medium term, it would seek to make the public sector and government support functions more attractive to highly qualified professionals. To that end, the National Office of Administration and Personnel (ONAP) would be strengthened in its capacity as the agency responsible for establishing the civil service regime and implementing and managing the structure and organization of public administration. In particular, a "Professional Excellence Team" (EM) would be created within ONAP, providing a critical mass of top-level professionals, organized, trained, and equipped to identify institutional problems, make specific proposals to solve them,

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<sup>5</sup> The project "Public Investment Project Inventory and Monitoring System" (ATN/JF-5893-DR) has developed methodologies for ex ante evaluation of social sector investment projects and has trained staff in ONAPLAN and other departments working in the social sectors or conducting evaluations.

and implement those proposals. This will plant the seed enabling the DR's public administration to carry out the reform process in the future and adjust it over time as circumstances change.

- 2.19 The EM will be composed of approximately 29 professionals: a National Director and International Adviser; four experts in organization and methodology; four experts in human resource management ; two experts in budgeting and accounting; four experts in planning; two experts in the implementation and administration of public employee records; two experts in information technology; one expert in archiving; one expert in payroll administration; two experts in staff training; two experts in administrative law; and three secretaries.
- 2.20 The specialized firm (EE) providing support for execution will give intensive training to EM members in such disciplines as modern techniques for organizational and functional analysis (process diagramming and simulation), estimation of workload, interactive redesign methodologies, public policy implementation, and human resource management, especially on methods for implementing a policy of equal treatment and non-discrimination based on race, culture, religion, gender, etc. An EM member would be responsible for implementing measures to ensure equal employment opportunity, one of the most basic principles of public administration reform. The EM would be headed up by an expert in public administration of recognized professional prestige, who would also be appointed through a competitive selection process.
- 2.21 This subprogram would also finance improvements in the basic institutional capacity of the STP, ONAPLAN, ONAP, ONE, and SEEC as administrative departments performing essential functions for the execution of government policy. Institutional capacity would be strengthened through modernization of the finance and personnel offices to improve the efficiency, effectiveness, and transparency of human resource and financial management. The lack of transparency in human resource and financial management has been an obstacle to their strategic management, and thus to institutional reform generally. The first step in modernization must therefore be reform of the finance and personnel offices.
- 2.22 Modernization of these offices would be achieved by redesigning their organizational and functional structures, adjusting the size of their workforces, and selecting, training and equipping the personnel required. The budget, accounting, treasury, procurement, and facilities management systems to be developed under the Financial Administration Program (1093/OC-DR) will be introduced in the finance offices. A functional human resource management system will be developed in the personnel offices to permit efficient and uniform management of human resources.
- 2.23 Finally, once the finance and personnel offices are functioning, this subprogram would finance organizational restructuring and professional staffing in the other offices and departments of the STP, ONAPLAN, ONAP, ONE, and SEEC, based on criteria of functional efficiency. The organizational and staff management principles

and premises underlying this process can be found in the Bank's technical files. Staff in these offices would be evaluated, trained, and reassigned in accordance with a new structure, organization, and operation.

2.24 This program would not finance downsizing in any public sector department, because the conditions for doing so transparently, efficiently, and effectively are not currently present. Once the program has been executed, however, the conditions will be in place to make adjustments in size of the public sector workforce. In particular, this program would permit the preparation of a strategic plan for reform of public administration with specific medium-term plans for streamlining government.

2.25 This project would include in particular:

- i) providing technical assistance with: (a) preparation of the draft decree to create, structure, organize, place in operation, and internally regulate the EM within ONAP; (b) competitive selection of the staff to be assigned to the EM and their incorporation into the administrative career system; and (c) proper training for the staff selected;
- ii) hiring 29 experts to be assigned to the EM for a period of 47 months;
- iii) providing technical assistance with the design of organizational models for the finance offices (OF), personnel offices (OP) and the Integrated Public Administration System for Human Resource Management (SGIP);
- iv) fitting out the OF, OP, and SGIP with computer equipment and furniture as well as office equipment and supplies for a period of 47 months;
- v) improving the physical space for the EM and the OFs and OPs in the departments concerned; and
- vi) providing technical assistance with: (a) design of the organizational structure for each of the departments concerned; and (b) evaluation, training, and reassignment of their personnel.

**3. Formulation of a strategic plan for restructuring, streamlining, organizing, operating, and automating public administration with an internal regulatory framework and a professional career system (US\$834,000)**

2.26 The objective of this subprogram is to design a proposal for restructuring, reorganizing, streamlining, and raising the professional level of the executive branch

so as to make it an effective instrument in support of the basic functions of government. This proposal would take the form of a Strategic Plan for Change Management (PEGC). To formulate the PEGC, a number of preliminary activities must be conducted to generate the necessary information and prepare the way for implementation.

- 2.27 The first of these preliminary activities is to design and implement a National Civil Service Registry (RNSP) to be connected with the SGIP. Without specific information on the number and quality of civil servants, their salaries, positions, seniority, legal status, age, and sex, it will be impossible to perform the basic diagnostic assessments needed to reorganize the administration and determine training needs. Creation of the RNSP will also facilitate staff management in the Office of Personnel. Basic guidelines would be developed under this subprogram to implement a policy of equal opportunity, to be given legal form through a public sector administrative career system. The RNSP will permit a diagnostic assessment of the state of public service.
- 2.28 The second task to be performed prior to formulation of the PEGC is to define: (i) the basic salary scale for the public administration; (ii) an incentive system; and (iii) the procedure for incorporation into the career system. The salary scale and incentive system would provide the financial information necessary to perform fiscal forecasts and anticipate possible financial outcomes. Once the procedure for incorporation into the career system has been determined the necessary information would be made available to establish a timetable for the professional development and staffing process.
- 2.29 The third preliminary task would be to formulate the Personnel Development and Training Plan, to be implemented by INAP in its capacity as agency responsible for personnel training. This plan would include the essential elements to strengthen INAP and enable it to perform its functions effectively and will be a vital component of the PEGC. The basic salary scale for public administration and the procedures for appointment, promotion, and incentives, as well as the personnel development plans, will be designed in accordance with the principles of equal opportunity.
- 2.30 The fourth preliminary task is to formulate improvements in the legal framework for the civil service and administrative career systems (i.e. the systems for selection, appointment, performance evaluation, and discipline). The suggested guidelines for these legislative improvements, with special reference to sexual harassment and the principle of equal treatment irrespective of gender, can be found in the Bank's technical files.
- 2.31 Fifth, a diagnostic assessment must be performed for the remaining departments and a complete restructuring of the Executive Branch must be proposed to enhance its effectiveness and efficiency. This entails the redesign of organizational structures, the redesign of horizontal and sectoral administrative processes, the development of a new map of processes, the definition of basic professional profiles, a proposal to

re-scale and streamline staff, and the preparation of a model data system for the computerization of administrative procedures.

2.32 Once these five tasks have been completed, a PEGC must be prepared establishing: a new structure and organization for the Executive Branch; a plan for human resource streamlining; specific objectives with respect to quantity, quality, and timing; the timetable for implementation of the change measures; the method of work and the assignment of tasks for implementation; critical risk factors and measures to mitigate them (e.g. the plan for consensus building); the mechanisms to be used to monitor change; the content and method of training for officials affected by the modernization process; and the information plan for the PEGC.

2.33 In particular, this subprogram would include:

- i) technical assistance in: (a) designing and implementing the RNSP; (b) formulating the basic salary scale for the public administration, the incentive system, and the procedure for incorporating the career system; (c) preparing the personnel development and training plan, including a proposal to reform the INAP; (d) formulating improvements in the legal framework for the civil service and administrative career system; (e) diagnosing the structure, organization, and operation of other areas within the public administration and preparing a proposal to restructure and reorganize them; (f) developing the PEGC to restructure, streamline, reorganize, and improve the professional level of the other areas of public administration, with an implementation timetable, costs, financial analysis, and risk analysis together with proposed mitigation measures; and (g) designing a communication and information plan for the PEGC; and
- ii) financing workshops, seminars, and materials necessary to form a consensus on the PEGC.

#### **4. Institutional strengthening in the area of information systems and technologies (US\$4,525,063)**

2.34 The aim of this subprogram is to establish the institutional, regulatory, and organizational context for the introduction of information technologies (IT) into public administration in the Dominican Republic as a means to improve the efficiency, effectiveness, and transparency of the decision-making process, administrative processes, and policy execution in the performance of basic state functions. In particular, the Office of Information Technologies Coordination (OCTI) would be set up to standardize the use of IT. Rules applicable to IT would also be developed in cooperation with the OCTI in respect of computer hardware as well as software.



- 2.35 Upon completion, the project will have established policies to regulate the use and application of information technologies, guidelines to ensure uniformity in the purchase of information software and hardware, guidelines for personnel recruitment in the Information Technology Units (UTI), and five operational UTIs suitably staffed and equipped in accordance with the strategic plan for information systems and technologies and provided with a specific information systems plan for the five state agencies playing key roles in the basic functions of government.
- 2.36 This project would include in particular:
- i) providing technical assistance with preparation of the draft decree to create, structure, organize, place in operation, and internally regulate the OCTI as the office responsible for introducing and managing information technology;
  - ii) providing technical assistance in designing: (a) IS and IT policies (e.g. information entry and processing, selection of hardware and software, communications, IS development, security, etc.); (b) a standardized inventory of employment positions; (c) personnel selection procedures; (d) basic organization and scale models for the UTIs; and (e) a training program for managerial and professional staff;
  - iii) providing technical assistance in selecting managerial and professional staff to be assigned to the five UTIs and incorporating them into the administrative career system;
  - iv) hiring the experts to be assigned to the UTIs for a period of 35 months;
  - v) fitting out the UTIs and affected departments with office equipment and supplies for a period of two years as well as computer equipment and furniture in accordance with the applicable policies and guidelines for a period of 35 months;
  - vi) physical improvements for UTI facilities in the departments affected; and
  - vii) technical assistance in designing and introducing (or purchasing) specific computer applications in each of the affected departments.

**D. Cost and scale**

- 2.37 The cost of the program is US\$26.84 million. US\$21.5 million (80%) will be financed by the Bank from Ordinary Capital resources under the Single Currency Facility. Out of this latter amount, US\$12.5 million will be subject to interest rates

subsidized by the Intermediate Financing Facility. The local counterpart for the program would be US\$5.34 million (20%). The cost of interest during execution will be charged against the loan.

- 2.38 The following table shows the consolidated program budget by project and indicates financing sources.

(US\$)	IDB	GDR	Total
<b>1. Strengthening capacity for formulating and coordinating economic and social policies</b>			
1.1 Macroeconomic policy coordination mechanism	2,107,016	559,694	2,666,800
1.2 Social policy coordination mechanism	1,609,577	401,223	2,010,800
Subtotal	<b>3,716,683</b>	<b>960,917</b>	<b>4,677,600</b>
<b>2. Strengthening basic capacity for the strategic, operational, and financial management of public administration</b>			
2.1 Establishment and introduction of the EM	2,357,439	832,198	3,189,638
2.2 Design and implementation of the OFs and OPs in the STP, ONAP, ONAPLAN, ONE, and SEEC	5,343,300	1,998,700	7,342,000
2.3 Restructuring and professionalization of the STP, ONAP, ONAPLAN, ONE, and SEEC	615,500		615,500
Subtotal	<b>8,316,239</b>	<b>2,830,898</b>	<b>11,147,138</b>
<b>3. Formulation of a strategic plan for restructuring, streamlining, organizing, operating, and automating public administration with an internal regulatory framework and a professional career system</b>			
3.1 Design and implementation of the RNSP	90,000		90,000
3.2 Definition of the basic salary scale, compensation and incentive system, and procedures for incorporation into the career system	74,500		74,500
3.3 Plan for the development of personnel training and INAP strengthening	446,000		446,000
3.4 Modernization and improvement of the civil service system	113,000		113,000
3.5 Design of and dissemination of information on the PEGC	110,500		110,500
Subtotal	<b>834,000</b>		<b>834,000</b>
<b>4. Institutional strengthening in the area of information systems and technologies</b>			
4.1 Design and implementation of OCTI	21,000	18,000	39,000
4.2 Design of IT and IS policies and standards	442,000		442,000
4.3 Introduction of the UTIs	2,804,066	1,239,997	4,044,063
Subtotal	<b>3,267,066</b>	<b>1,257,997</b>	<b>4,525,063</b>
<b>5. Administrative costs</b>			
5.1 Specialized firm	1,858,700		1,858,700
5.2 Other costs	137,700		137,700
Subtotal	<b>1,996,400</b>		<b>1,996,400</b>
Subtotal Program	<b>18,130,388</b>	<b>5,049,812</b>	<b>23,180,200</b>
<b>6. Contingencies (5.5%)</b>	1,220,256	140,000	1,360,256
<b>7. Financial costs</b>			
8.1 Credit fee		150,188	150,188
8.2 Inspection and supervision	215,000		215,000
8.3 Interest	1,934,356		1,934,356
<b>TOTAL</b>	<b>21,500,000</b>	<b>5,340,000</b>	<b>26,840,000</b>

2.39 The following table shows the program budget by financing category:

CATEGORY	IDB	GDR	TOTAL	%
Hire of consultants for the OAM, UIS, EM, and UTI	11,948,261	4,881,539	16,829,800	62.7
Short-term consultants	2,043,350		2,043,350	7.6
Computer equipment	786,000		786,000	2.9
Training	935,400		935,400	3.5
Net administrative costs	2,044,400		2,044,400	7.6
Equipment/materials	155,503	38,248	193,750	0.7
Works	127,000		127,000	0.5
Information dissemination	154,000		154,000	0.6
Per diems		66,000	66,000	0.2
Contingencies	1,220,256	140,000	1,360,256	5.1
Financial costs	2,149,356	150,188	2,299,544	8.6
<b>TOTAL</b>	<b>21,500,000</b>	<b>5,340,000</b>	<b>26,840,000</b>	<b>100</b>

- 2.40 Financing conditions. The amortization period will be 20 years and the execution period four years. The interest rate will be variable; the credit fee will be 0.75% of the undisbursed balance; and the inspection and supervision fee (FIV) will be 1% of the total loan.
- 2.41 Scale. An itemized study of costs by activity has been conducted for each of the four subprograms. The studies show the total number of inputs necessary to execute each activity and the unit cost of each input. The unit costs are based on international and local standards.
- 2.42 The average cost for international experts was set at US\$10,000 per month, including travel and per diem. The average monthly cost for local consultants was set at US\$2,500. The average cost of the consultants to be assigned to the OAM, UIS, EM, and UTIs was set at US\$1,500. The average cost for each PC with automated office software was set at US\$3,000. The cost of furniture for each employment position was estimated at US\$250. The average cost of selection and contracting, per official, was estimated at US\$100. The average cost for training is estimated at US\$300 per official. These studies can be consulted in the Bank's technical files.
- 2.43 The fees for the OAM coordinator were set at US\$5,000, and those for the OAM advisers at US\$3,500. These fees are similar to those charged by Central Bank professionals. The size of staff for the personnel and finance offices was based on the functions to be performed and the average workload each of these functions would represent.
- 2.44 The size of the staff for the offices to be created – OAM, UIS, EM, OP, OF, and UTI – was based on the minimum number of professional and administrative staff required to perform the basic functions of each office and average private sector

salaries for each position. Obviously, these estimates will be adjusted as the size of each department affected is redefined during program execution.

- 2.45 The administrative costs would come to approximately US\$2 million (7.5% of the total cost) and include the retention of a specialized firm to provide support for program execution, the salary for the national coordinator (US\$3,000 per month), and the cost of publishing announcements and leasing premises for the seminars and workshops. The total cost for retaining the specialized firm would be US\$2.5 million, only US\$1.8 million of which would go towards administrative costs. The remaining US\$700,000 is for technical activities (technical assistance and training) to be provided by the specialized firm as part of the program. The following chapter provides details on the composition and functions of the specialized firm.

### III. PROGRAM EXECUTION

#### A. Borrower and Executing Agency

- 3.1 The borrower will be the Dominican Republic. The executing agency will be the Technical Secretariat of the Office of the President (STP). The borrower will be responsible for payment of the loan and will provide the counterpart funds.

#### B. Execution mechanism

- 3.2 The STP, which will act through a program coordinator, will be responsible for management and general supervision of the program. In executing the administrative and technical tasks, the STP will receive support from a specialized firm (EE). **The EE will be hired through an international competitive selection process. Appointment of a program coordinator and signature of the contract with the EE will be conditions precedent to the first disbursement of financing.** A portion of the resources from the technical-cooperation operation "Support for Reform and Modernization of the Public Administration" (ATN/SF-5780-DR) will be allocated to finance the entire contracting process (preparation of the bidding documents, terms of reference, call for bids, drafting of the contract, etc.).
- 3.3 The functions of the program coordinator will be as follows: (i) represent the STP in all matters related to program execution; (ii) exercise responsibility for coordination and policy direction of the program on behalf of the government; (iii) ensure that the EE fulfills the objectives of the program; (iv) submit disbursement requests to the Bank; and (v) handle correspondence and official communications with the Bank.
- 3.4 The EE will provide support to the executing agency in exercising the administrative and technical functions of execution. With regard to the administrative functions, the EE, under the supervision of the program coordinator, will conduct the following activities: (i) draft the program execution plan; (ii) draw up the terms of reference for the consultant contracts; (iii) prepare the bidding documents; (iv) prepare all of the documentation for the call for bids; (v) handle preparation of all legal documentation relating to service or purchase contracts; (vi) prepare disbursement requests; (vii) maintain the accounts; (viii) monitor and supervise the program; (ix) prepare the monitoring and evaluation reports and the final report; (x) provide clarifications as requested, answer all questions, and present information promptly to the requesting authorities; and (xi) execute logistical activities related to program coordination (i.e. the call for bids and the coordination of meetings, workshops, and seminars).
- 3.5 The EE will perform the following technical functions: (i) prepare draft decrees on the reorganization, operations, and internal procedures of the affected departments and on the guidelines for incorporating staff into the civil service system; (ii) determine the size of staff to be appointed to the new units and establish salary levels for staff members; (iii) train EM staff in modern techniques of: organizational

and functional analysis, process diagramming and simulation, workload estimation, interactive methodologies for organizational redesign, public policy administration, and human resource management; (iv) direct and technically supervise the remodeling of offices and installation of furnishings and equipment; (v) coordinate the competitive selection process for the recruitment of staff; (vi) evaluate staff in the affected departments based on the new parameters to be developed; and (vii) prepare the PEGC.

- 3.6 In performing all of these activities, the EE will receive support from 29 professionals registered with the EM. The EM will be set up and trained at the end of the fourth month of execution. This approach to execution accomplishes four objectives: (i) it corrects the lack of proper execution capacity within the public sector; (ii) it ensures the transfer of technology so as to develop institutional capacity for execution and reform in the future; (iii) it provides training for EM staff in both theory and practice ("learning by doing"); and (iv) it places full responsibility for execution and technical coordination with a single agency to maximize the probability of success. This execution mechanism would result in an estimated saving of approximately US\$3.6 million by applying 120% of the overhead that a consulting firm would have applied to salaries within the EM (US\$3 million).
- 3.7 To contend with the workload involved, the EE would require the following personnel in addition to the administrative and accounting staff: (i) a coordinator with expertise in public administration and experience in the processes of public sector reform and strategic planning; (ii) an expert in personnel management, with public sector experience; (iii) an expert in systems and methods; (iv) an attorney specialized in administrative law with experience in the civil service and administrative career system; (v) an expert in IT and IS, with public sector experience; (vi) an expert in staff evaluation and training; (vii) an architect or engineer with experience in the rehabilitation of public areas and the installation of IT cable; and (viii) an expert in financial administration. The presence of these individuals could be discontinuous depending on requirements.

### **C. Program execution**

- 3.8 The program will be executed in 48 months. The final disbursement will be made 54 months after execution begins. The program will be executed in accordance with the provisions in this document and the loan contract. A detailed design of each of the subprograms under this operation can be found in the Bank's technical files, which provide a detailed description of the problems to be corrected, the detailed reform proposals, the itemized budget for each proposal, the terms of reference for hiring each of the consultants, the specific guidelines for execution of each of the subprograms, and the plan of operations. The aforementioned files provided the basis for this document and, as stated, should be used to interpret any doubt that may arise during execution. **Prior to the end of the first quarter of execution, the executing agency will present the adjusted detailed designs.**

- 3.9 Once the EE has been hired, the STP, with support from the EE and technical assistance, will prepare the draft CCPM, CCPS, OAM, UIS, and EM decrees. The preliminary draft decrees will be discussed in workshops for reflection, adjustment, and validation at several levels, and will be presented to and discussed with the President of the Republic prior to publication, so that they can be approved during the first quarter of execution.
- 3.10 During the first quarter, the STP, with support from the EE, will hire a firm with expertise in personnel selection. With support from this firm, the staff will be selected for the OAM, UIS and EM in accordance with the principles of transparency, publicity, qualifications, and merit.
- 3.11 Once the OAM, UIS, and EM have been set up, the staff of these offices will receive intensive and specific training to be defined by the EE in accordance with program objectives during the first quarter of execution. In all cases, OAM staff will be given the course on financial monetary programming offered by the International Monetary Fund. The EE will be responsible for training the EM staff. These three offices should be in operation by the end of the fourth month of execution.
- 3.12 Once installed, trained, and equipped, the EM will provide support to the EE in designing and setting up the finance and personnel offices for the STP, ONAP, ONE, ONAPLAN, and SEEC. Training will in this way be provided to EM staff, and the transfer of technology from the EE to the country will be assured.
- 3.13 The EE, with support from the EM and technical assistance, will also conduct the other program activities under subprograms 3 and 4.
- 3.14 A total of 254 persons would be hired with resources from this program, with the following breakdown:

Unit	No. Personnel	No. Units	Total
Office of Macroeconomic Advisers (OAM)	16	1	16
Social Information Unit (UIS)	14	1	14
Professional Excellence Team (EM)	29	1	29
Personnel Offices (OP)	12	5	60
Finance Offices (OF)	12	5	60
Information Technology Units (UTI)	15	5	75
Total personnel hired			<b>254</b>

- 3.15 The cost of hiring these experts and running the new offices (office equipment and materials) would be financed as follows: the Bank would finance: 95% of costs incurred during the first and second semesters of execution; 90% during the third and fourth semesters; 80% during the fifth and sixth; and 55% during the seventh. On the other hand, 100% of the cost of hiring and retaining experts for the OAM, UIS, EM, OPs, OFs and UTIs during the eighth semester will be charged to the counterpart resources. **Stipulations would be included in the loan contract to**



**ensure that the government appropriates the budget resources necessary to finance the remaining net incremental costs resulting from the program.**

- 3.16 To ensure the necessary professional level, permanence, and stability of the 254 public employees assigned to the offices created under this program, the consultants recruited will be incorporated into the civil service and administrative career system prior to the second year of their employment, provided that their performance has been satisfactory. To that end, the STP – with support from the EE, the EM, and specialized technical assistance – will evaluate the performance of new staff members after three years on the job. After 43 months of execution, the executing agency will furnish evidence to the Bank that the staff concerned has been incorporated into the civil service system. The salaries of consultants to be incorporated into the civil service system will be chargeable exclusively to the counterpart resources once they have been incorporated into the system.

#### **1. Special aspects of program execution**

- 3.17 Subprogram 1. The macroeconomic and social coordination mechanisms must be well organized and expeditious and will include regularly scheduled meetings to address strategic issues. To encourage participation by CCPM and CCPS members, a per diem of US\$100 will be paid with the counterpart resources to committee meeting participants.
- 3.18 Design and implementation of the socioeconomic survey should be entrusted to a widely experienced consulting firm. This firm will have to train UIS staff in design and evaluation methodologies for socioeconomic surveys.
- 3.19 Subprogram 2. Once the new organizational structures, standard job descriptions, and staff size for the rest of the affected departments have been defined, the EE, with technical assistance, will evaluate, train, and reassign the personnel concerned, which will consist of approximately 1,400 employees.
- 3.20 Subprogram 3. The PEGC will have to be the subject of extensive discussions at the political level. This could take place within the Presidential Commission for Reform and Modernization of the State, where a varied and representative number of political and social interests are represented, or by another mechanism considered appropriate by the executing agency. In this connection, the program would finance such activities as workshops, seminars, etc. The PEGC will contain an information plan to be presented to the Bank for consideration.
- 3.21 Subprogram 4. The OCTI is a representative body for the discussion and approval of IT and IS policy proposals. The only support required by the OCTI is one administrative staff member to manage the agenda, convocation process, and communications. The members of the OCTI are the directors of the existing information technology units, now called Information Processing Offices, in each

State Secretariat. To encourage their participation in OCTI meetings, each member will be paid a per diem of US\$100.

- 3.22 OCTI would review the IT and IS policy proposals formulated by the EE and, once approved, would submit them to the President of the Republic for final approval and publication.

## **2. Supervision, evaluation, and reports**

- 3.23 The program will be supervised by the Bank's Country Office in the Dominican Republic, with support from the project team and consultants hired for this purpose. The Country Office would in particular need to hire an international expert in strategic planning for one month to review the draft PEGC, one IT expert, and one expert in organization for two weeks each.
- 3.24 The STP and the Bank will conduct four joint evaluations of the program. The first will be conducted six months after execution begins, and will cover the establishment and operation of the CCPM, the CCPS, the OAM, the UIS, and the EM, and ensure that the government has made all the budgetary allocations to finance the counterpart resources. The second evaluation will be conducted after 12 months of execution and will provide a basis for adjusting the rest of program execution as necessary. The third evaluation will be conducted at the beginning of the third year of execution, to check progress in carrying out the project and agree on a timetable for incorporating the consultants working in the new offices into the civil service and administrative career system. The last evaluation will be conducted prior to the final disbursement and will provide a basis for evaluating the impact of the program and the degree to which its objectives have been fulfilled. The Bank must in particular verify compliance with the timetable for incorporating the OAM, UIS, EM, OP, OF, and UTI consultants into the civil service system.
- 3.25 During the first semester of execution, to ensure that the four evaluations will be successful, the EE will adjust the indicators included in the logical frameworks for the program and develop performance standards. Fifteen days prior to each joint evaluation, the executing agency will provide the Bank with progress reports on the program, to be prepared with support from the EE. The progress report for the final evaluation will also include a comparative study on the treatment of women in the public sector, and the impact of the program in this regard.

## **3. Contracting for consulting services, the purchase of goods, and the construction of civil works**

- 3.26 The program would finance technical assistance and consulting services to conduct studies, design training programs and materials, develop computer applications, conduct public information campaigns, provide supervision and optional assistance, procure goods and civil works, and perform other activities in support of the program. Bank procedures will apply to the hire of consulting services financed with

loan resources. A public international competitive selection process (ICS) will be conducted for consulting contracts in amounts of US\$200,000 or more. The rules of international public bidding (IPB) will apply to procurements in excess of US\$250,000. Contracting for consulting services and the purchase of goods in amounts below those indicated will be subject to the provisions of Annex D to the loan contract.

- 3.27 International public bidding will be conducted for works in amounts of US\$1.5 million or more. The civil works contemplated under the program, however, are simple and low in cost. Contracting for the works will be subject to the provisions of Annex D to the loan contract. The procurement plan is provided in Annex VI.

#### **4. Disbursement timetable**

- 3.28 The tentative disbursement timetable is shown below:

<b>DISBURSEMENT TIMETABLE</b>					
	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>TOTAL</b>
IDB	7,290,510	5,886,134	5,462,493	2,860,864	21,500,000
Local	333,140	462,921	1,012,068	3,531,871	5,340,000
Total	7,623,650	6,349,055	6,474,560	6,392,735	26,840,000
%	28	24	24	24	100

#### **D. Retroactive financing**

- 3.29 Resources from the financing can be used for the retroactive financing of program-related expenses incurred during the 12 months prior to approval of the loan, provided that Bank procedures have been followed. In particular, retroactive financing up to US\$500,000 can be provided to cover government expenditures for: (i) hiring the EE; (ii) remodeling offices to house the OAM, UIS, and EM; (iii) the final design for internal organization, operation, and operating rules of the CCPM, CCPS, OAM, and UIS; (iv) the master plan for public sector reform.

#### **E. External audit**

- 3.30 During the period of program execution, the program's financial statements must be audited by an external audit firm considered acceptable by the Bank in accordance with the Bank's rules in this regard.

## IV. FEASIBILITY AND IMPACT

### A. Political feasibility

- 4.1 Based on the average time required for ratification and fulfillment of the conditions precedent, execution of this program should begin during the last ten months of the current administration. Accordingly, most of the benefits of this program would be enjoyed by the next administration.
- 4.2 During the last mission, however, the current administration indicated it was mindful of this fact but considered the program a matter of national interest to be initiated as soon as possible, regarding any delay as unnecessary and detrimental to the country. In this regard, the government has sent the Bank a policy letter expressing its commitment to the proposed reforms. The current administration also believes it would be beneficial for the reform process if activities begun under the current administration could continue under the future administration. This would give greater stability and continuity to the reforms initiated.
- 4.3 The program activities that could be executed by the current administration are as follows:
- i) establishment of the macroeconomic and social policy committees (CCPM and CCPS);
  - ii) design and partial introduction of the Office of Macroeconomic Advisers (OAM), the Social Information Unit (UIS) and the Professional Excellence Team (EM);
  - iii) establishment of the modern personnel and budget offices in the STP, ONAPLAN, ONAP, ONE, and SEEC;
  - iv) design of the National Civil Service Registry;
  - v) development of a proposal to reorganize the agencies responsible for economic management;
  - vi) development of a proposal to reorganize and revise the functions of the social sector departments and agencies; and
  - vii) establishment of the OCTI.
- 4.4 Owing to this process of institutional reform, the next administration would be in an unprecedented position to perform the basic functions of government and continue the process of reform.

**B. Technical feasibility**

- 4.5 Success in accomplishing the objectives of this operation will depend on the following: (i) transparent budget administration subject to clear rules known to all; (ii) sufficient counterpart resources; (iii) balanced budgets, at least for the agencies affected; and (iv) control over staff size, at least in the agencies affected. Accordingly, the government has undertaken to adopt the measures set forth in the matrix included in Annex 1. The loan contract will include stipulations necessary to ensure the completion of these measures.

**C. Fiscal feasibility**

- 4.6 The local counterpart would be covered by the government (Department of Finance), which annually, through the budget, would transfer to the STP the incremental resources needed to cover the local counterpart.
- 4.7 Since the offices created under this operation are expected to continue operating after program completion, the country must assume the cost of financing them. To facilitate the absorption of these costs, the GDR will be expected to gradually assume the following costs: (i) the hire of consultants for the OAM, UIS, EM, and UTIs; (ii) the increased spending on materials and supplies necessary for the offices to operate effectively; (iii) the per diems for attendance at the various committee meetings; and (iv) the cost of studies necessary for the OAM and UIS to perform their functions effectively. Paragraph 3.15 explains how these costs would be gradually assumed by the government.
- 4.8 Recurring costs. The recurring costs under the program relate to maintenance of the computer equipment and the construction and rehabilitation work. The cost of employment benefits would also have to be added. The GDR would assume all costs as from the fifth year. The office maintenance costs and recurring costs would be assumed by the GDR as follows:

<b>COSTS</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Hire of experts for the OAM, UIS, EM, OP, OF, and UTI	132,458	407,630	952,410	3,452,486	4,726,800
Per diems	14,571	17,143	17,143	17,143	17,143
Studies			100,000	100,000	100,000
Office materials and supplies	923	3,148	7,515	27,248	38,100
<b>TOTAL COST OF FINANCING THE NEW OFFICES</b>	147,952	427,921	1,077,068	3,686,877	4,882,043
Employee benefits	668,757	557,317	531,379	550,910	595,982
Maintenance	2,500	5,000	5,400	5,832	6,298
<b>TOTAL RECURRING COSTS</b>	671,257	562,317	536,779	556,742	602,280
<b>TOTAL TO BE ASSUMED BY THE GOVERNMENT</b>	<b>819,209</b>	<b>990,238</b>	<b>1,613,847</b>	<b>4,243,619</b>	<b>5,484,323</b>

- 4.9 The incremental costs expected for the fifth year, that is after Bank financing has stopped, would amount to 0.8% of the STP's budget, assuming a real annual budget increase of 5%. The net increase in personnel would be 254 employees, which represents 0.1% of total personnel. The net increase in the monthly payroll would be US\$392,400, which amounts to 0.55% of total personnel spending.
- 4.10 Conclusion with respect to fiscal feasibility. Considering: (i) the insignificant impact the loan would have on the State budget; (ii) that as of June 1998, there had been a 46% increase in revenues over the previous year and a half; (iii) that as a result of project implementation the staff size in the affected agencies was frozen and the growth in administrative debt was reduced; (iv) the economic prospects of the country; and (v) the order to be introduced in public finance, it is believed that the GDR will be in a position to contend easily with the recurring costs of the program.

#### **D. Impact on women and the environment**

- 4.11 In accordance with the guidelines set down by the CESI at its 07/98 meeting on July 10, 1998, a series of recommendations have been prepared to ensure equal treatment on the basis of gender and the settlement of sexual harassment disputes within the public administration. The program will in particular have a positive impact on equality of access for women and men to social programs, inasmuch as: (i) social policy coordination will benefit from a greater capacity to analyze and plan from the gender perspective; and (ii) ONAP will be better enabled to implement a policy of equal opportunity in the public sector. These issues will also be reflected in the legal and administrative career framework. These and other related recommendations can be found in the Bank's technical files.
- 4.12 Also in response to a CESI recommendation, the social information system to be developed under the program will allow for "green accounting" and analysis of the social impact on women relative to men.

## E. Results and benefits

4.13 The following table summarizes the results and benefits of the program:

RESULT	BENEFIT
1. Creation and implementation of mechanisms for the coordination of macroeconomic and social policies, each with its support offices.	1. Increase the government's capacity to: <ul style="list-style-type: none"> <li>(i) Reduce the volatility of growth rate, domestic inflation, and exchange rate;</li> <li>(ii) Improve income distribution;</li> <li>(iii) Improve the level and composition of social spending.</li> </ul>
2. Creation and implementation of the ONAP Professional Excellence Team.	2. The Executive Branch will be given sufficient and permanent capacity to design and implement institutional reform plans and a professional career system for public officials, breaking the dependence on third parties.
3. Establishment of modern personnel and finance offices in the STP, ONAPLAN, ONAP, ONE, and SEEC, and redesign of their structures and functions.	3. Sufficient capacity will be provided for stable, transparent, efficient, and effective management of human and financial resources, as a condition necessary to improve the allocation of expenditures.  Institutional strengthening will be provided to five strategic organizational units.
4. Introduction of a national registry of public employees, design of a salary scale and incentive system, formulation of the development and training plan for public sector personnel, improvement of the legal framework for public sector employment, and the formulation of a proposal to restructure, reorganize, and streamline the public sector.	4. Institutional conditions and information will be provided to help develop a plan to reform and streamline the public administration on a basis that will be viable and adapted to realities in the Dominican Republic.
5. Development of the strategic plan for changed management.	5. The GDR will be provided with a detailed plan to modernize and reform the Executive Branch, which will facilitate implementation of the measures concerned and improve their chances of success.  Once the PEGC has been implemented, efficiencies would be generated by more efficient use of personnel, a better proportioned bureaucracy, and a more professional staff.  The functions of stabilization, distribution, and allocation would be performed more effectively by a more effective administrative apparatus.
6. Creation of the OCTI, design and implementation of rules in the areas of IT, and the introduction of five UTIs.	6. Rational and efficient automation of routine bureaucratic functions.  Greater efficiency, transparency, and security in administrative activity.  Consolidated access to public information.

ACTIONS REQUIRED FOR PROGRAM EXECUTION		
ACTIONS	TIME FRAME FOR COMPLIANCE	JUSTIFICATION
<b>Special conditions with respect to program execution</b>		
<ol style="list-style-type: none"> <li>1. Ratification by the borrower of the integrated financial administration program 1093/OC-DR</li> <li>2. Fulfillment of the conditions precedent to the first disbursement for the integrated financial administration program 1093/OC-DR</li> <li>3. Freeze on personnel costs and establishment of a ceiling in the budget for personnel in the affected agencies. This restriction will not affect recruitment for these agencies pursuant to the PEGC.</li> <li>4. The borrower undertakes to finance the hire of consultants for the OAM, UIS, OP, OF, EM, and the five UTIs, as well as the operating costs for these offices as specified in paragraph 3.15 of the document</li> <li>5. The borrower undertakes to allocate sufficient resources to ensure financing for recurring costs</li> </ol>	<ol style="list-style-type: none"> <li>1. Before hiring the consultants for the OAM, UIS, EM, OP, OF, and UTIs.</li> <li>2. Prior to the disbursement of resources to finance these costs during the second year</li> <li>3. Before the consultants are hired for the OAM, UIS, and EM</li> <li>4. Yearly, based on percentages agreed upon with the Bank</li> <li>5. At the start of each year of program execution</li> </ol>	<p>On the one hand, a sound system of financial administration generates the information required for effective operation of the various technical units, the OAM, UIS, EM, and finance and personnel offices in the various departments concerned. On the other hand, the transparency associated with a proper system of financial administration eliminates the incentives to resist reform that may exist within a non-transparent system.</p> <p>These measures would control increases in personnel costs and begin to rationalize human resource management, thus facilitating future reform activities.</p> <p>The timely flow of budgetary allocations to the executing units concerned will reduce the possibility that the accumulation of debt in this area will unbalance the budget and distort the allocation of public resources.</p>
<b>Special conditions for the execution of subprogram 1</b>		
<ol style="list-style-type: none"> <li>6. The decree establishing the OAM should provide that revenue estimates prepared by the OAM should be justified and submitted to the Congress in conjunction with the draft budget act.</li> <li>7. Together with the request for no objection to the hire of the OAM coordinator, the borrower will submit to the Bank the model employment contract to be used, which will link continuation in the position with the OAM's degree of efficiency and effectiveness in performing its functions.</li> </ol>	<ol style="list-style-type: none"> <li>6. Upon enactment of the decree establishing the OAM.</li> <li>7. Submission of the request to the Bank for no objection to the hire of the OAM coordinator.</li> </ol>	<p>Incentives to underestimate revenue as a means of inflating the 1401 account will be eliminated. This condition reduces budgetary discretion and improves transparency.</p> <p>These mechanisms establish responsibility and incentives for the CCPM and the OAM not to underestimate fiscal resources as a means of increasing budgetary discretion.</p>



**Logical framework no. 1: Strengthening capacity to formulate and coordinate economic and social policy**

Objectives	Indicators	Means of Verification	Risks
the government's capacity to macroeconomic balance and develop efficient policies.	<ul style="list-style-type: none"> <li>• Reduction in the volatility of growth rates, inflation, domestic investment, and real exchange rates.</li> <li>• Ten percent reduction in budgetary discretion.</li> <li>• Improved income distribution (Gini Coefficient).</li> <li>• Fifteen percent reduction in current spending over two years.</li> </ul>	<ul style="list-style-type: none"> <li>• Statistics from the Economic Information System.</li> </ul>	<ul style="list-style-type: none"> <li>• Weakened political commitment.</li> <li>• Serious fiscal imbalances.</li> </ul>
both macroeconomic and social coordination committees and their technical support bodies.	<ul style="list-style-type: none"> <li>• Economic policy decisions are adopted on a coordinated and informed basis by a team of experts using accurate and timely technical information.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring reports.</li> <li>• Consultants' reports.</li> <li>• EE reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Delay by the Executive Branch in approving the provisions.</li> <li>• Financial weakness.</li> </ul>
<b>RESULTS:</b>			
<p><u>economic coordination mechanism</u></p> <p>• Establishment and adoption of rules to the Macroeconomic Policy Steering Committee (CCPM).</p> <p>• Establishment and start-up of the Office of Macroeconomic Advisers (OAM).</p>	<ul style="list-style-type: none"> <li>• Decrees establishing the CCPM, CCPS, OAM, and UIS published (third month).</li> <li>• OAM and UIS staffed and properly equipped (fifth month).</li> <li>• Economic information system in operation (fifth month).</li> <li>• Twelve economic studies conducted over two years.</li> </ul>	<ul style="list-style-type: none"> <li>• Official gazette.</li> <li>• EE reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Approval of the provisions in proper form.</li> </ul>
<p><u>social policy coordination mechanism</u></p> <p>• Establishment and adoption of rules to the Social Policy Steering Committee (CCPS).</p> <p>• Strengthening of ONAPLAN as a technical support body for CCPS.</p> <p>• Socioeconomic classification survey.</p> <p>• Five ex post evaluation studies of five social projects.</p>	<ul style="list-style-type: none"> <li>• Socioeconomic classifications survey conducted (fifth month).</li> <li>• Five ex post evaluation studies of social projects conducted over two years.</li> </ul>		

**Logical framework No. 2: Strengthening of basic capacity for strategic, operational, and financial management of the public administration**

Objectives	Indicators	Means of Verification	Risks
<p>the government with basic conduct the processes of reform and administer human resources on a transparent, effective basis.</p>	<ul style="list-style-type: none"> <li>• By the 28th month of execution, the government will produce a detailed and justified integral strategic plan for reform of the public administration.</li> <li>• Government has sufficient personnel qualified to implement or direct any type of institutional reform in accordance with modern parameters.</li> <li>• Transparency: <ul style="list-style-type: none"> <li>• 100% of the financial activities performed by the STP, ONE, ONAPLAN, ONAP and SEEC in accordance with clear and transparent rules known to all.</li> <li>• 100% of personnel hired by the STP, ONE, ONAPLAN, ONAP and SEEC are recruited in accordance with the merit principle upon completion of the program.</li> </ul> </li> <li>• Efficiency: <ul style="list-style-type: none"> <li>• A 60% increase in the productivity of personnel in the finance and personnel offices upon completion of the program.</li> </ul> </li> <li>• Effectiveness: <ul style="list-style-type: none"> <li>• 100% of personnel in the affected departments have been assigned to positions appropriate for their qualifications (twelfth month).</li> <li>• The five departments affected have been organized in accordance with the principles of rationality and functionality (twelfth month).</li> <li>• The five departments are capable of producing up-to-date financial statements within 24 hours (twelfth month).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation reports and final reports.</li> <li>• EE reports.</li> <li>• RNSP reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Weakened political commitment.</li> <li>• Serious fiscal imbalance.</li> </ul>

Objectives	Indicators	Means of Verification	Risks
Professional Excellence Team ge the institutional reforms the basic institutional STP, ONAP, ONAPLAN, P.	<ul style="list-style-type: none"> <li>• A critical mass of top level experts, suitably organized, paid, and trained, with the capacity to conduct the public administration institutional reform processes, by the fourth month.</li> <li>• Five departments performing strategic (or strategic support) functions for the State, suitably organized with the capacity to effectively administer their strategic resources (financial and human), by the twelfth month.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring reports.</li> <li>• Consultant reports.</li> <li>• EE reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Delay by the Execut in approving the pro</li> <li>• Weakened political the government.</li> <li>• Weakened financial</li> </ul>
<b>TS:</b>			
Establishment of the Excellence Team (EM).	<ul style="list-style-type: none"> <li>• Publication of the Presidential Decree of the EM (third month).</li> <li>• 29 members of the EM trained (fourth month).</li> <li>• EM in place, equipped, furnished, and operating (fourth month).</li> </ul>	<ul style="list-style-type: none"> <li>• Official Gazette.</li> <li>• Diplomas providing accreditation for the training activities.</li> <li>• EE reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Timely approval of p in the proper form.</li> </ul>
Establishment of the finance el offices in the STP, APLAN, ONE, and SAP.	<ul style="list-style-type: none"> <li>• 120 persons selected and trained in financial and personnel management (fifth month).</li> <li>• Functional Human Resource Management System in place (third month).</li> <li>• Five finance offices and five personnel offices established in the STP, ONAP, ONAPLAN, ONE, and SAP, properly staffed (third month).</li> </ul>	<ul style="list-style-type: none"> <li>• Diplomas providing accreditation for the training activities.</li> <li>• EE reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Timely approval of p in the proper form.</li> </ul>
nal restructuring and ofessional capacity in the , ONAPLAN, ONE, and	<ul style="list-style-type: none"> <li>• Publication of the Presidential Decree concerning the new structures for the STP, ONAP, ONAPLAN, ONE, and SAP (twelfth month).</li> <li>• 1400 persons trained in their new functions in accordance with the training plan (twelfth to fourteenth month).</li> <li>• Publication of the Presidential Decree incorporating the OAM, UIS, and finance and personnel offices into the administrative career system (36th month).</li> </ul>	<ul style="list-style-type: none"> <li>• Official Gazette.</li> <li>• Diplomas providing accreditation for the training activities.</li> <li>• EE reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Timely approval of p in the proper form.</li> </ul>

**Logical framework No. 3: Formulation of a Strategic Plan for Change Management (PEGC)**

Objectives	Indicators	Means of Verification	Risks
<p>the government with a and the basic institutional necessary to restructure, organize, operate, internally professionalize the entire administration of the Dominican</p>	<ul style="list-style-type: none"> <li>• At least 50% of all civil servants in the public administration incorporated into the career system based on merit, performance evaluation, and training, two years after program completion.</li> <li>• 80% of newly hired officials recruited on the basis of procedures to ensure qualifications, transparency, and equal opportunity, upon completion of the program.</li> <li>• 70% of civil servants and professionals compensated partially on the basis of performance results, upon completion of the program.</li> <li>• At least 30% of the authorities now appointed on a discretionary basis (directors) incorporated into the career system, upon program completion.</li> <li>• 15% reduction in personnel, two years after program start-up.</li> <li>• Existence of a critical mass of highly trained officials to conduct the process of institutional development of excellence, four months after program start-up.</li> <li>• Existence of a critical mass of officials highly trained in financial and personnel administration in departments performing strategic functions, to ensure that they are operating efficiently and effectively.</li> <li>• Less than 10% of personnel removed without justified cause.</li> </ul>	<ul style="list-style-type: none"> <li>• Census report and reports of the National Civil Service Registry (RNSP).</li> <li>• Evaluation reports.</li> <li>• Reports on the results of the performance evaluations, training activities, etc.</li> <li>• Vacancy announcements.</li> <li>• Litigation or administrative grievances for termination without cause.</li> </ul>	<ul style="list-style-type: none"> <li>• Weakened political commitment to the program.</li> <li>• Serious fiscal imbalances.</li> </ul>

Objectives	Indicators	Means of Verification	Risks
Develop a strategic plan for change and create the basic conditions necessary to execute it.	<ul style="list-style-type: none"> <li>RNSP operating by the fourth month.</li> <li>254 officials in government departments performing strategic functions selected based on the principles of merit, qualifications, equal opportunity, and public transparency incorporated into the civil service and administrative career system and duly trained (16 OAM, 14 UIS, 29 EM, 60 OF, and 60 OP (17th-20th month).</li> <li>INAP strengthening plan approved by the 12th month.</li> <li>Existence of a specific strategic plan for reform of the public administration (PEGC) approved (28th month) and published (30th month).</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring reports.</li> <li>RNSP reports.</li> <li>Reports on use of the selection and performance evaluation systems.</li> <li>Diplomas providing accreditation for training activities.</li> <li>Consultant reports.</li> </ul>	<ul style="list-style-type: none"> <li>Delay by the Executive Branch in approving the provisions.</li> <li>Weakened political will of the government.</li> <li>Weakened financial position.</li> </ul>
<b>RESULTS:</b>			
Introduction of the National Registry (RNSP).	<ul style="list-style-type: none"> <li>Publication of the Presidential Decree creating the RNSP (3rd month).</li> <li>136 officials trained in the use of the RNSP.</li> </ul>	<ul style="list-style-type: none"> <li>Official Gazette.</li> <li>Reports.</li> <li>Diplomas providing accreditation of training activities.</li> </ul>	<ul style="list-style-type: none"> <li>Timely approval of the plan in proper form.</li> </ul>
Establishment of the basic salary scale, compensation system, and procedures for incorporation into the career system.	<ul style="list-style-type: none"> <li>Publication of the Presidential Decree establishing the basic salary scale for the public administration (17th month).</li> <li>Publication of the Presidential Decree creating the compensation and incentive system (17th month).</li> <li>Publication of the Presidential Decree approving procedures for incorporation into the career system (17th month).</li> </ul>	<ul style="list-style-type: none"> <li>Official Gazette.</li> <li>Reports.</li> </ul>	<ul style="list-style-type: none"> <li>Timely approval of the plan in proper form.</li> </ul>
Develop personnel training and strengthen the INAP	<ul style="list-style-type: none"> <li>Plan to develop personnel training and to strengthen INAP approved by decree (12th month)</li> </ul>	<ul style="list-style-type: none"> <li>Official Gazette.</li> <li>EE reports.</li> <li>INAP, PDC and F document.</li> </ul>	<ul style="list-style-type: none"> <li>Timely approval of the plan in proper form.</li> </ul>
Modernization and improvement of the civil service and administrative career	<ul style="list-style-type: none"> <li>Draft legislation to modernize the civil service and administrative career system approved by the Executive Branch and submitted to the Legislative Branch (20th month).</li> </ul>	<ul style="list-style-type: none"> <li>EE report.</li> <li>Draft legislation document.</li> <li>Record of submission to the Legislative Branch.</li> </ul>	<ul style="list-style-type: none"> <li>Timely approval of the plan in proper form.</li> </ul>
Dissemination of information on the PEGC.	<ul style="list-style-type: none"> <li>PEGC approved by decree (27th month)</li> <li>PEGC made known to the interested parties (30th month).</li> </ul>	<ul style="list-style-type: none"> <li>Official Gazette.</li> <li>EE report.</li> <li>PEGC document.</li> </ul>	<ul style="list-style-type: none"> <li>Timely approval of the plan in proper form.</li> </ul>

**Logical framework No. 4: Institutional strengthening in the field of information systems and technologies**

Objectives	Indicators	Means of verification	Risks
<p>government stitutional modern technology  dination, so the efficiency, ess of public .</p>	<ul style="list-style-type: none"> <li>• Transparency: <ul style="list-style-type: none"> <li>• 100% of procurements by STP, ONE, ONAPLAN, ONAP, and SEEC handled through computerized administrative forms in two years.</li> <li>• 100% computerization of personnel recruitment by STP, ONE, ONAPLAN, ONAP, and SEEC within two years.</li> </ul> </li> <li>• Accessibility: <ul style="list-style-type: none"> <li>• Issuance of certificates in less than two days by program completion.</li> <li>• Internet access to official statistics by program completion.</li> </ul> </li> <li>• Security: <ul style="list-style-type: none"> <li>• Security, confidentiality, and permanence 100% guaranteed for all personnel records by program completion.</li> <li>• Salaries paid electronically, without the need to transport checks by highway.</li> </ul> </li> <li>• Integration: <ul style="list-style-type: none"> <li>• Computer applications integrated through a communication network to ensure the consistency and proper tabulation of information, and in particular financial and personnel information, by program completion.</li> </ul> </li> <li>• Efficiency <ul style="list-style-type: none"> <li>• 60% increase in the productivity of staff in the finance and personnel offices upon program completion.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring reports.</li> <li>• OCTI and EE reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Weakened political commitment to the</li> <li>• Serious fiscal imba</li> </ul>
<p>stitutional of the ench in the ation systems ies (IS and</p>	<ul style="list-style-type: none"> <li>• The coordinating body for information technologies is in regular operation.</li> <li>• Proper policies on information technologies and systems duly approved and regulated.</li> <li>• Existence of standards for the design of computer applications and the procurement of hardware.</li> <li>• The UTIs have been set up in the STP, ONE, ONAPLAN, ONAP, and SEEC, with sufficient capacity to provide support for the strategic functions of these organizations.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring reports.</li> <li>• OCTI and EE reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Delay in Executive approval of the pro</li> </ul>

Activities	Indicators	Means of verification	Risks
<p><b>TS:</b></p> <p>and on of the ng body for on ies (OCTI).</p> <p>IT and IS nd standards.</p>	<ul style="list-style-type: none"> <li>• Presidential Decree establishing the OCTI published (third month).</li> </ul>	<ul style="list-style-type: none"> <li>• Official Gazette.</li> <li>• EE reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Timely approval of provisions in proper</li> </ul>
	<ul style="list-style-type: none"> <li>• Decree on information systems and technologies policy in the context of government administration published (eighth month)</li> <li>• Decree on criteria for the definition, design, and scale of IT and IS organizational structures published (ninth month).</li> <li>• Catalog of IT and IS employment positions published (ninth month).</li> <li>• Description of IT and IS employment positions within the STP, SEEC, ONE, ONAP, and ONAPLAN published (tenth month).</li> <li>• Decree on guidelines for the selection of civil service personnel specialized in IT and IS published (tenth month).</li> <li>• Curriculum for IT and IS training courses for professionals and managers published in the Official Gazette and in widely circulated newspapers (thirteenth month)</li> <li>• IS and IT planning manual approved (fifteenth month)</li> <li>• IT and IS strategic plan for the two affected departments approved (eighteenth month).</li> <li>• IT and IS needs and supply plan for the affected departments approved (eighteenth month).</li> </ul>		<ul style="list-style-type: none"> <li>• Timely approval of provisions in proper</li> </ul>
<p>ment of five on y Units strategic nt nts.</p>	<ul style="list-style-type: none"> <li>• Five UTIs operating in the STP, SEEC, ONAPLAN, ONAP, and ONE (fourteenth month)</li> <li>• 75 officials specializing in information technologies duly trained, compensated, organized, and equipped (fourteenth month).</li> </ul>		<ul style="list-style-type: none"> <li>• Weakened political within the government</li> </ul>

## PROCUREMENT TIMETABLE

Major procurement items under the project	IDB financing	Method	Prequalification (Yes/No)	Estimated date
<b>Consulting services</b>				
1. Contracting the specialized firm to provide program execution support.	2,578,700	ICS	Yes	Prior to the first disbursement
2. Contracting the firm specialized in personnel selection.	39,950	Annex D	Yes	First quarter
3. Contracting the firm specialized in socioeconomic classification surveys.	200,000	ICS	Yes	First quarter
4. Contracting firms specialized in ex post evaluation studies of social programs (five contracts for US\$50,000 each)	250,000	Annex D	Yes	First semester (studies would be conducted over a three-year period)
5. Contracting the firm specialized in training	420,000	ICS	Yes	Third semester
6. Contracting the firm specialized in staff performance evaluation	120,000	Annex D	Yes	Third semester
<b>Goods procurement</b>				
7. Purchase of furniture	63,250	Annex D	No	First semester
8. Purchase of office equipment	37,950	Annex D	No	First semester
9. Purchase of computer equipment	759,000	IPB	No	First quarter
<b>Works</b>				
10. Contracting the construction firm to remodel the offices	126,500	Annex D	No	First semester

ICS: International competitive selection

IPB: International public bidding

Annex D: Annex D to the loan contract indicates the Bank's procedure for purchases and contracts in amounts beneath the threshold for international public bidding or competitive selection (US\$250,000 for the purchase of goods, US\$200,000 for contracting firms, and US\$1.5 million for construction works).



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DR-0073  
Original: Spanish

PROPOSED RESOLUTION

REPUBLICA DOMINICANA. LOAN \_\_\_/OC-DR TO THE REPUBLICA DOMINICANA

(Program to Support the Modernization and Reform of the Executive Branch)

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 to Support the Modernization and Reform of the Executive Branch. Such financing will be for the amount of up to US\$21,500,000, 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.

RGII-DR073P  
DR-086  
Original: Spanish

PROPOSED RESOLUTION

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

(Program to Support the Modernization and Reform of the Executive Branch)

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, 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 Dominican Republic, the resources of the account to pay a part of the interest due by the Borrower on outstanding balances of up to US\$12,500,000 of the loan authorized by Resolution DE / , in accordance with applicable Bank policy, particularly the provisions set forth in Document FN-263-2, as amended, approved by the Board of Executive Directors on December 21, 1983.