

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

DOMINICAN REPUBLIC

SUPPORT FOR THE SOCIAL PROTECTION PROGRAM THIRD PHASE

(DR-L1047)

LOAN PROPOSAL

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ELECTRONIC LINKS	
REQUIRED	
1.	Annual work plan (Plan of activities for the first disbursement and the first 18 months of implementation) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36433792
2.	Monitoring and evaluation arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36438186
3.	Complete procurement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36749299
OPTIONAL	
1.	Evidence of compliance with the triggers for the third phase http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36436713
2.	The health situation in the Dominican Republic http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35282818
3.	Compendium of the health system and the first level of care in the Dominican Republic http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35282798
4.	Literature Review on Human Resources in Health [in English] http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35282805
5.	Evaluation studies of the quality of care in the Dominican Republic http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35282810
6.	Health Act http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35282818
7.	Social Security System Act http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35282823
8.	Law on recently graduated medical interns http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35285228
9.	The Use and Effect of Distance Education in Healthcare: what do we know? (in English) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35303229
10.	Cost-benefit analysis. Telemedicina Anáhuac http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35303292
11.	Technical note on teenage pregnancy in the Dominican Republic http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36434373
12.	Cost comparison of options for training health personnel http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35343918
13.	The health sector in the Dominican Republic and its challenges http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36434387

ELECTRONIC LINKS	
14.	The nutrition situation in the Dominican Republic http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36434398
15.	Technical note on the education sector http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36434408
16.	Technical brief on the social protection evaluation survey (EEPS) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36458031
17.	Environmental and social safeguards screening form for project classification http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36484779
18.	Cost-effectiveness study http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36484734

ABBREVIATIONS

ADESS	Administradora de Subsidios Sociales [Social Subsidies Administration Unit]
BCRD	Banco Central de la República Dominicana [Central Bank of the Dominican Republic]
CAP	Centro de Atención Primaria [primary care center]
DAF	Dirección Administrativa Financiera [Financial Management Department]
DTE	Dirección Técnica Ejecutiva [Executive Technical Department]
EBS	Encuesta de Beneficiarios de Solidaridad [solidarity beneficiaries survey]
EEPS	Encuesta de Evaluación de la Protección Social [social protection evaluation survey]
GCPS	Gabinete de Coordinación de Políticas Sociales [Social Policy Coordination Council]
MINH	Ministry of Finance
MSP	Ministry of Public Health
NGO	Nongovernmental organization
PCU	Project coordination unit
RAS	Red de Abasto Social [social supply network]
SGC	Sistema de Gestión Clínica [clinical management system]
SGC/SIVEC	Gestión Clínica/Sistema de Verificación de Corresponsabilidades [clinical management/co-responsibility verification system]
SGSS	Sistema de Gestión de los Servicios de Salud [health services management system]
SIGEF	Sistema Integrado de Gestión Financiera [Integrated Financial Management System]
SIUBEN	Sistema Único de Beneficiarios [Master Beneficiaries System]
SNS	Sistema Nacional de Salud [national health system]
SRS	Servicios Regionales de Salud [regional health services]
UNIBE	Universidad Iberoamericana [Ibero-American University]
VAI	Unidad de Auditoría Interna [Internal Audit Unit]
WDI	World Development Indicators

PROJECT SUMMARY

DOMINICAN REPUBLIC SUPPORT FOR THE SOCIAL PROTECTION PROGRAM THIRD PHASE (DR-L1047)

Financial Terms and Conditions				
Borrower: The Dominican Republic Executing agency: Gabinete de Coordinación de Políticas Sociales [Social Policy Coordination Council] (GCPS)			Amortization period:	25 years
			Grace period:	24 months
			Disbursement period:	24 months
Source	Amount (US\$ million)	%	Interest rate:	LIBOR
IDB (Ordinary Capital)	80	100	Inspection and supervision fee:	*
Local	0	0	Credit fee:	*
Other/Cofinancing	0	0	Currency:	U.S. dollars from the
Total	80	100		Single Currency Facility

Project objective:

To enhance the capacity of the younger members of poor Dominican families to escape poverty in adulthood through their own means by increasing their human capital stock (health, nutrition, and education). The operation has three specific objectives: (i) to continue supporting the institutional consolidation of Solidaridad so that it can perform its social protection work more efficiently and create incentives among its beneficiaries to build up their human capital stock to escape poverty; (ii) to continue supporting the health sector to improve the quality of services; and (iii) to support the integrated monitoring and evaluation system so that a continuous flow of information can be provided as feedback for adjustments in the design of the program (paragraph 1.23).

Special contractual conditions for execution:

(i) Any change or update to the Solidaridad operating manual must have the Bank's no objection (paragraph 1.24); (ii) a recurrent audit must be commissioned for verification of co-responsibilities (paragraph 3.3); (iii) spending under the new education cash transfer framework will be covered only after the pilot evaluation presently under way has been completed and the Bank has approved the respective update of the Solidaridad operating manual (paragraph 1.24); (iv) the Bank may recognize eligible program expenses incurred after 21 July 2011 (date of approval of the project profile) of up to US\$5 million from the loan proceeds, as established in paragraph 2.3; (v) the project coordination unit will gradually transfer responsibility for managing program procurement to the Purchasing and Contracts Office of the Financial Management Department of the Social Policy Coordination Council, in accordance with the transfer plan agreed upon with the Bank (paragraph 3.1); (vi) six months after entry into force of the loan contract, the Ministry of Health will have approved standards for licensing vaccination clinics (paragraph 2.4); and (vii) other special contractual conditions for execution have been agreed upon as described in paragraph 2.4.

Procurement: (i) The Bank's procurement policies will apply (GN-2349-9 and GN-2350-9).

Exceptions to Bank policies: None

Project consistent with country strategy: Yes [X] No []

Project qualifies as: SEQ [X] PTI [X] Sector [X] Geographic [] Headcount [X]

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. The challenge of combating poverty and building human capital

- 1.1 Poverty and its intergenerational transmission are among the most perverse phenomena that can affect a given population group and its negative effects spread throughout society as a whole. In this regard, the Dominican Republic faces major challenges. Although the poverty rate has been falling from the levels attained during the 2003-2004 crisis, in 2008 about half the population was still living in poverty, with few opportunities to obtain sufficient resources to cover their most basic needs.¹ One factor that aggravates this situation is that the stock of human capital of the poor is well below the national average, which reduces their chances of breaking free from the pernicious circle of poverty.
- 1.2 Two challenges exist in terms of education results: (i) a large percentage of overage students; and (ii) the sharp drop in school attendance after the age of 14. The two problems are related and feed into each other, mainly owing to the high opportunity costs that affect the poorest youngsters. In 2007, just 69% of students aged 16 to 18 had completed their basic education and only 40% had completed the first cycle of secondary education. The figures for the poorest young people are even worse at 35% and 12%, respectively.² Different factors explain these results, including late entry into school, temporary dropout, high repeater rates, poor quality teaching, and the lack of infrastructure and equipment.
- 1.3 In the area of mother and infant health, the maternal mortality rate has been declining in recent years, dropping from 180 deaths for every 100,000 live births in 2002 to 159 in 2007. However, these rates are still among the highest in the region.³ A similar pattern applies with respect to infant mortality, which fell from 32.9 deaths for every 1,000 live births in 2000 to 22.3 in 2010. Although these results might be expected to correlate with lack of access to maternal health services, this does not hold true for the Dominican Republic. The country has fairly high rates of timely prenatal care (98.9%) and childbirth in health facilities (97.8%).⁴
- 1.4 Three factors explain the apparent paradox of high mortality rates and high access to services. First, the very poor face inequalities in access to health care and in health outcomes. According to the 2010 social protection evaluation survey (EEPS), the prenatal checkup rate is 68.3% for pregnant women who are Solidaridad beneficiaries. The infant mortality rate is 37.5% higher for people living in extreme poverty than the national average. The second factor has to do with the high prevalence of factors associated with fertility that increase the risk of

¹ Percentage of people living below the official national poverty line. Source: World Development Indicators (WDI).

² See the situation analysis in the link on the education sector and its relationship to the Solidaridad Program.

³ Source: WDI. The Latin American average is 130 deaths.

⁴ See: "Situación de la Salud en la República Dominicana" in Tristao (2009).

mortality, particularly anemia, short inter-pregnancy intervals, teenage pregnancy, and late-age pregnancy. For example, 22.5% of teenage girls aged 15 to 19 have been pregnant at least once, and the rate rises to a surprising 43% for poor girls. Teenage pregnancy also has negative consequences for education, since it is one of the main reasons for dropping out of school.⁵

- 1.5 A third, and perhaps the most important factor, is linked to the poor quality of health services. Different areas suffer from weaknesses, particularly health centers without adequate operating conditions, poor skills of medical staff, failings in the referral and counter-referral system, limitations on the capacity to manage and supervise the services network, and an inadequate network of complementary services (network of laboratories and blood banks). Some of these factors are present in the primary level of care and affect, for example, the quality of prenatal checkups (doctors without the ability to identify early signs of risk in pregnancies or lack of laboratory tests). Others affect the entire health care system, such as the capacity to respond to obstetrical emergencies (referral and counter-referral system, availability of safe blood).⁶
- 1.6 In terms of nutrition, in 2007 the country had a chronic undernutrition rate of around 10%. Among the very poor, the indicator may be as high as 18% for children under 5. There is also a problem of insufficient micronutrients, which has serious consequences for cognitive development and health.⁷

B. Objectives of the multiphase series and progress to date

- 1.7 This operation is the third phase in a multiphase program of support for social protection in the Dominican Republic, whose general objective is to protect and improve investments by poor Dominican families in health, education, and nutrition. Specifically, the multiphase program has two main purposes: (i) to strengthen the design and the operating cycle of Solidaridad, the Dominican conditional cash transfer program, so as to make it more effective and efficient in creating incentives for its beneficiaries to invest in human capital; and (ii) to provide incentives and develop operational tools that will promote coordination between the government ministries and agencies involved in human capital promotion, to make their spending more effective.
- 1.8 In August 2009 and October 2010, the Bank's Board of Executive Directors approved the first (2176/OC-DR) and second (2426/OC-DR) loans in the multiphase program. The objectives of the first phase were linked to the process of reforming Solidaridad. The Bank provided support for transitioning Solidaridad towards a program that places greater emphasis on promoting its beneficiaries'

⁵ See link "Technical note on teenage pregnancy in the Dominican Republic."

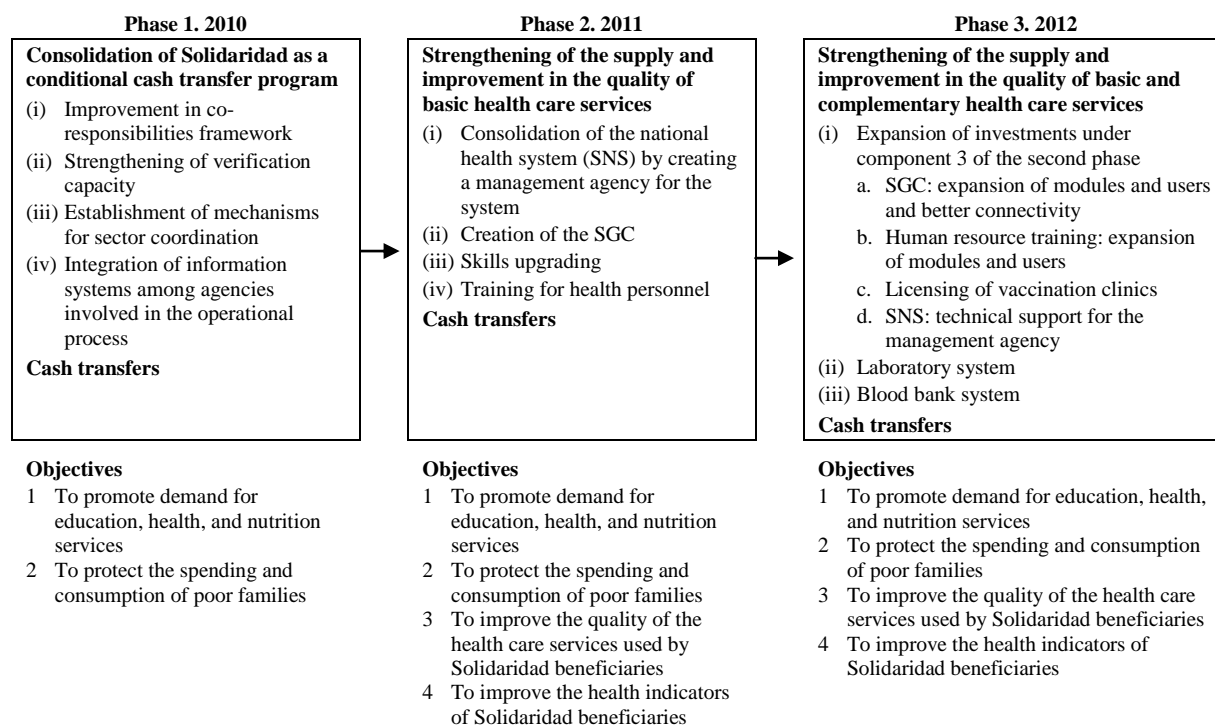
⁶ See link "The health sector in the Dominican Republic and its challenges."

⁷ In total, 27% of children under 5 are anemic and 23% have vitamin A deficiencies. Fewer than 8% of women follow the recommended practice of feeding their babies nothing but breast milk before six months of age. See link "The nutrition situation in the Dominican Republic."

human capital, supported improvements in the co-responsibilities framework, facilitated dialogue with the sectors, and strengthened the program's capacity to verify the co-responsibilities accepted by families. It also supported building managerial capacity, with information systems intended to systemize, process, and expeditiously share information on targeting and payments to beneficiaries among the entities involved in the operational process.

- 1.9 The second phase involved a strategic shift from the first by incorporating components to directly support the supply of health care services, intended to improve quality. The Bank supported: (i) the creation of a clinical management system (SGC), which has computerized the public health services system and established electronic clinical files on patients throughout the country; (ii) the creation of a management agency to promote the quality and equity of the services offered by health care providers; (iii) a modular distance-training program and system for primary care health personnel, via the web, to familiarize them with the guidelines and protocols established for care at this level; (iv) distance training for at least 50% of primary care physicians and nurses; and (v) licensing of 230 primary health centers (CAPs) mainly used by Solidaridad beneficiaries.⁸

Figure 1
Main focus of the different phases of the Multiphase Program of Support for the Social Protection Program of the Dominican Republic



⁸ A great deal of progress has been made in financial execution and outputs. The first program (DR-L1039) disbursed 99% of the total and the second (DR-L1044) 52% and expects to reach 70% in 2011.

- 1.10 Both phases involved an extensive evaluation and monitoring agenda that is currently being carried out, including: (i) two household surveys;⁹ (ii) an evaluation of the establishments affiliated with the social supply network; (iii) an evaluation of innovations in the program's education cash transfer plan; (iv) an evaluation of the new training model for health care personnel; and (v) an evaluation of the use of information and communication technologies for information and promotion of changes in behavior among Solidaridad beneficiaries.
- 1.11 This third phase contributes to the objective of the country's national development strategy of reducing and alleviating extreme poverty. It is also aligned with the Bank's Country Strategy (GN-2581), since it will enhance the effectiveness and efficiency of the social safety net.¹⁰ It contributes to the goals established in the Ninth Capital Increase of the Bank (IDB-9, AB-2764)¹¹ since it supports the development of a small and vulnerable country and contributes to five of the six regional development goals and two of the six outputs that will help to attain those goals.¹²

C. Triggers for the third phase

- 1.12 The triggers for approval of this third phase, agreed upon with the country under loan contract 2426/OC-DR for the second phase, have been complied with to the Bank's satisfaction. They had the objective of creating additional incentives for intersector coordination and making progress in key aspects of Solidaridad's performance. They are described below.¹³
- 1.13 **Trigger 1.** "The health services management system (SGSS) verification module for health co-responsibilities will be operational, and will have been used to make at least one round of payments to beneficiaries." The SGSS, now called the clinical

⁹ Social protection evaluation survey (EEPS) 2010 (available in July 2011) and EEPS 2011 (under way).

¹⁰ The operation will contribute to two expected outcomes of the Country Strategy: (i) an improvement in nutrition, health, and education levels in poor households; and (ii) a reduction in the administrative costs of the social safety net.

¹¹ The regional development goals that this operation contributes to are: extreme poverty rate, Gini coefficient for per capita household income, percentage of young people aged 15 to 19 who complete grade nine, maternal mortality, and infant mortality. The two outputs are the number of individuals participating in targeted programs to combat poverty and the number of individuals receiving a basic health services package.

¹² It is also consistent with the Strategy on Social Policy for Equity and Productivity (GN-2588-4) since it strengthens the supply of services promoted by Solidaridad, improving intersector coordination and the mechanisms for accountability between the sectors. The investments in health also strengthen primary care by offering good quality comprehensive care with special emphasis on mother and child health, thereby contributing to the Millennium Development Goals. This multiphase program is closely linked to the Country Program Evaluation performed by OVE (RE-371), which recommends that "the Bank's new programs condition support on the consolidation of an effective system for targeting financing to the poorest groups and establishing an adequate supply of quality social services."

¹³ The optional electronic links include the documentation presented by the Social Policy Coordination Council (GCPS) to verify attainment of these milestones.

management system/co-responsibilities verification system (SGC/SIVEC), has been completed and installed and is in operation in all of the country's CAPs.¹⁴ Payments to beneficiaries for the month of September relied on SGSS data to verify co-responsibilities, according to the audit.

- 1.14 **Trigger 2.** "The licensing process will be under way for at least 230 CAPs, of which 126 will have been licensed, as confirmed by certification from the competent health authority." The ministry is carrying out an operation for large-scale licensing of primary care centers. To date, the process has begun in 252 CAPs, and completed in a total of 132 CAPs, which has exceeded the target.
- 1.15 **Trigger 3.** "The distance training module will be finalized, as verified on-site by an external consultant." The module was developed under an agreement between the Social Policy Coordination Council (GCPS), the Ministry of Public Health (MSP), and Ibero-American University (UNIBE). The external evaluation affirms that the design of the module is satisfactory and operates in a virtual context. Users have consultation materials and a permanent technical support service via e-mail and telephone.
- 1.16 **Trigger 4.** "The qualitative assessment of Solidaridad will have been finalized, as confirmed by delivery of the final report to the Bank." The assessment was carried out and the results were shared with the Bank through a presentation. The results of the study indicate that some beneficiary families were confused about the co-responsibility fulfillment cycle, which is evidence of the need to strengthen communication between Solidaridad and its beneficiaries. This will be addressed in the present operation under Component 2. The final report is being reviewed by the World Bank (which financed it) and the appropriate policy and managerial levels of the Dominican government (interagency and intersector technical committees).
- 1.17 **Trigger 5.** "Funding will be included in the 2011 government income and expenditure budget to cover shortfalls in education, health and nutrition in accordance with the multiyear plan approved during the first phase of the program, and disbursement of those funds will be proceeding in accordance with the execution schedule." The Ministry of Finance (MINH) prepared a report that certifies and corroborates that funds were allocated in 2011 and are consistent with the multiyear plan to close the gaps. In the area of nutrition, which represents less than 1% of the funds committed in the plan for 2011, the allocation was 6% lower than established owing to a small variation in the exchange rate, according to MINH.

¹⁴ As anticipated, the Ministry of Public Health (MSP) has encountered resistance from some health personnel to migrating from manual systems on paper to the electronic system. Use of the SGC involves a change in the culture of reporting activities. The MSP has issued a ministerial directive making use of the SGC by primary care personnel mandatory and is working with the GCPS to train physicians and managers of the regional health services (SRSs) in using the system.

D. The development challenge facing the Solidaridad Program

- 1.18 The effectiveness of Solidaridad depends on its capacity to translate the delivery of conditional cash transfers into higher demand for social services and on its ability to increase the productivity of those services. Solidaridad still has leeway for increasing demand for health and education services among its beneficiary population, as is apparent from the foregoing analysis. Solidaridad could also have an impact on the productivity of health and education services if it were able to modify behavior that can be explained, up to a point, by lack of information and knowledge among the target population. This implies that, jointly with the sector, the program should promote healthy eating habits and a reduction in fertility risks, among other things.
- 1.19 A preliminary analysis of information based on two rounds of the EEPS points to two stylized facts. First, the health indicators of Solidaridad beneficiaries have evolved positively between the two measurements, as can be seen in the following table. Second, when the Solidaridad beneficiaries are compared to a group of nonbeneficiaries, the former had a more favorable evaluation in most of the indicators. It should be noted that these are simple comparisons between the two groups and a counterfactual would have to be constructed to causally attribute these changes to Solidaridad. An analysis of this kind is currently underway.

Table I-1. Results for the health indicators in the Project Monitoring Report¹⁵

Indicators for Solidaridad beneficiaries	2010	2011
Prevalence of chronic undernutrition in children 0 to 2 in Solidaridad beneficiary families reduced (%)	10.6	10.1
Average height of children aged 36 to 60 months in Solidaridad beneficiary families increased (centimeters)	99.3	101.1
Children aged 18 to 60 months in Solidaridad beneficiary families with complete immunization (%)	26.1	28.5
Indicators of differences between Solidaridad beneficiaries and nonbeneficiaries		
Difference between beneficiaries and nonbeneficiaries in the percentages of youngest child (under 5) who is taken to a health center for checkups (medical examinations to measure, weigh, and vaccinate them) (%)	-6.8	-0.8
Difference in the percentages of women with a child born within the last 12 months who received at least one prenatal checkup during the first trimester of the pregnancy (%)	-2.1	2.9
Difference in the percentages of the youngest child aged 12 to 23 months with complete immunization for its age (%)	8.3	11.3
Difference in the prevalence of chronic undernutrition among children under 2 in Solidaridad beneficiary families reduced (%)	0.9	3.0

Source: Social Protection Evaluation Survey, 2010, 2011

¹⁵ The results for 2011 are preliminary and are subject to change pursuant to an analysis of the consistency of the data and until final data are obtained.

- 1.20 The evaluation agenda that has been followed as part of the program has produced interesting preliminary results.¹⁶ The targeting analysis found that 95% of households are in the extremely poor or moderately poor category. This demonstrates that Solidaridad has been quite effective in identifying its beneficiaries and has a low leakage rate. The experimental evaluation of the education pilot project has been compiling administrative information to identify changes in school attendance and enrollment.¹⁷ To date, it has found that spending on textbooks rose in households with children in grades 5, 6, and 7 that received an increase in the education cash transfer payment. This may reflect greater effort by the families to ensure that their children perform well in school. With regard to the possibility that the beneficiaries might be paying higher prices when they use the Solidaridad prepaid card in the social supply network (RAS), a preliminary analysis showed that average prices are lower in *colmados* that are affiliated with the RAS, compared to prices in nonaffiliated *colmados*.¹⁸
- 1.21 Diagnostic studies indicate that the program needs support in developing strategies to ensure compliance with co-responsibilities and bring about changes in behavior. The recurring audits to verify co-responsibility have identified some shortcomings in Solidaridad's operational supervision chain and have found a need to improve communication by the program with its beneficiaries. This may be because the changes in the co-responsibilities framework have been significant and have still not been internalized by the beneficiaries.¹⁹ Also, the program's supervision model is focused on the work of the promoters, also known as *enlaces* [liaisons]. Their effectiveness is crucial for promoting compliance with co-responsibilities and good practices and changes in behavior to build up human capital.²⁰

E. The challenge facing the health sector

- 1.22 One of the greatest challenges in the Dominican health sector is the poor quality of the services offered to mothers and children, particularly the poor (see the technical note on health). For example, fewer than 69% of women who underwent prenatal checkups reported that their urine was tested during the pregnancy and among the

¹⁶ The results of EEPS 2011 are preliminary given that the collection of data ended in mid-August. The Central Bank, which is in charge of the surveys, will review the consistency of the data. The researchers have had only a short time to perform their analyses. More conclusive results are expected to be available prior to approval of the operation.

¹⁷ The pilot project began in April 2011. Classes ended in June 2011. The enrollment process for the present school year starts in August and ends at the end of October 2011.

¹⁸ Small retail food stores are called *colmados* in the Dominican Republic.

¹⁹ The changes in the co-responsibilities framework under the first operation have made the program more complex, with a larger number of co-responsibilities per family and different compliance cycles.

²⁰ See "[Funcionamiento de la Cadena de Supervisión](#)"

poorest population, the percentage is smaller still (49.9%).²¹ Furthermore, just 15% of Solidaridad beneficiaries attend health centers that are licensed to perform surgery and just 8% of physicians comply fully with the minimum standards established in the guidelines and protocols on care for pregnant women (Pérez y Gómez, 2009). The shortfalls in health care infrastructure and human resources correlate with poor managerial capacity, which is now more apparent from the scant use of information generated by the SGSS and a network of services for referrals and counter-referrals that is not interconnected. This last aspect is crucial for reducing maternal and infant mortality.²² The health component has the objective of intervening in the supply and implementing a series of strategies to strengthen the organization, management, delivery, and quality of services.

F. Objectives of the third phase and components

- 1.23 The goal is to enhance the capacity of the younger members of poor Dominican families to escape poverty in adulthood through their own means by increasing their human capital stock (health, nutrition, and education).²³ The operation has three specific objectives:²⁴ (i) to continue supporting the institutional consolidation of Solidaridad so that it can perform its social protection work more efficiently and generate incentives among its beneficiaries to build up their human capital stock to escape poverty; (ii) to continue supporting the health sector to improve the quality of services; and (iii) to support the integrated monitoring and evaluation system so that a continuous flow of information can be provided as feedback for adjustments in the design of the Solidaridad Program. Four components are proposed to attain these objectives.

²¹ Urine tests are fundamental for detecting risk factors (infections, diabetes, dehydration, and preeclampsia) associated with 50% of infant deaths and 61% of maternal deaths. See: The health sector in the Dominican Republic and its challenges.

²² Expansion of the SGSS to the second level of care involves the referral and counter-referral of patients between levels of care that have special response capability for attending to emergencies and reducing maternal and infant mortality, which are both still very high (159 per 100,000 live births and 32 per 1,000 live births, respectively).

²³ The GCPS is promoting various initiatives to support the generation of additional income for Solidaridad beneficiary families to enable them to rise out of poverty. These initiatives involve three main lines of action: (i) promotion of a proactive search for jobs and an increase in the number of job placement offices; (ii) promotion of microcredit programs and credit for entrepreneurs; and (iii) promotion of a culture of savings, financial inclusion, and access to banking services by Solidaridad Program beneficiaries. Crosscutting training and awareness-building programs on these topics are planned, and different diagnostics are being performed to analyze the level of access to banking services, the legal and institutional architecture that supports efforts for the financial inclusion of Solidaridad beneficiaries, and the implementation and evaluation of several pilot projects. Activities are being designed to promote the inclusion of young people and adults from beneficiary families in the workforce and productive sectors by connecting them to the National Employment Service, with a new program to support the National Employment System recently approved by the Bank (DR-L1036).

²⁴ This operation was designed in close technical coordination with the World Bank.

- 1.24 **Component 1. Conditional cash transfers (US\$42.7 million).** The objective is to protect spending by Solidaridad beneficiary households and spur their demand for public services in the areas of health, nutrition, and education. The component will partially finance conditional cash transfers for health care, nutrition, and education to families that have complied with their co-responsibilities framework, as established in the Solidaridad operating manual. As a special execution condition, any change or update to the Solidaridad operating manual must have the Bank's no objection. During 2012, Solidaridad is expected to maintain coverage for 600,000 households. In this scenario, financing of this component would represent close to 27% of the annualized budget for Solidaridad cash transfers (US\$130 million). In light of the results of the pilot evaluation currently under way,²⁵ the Bank's resources will finance the new framework for cash transfers for education under this component.²⁶ As a special execution condition, spending under the new framework for cash transfer payments in education will be covered only after the pilot evaluation currently underway has been completed and the Bank has approved the corresponding update of the Solidaridad operating manual.
- 1.25 **Component 2. Institutional strengthening of Solidaridad (US\$2.2 million).** The objective is to strengthen Solidaridad's planning and operational supervision capacity and its ability to communicate with its beneficiaries. In particular, based on the findings of the qualitative assessment, the goal is for Solidaridad beneficiaries to be better informed about the cycle of compliance with their co-responsibilities and for the program to be able to plan and supervise the support provided by the community liaisons to the beneficiary families. The component will finance: (i) the design and implementation of a communication strategy to improve households' understanding of co-responsibilities; and (ii) a review and design of an effective community liaison supervision system, which is crucial for attaining both objectives. The investments are expected to reduce noncompliance and suspensions of beneficiaries and increase the number of reports on verification of compliance.
- 1.26 **Component 3. Strengthening of the supply and improvement of the quality of health services (US\$32.1 million).** The objective is to raise the quality of the health care services used by Solidaridad beneficiaries by strengthening service delivery. Although the second operation has made significant investments in this line of activity, the country still presents large shortfalls in the licensing of medical

²⁵ The initial results of this evaluation will be ready in early November, providing information on the impact of the assistance. Subsequently it will provide estimates of the impact on enrollment levels.

²⁶ Regardless of the grade the pupil is in, the current plan provides D\$300 for households with one or two children attending school between grades 1 and 10; D\$450 for households with three children; and D\$600 for families with four or more children. The proposed pilot frameworks will pay D\$300 per household regardless of the number of children attending school and an individual cash transfer per enrolled child starting in grade 5, with the total not to exceed D\$900 per family. The first pilot program would provide D\$50 per student in grades 5 and 6; D\$100 per student in grades 7 and 8; and D\$150 per student in grades 9 and 10. The second pilot program will provide D\$100 per student in grades 5 and 6; D\$150 per student in grades 7 and 8; and D\$200 per student in grades 9 and 10. It is estimated that the first framework would not require additional spending and that the second will be 18% more expensive.

establishments, training for health care personnel, and the organization and structuring of the network of laboratories and blood banks. Also to fully consolidate and implement the health services management agency, which is just beginning its work, it will be necessary to continue providing technical support for it during its first two years of operation and expand the clinical management system (SGC) to the different levels of care to establish an information system able to operate throughout the service network.²⁷

- 1.27 This component will finance the following activities: (i) services to expand coverage of the SGC and the inclusion of additional modules in that system to link it with other levels of care, particularly by establishing an electronic referral and counter-referral system for patients, and by linking with complementary health services (network of laboratories, blood banks, etc.); (ii) services and equipment to extend use of the SGC to nurses in the primary care centers (CAPs) for the purpose of (a) timely reporting of the services provided by them, such as records of vaccinations, growth monitoring, etc.; and (b) streamlining of the process of recording information, thereby reducing patients' waiting time; (iii) equipment to improve the connectivity of the more remote CAPs, to make for a continuous flow of SGC information; (iv) training for managers and coordinators in service management; (v) services to expand the thematic modules and implement the virtual health care personnel training model in all parts of the country (a pilot project to develop and implement the model was carried out in the second operation);²⁸ (vi) goods and services for additional equipment coverage shortages and works to upgrade the infrastructure of the CAPs and vaccination clinics mainly attended by Solidaridad beneficiaries; (vii) services to continue technical support for the consolidation and implementation of the health services management agency; and (viii) services to analyze gaps in coverage and to strengthen the network of laboratories and blood banks, which are essential for raising the quality of services on all levels of care. The investments are expected to increase the number of Solidaridad beneficiaries with access to good quality health services and, as a result, to improve their health status. The Solidaridad families will not be the only ones to benefit from the investments planned under this component, since they will extend to all Dominicans who use public health services.
- 1.28 Early pregnancy among the poor is one of the main causes of school dropout.²⁹ This component will support the MSP in applying the content relating to comprehensive care for adolescents established in the Basic Health Services Plan and promoted by Solidaridad. The content of these sessions will include personal development and

²⁷ An operational input (DR-L1077) has been approved to support implementation of Component 2 of the present operation. The input is intended to support the MSP in improving the quality of health care delivery through an analysis of the cost of a basic package of services and the establishment of management contracts between the management agency and the regional health services.

²⁸ See link 9 "The Use and Effect of Distance Education in Healthcare: what do we know?"

²⁹ Bautista et al. 2011.

life skills, prevention of risk behavior, and sexual and reproductive health. A module and training materials in health care for adolescents and young people will be developed, which will form part of the health personnel training system financed in the second phase of the loan. The modules will be taught to health care personnel virtually but will contain some onsite training.³⁰ Prior to extending this intervention nationwide, some alternatives for its implementation will be pilot tested and evaluated with different levels of involvement by civil society (NGOs with experience working with young people).

- 1.29 **Component 4. Support for the integrated monitoring and evaluation system (US\$1.2 million).** The objective is to support the integrated system recently developed for Solidaridad³¹ for evaluation and monitoring activities. The component will finance the third EEPS in 2012,³² which is the main source of information for the system. It will also finance: (i) a quantitative and qualitative analysis of the performance of the SGC and its use as a management tool; (ii) an evaluation of compliance with technical standards of the georeferencing systems for the health services supply map; (iii) a study of clinical charts to evaluate the knowledge and practices acquired with the additional modules in the virtual training system (managerial and operational levels); and (iv) a pilot project on health care for adolescents and young people to evaluate the relative effectiveness of different levels of civil society involvement (NGOs with experience in working with young people) in the implementation of this intervention before scaling it up to the national level.

G. Costs

- 1.30 Table I-2 summarizes the distribution of program financing.

Table I-2. Cost summary

Component	IDB financing (Ordinary Capital) (US\$000)
1. Conditional cash transfers	42,751
2. Institutional strengthening of Solidaridad	2,170
3. Strengthening of the supply and improvement of health services	32,109
4. Support for the integrated monitoring and evaluation system	1,214
5. Audits and administration	756
6. Contingencies	1,000
TOTAL	80,000

³⁰ Different contents will be developed for physicians, nurses, and community outreach workers, which will include health issues and also training for better interaction with young people, particularly teenage girls.

³¹ The first two phases of the program included an extensive agenda, see paragraph 1.10.

³² The EEPS sample has a power of 90% and a confidence level of 95%. See link 16 “Technical brief on the social protection evaluation survey 2010.”

- 1.31 Unless the Bank otherwise provides, during the first year of disbursement of the loan proceeds, only an amount of up to US\$40 million may be disbursed to finance project activities, of which only up to US\$35 million may be used for Component 1 of the project.

H. Key indicators in the results matrix

- 1.32 The 2012 social protection evaluation survey (EEPS) will make it possible to follow up on key indicators for access and the status of mother and child health and education. Other key results to be measured during implementation of this third phase are related to improvements in the quality of the health services to which Solidaridad beneficiaries have access: (i) beneficiaries registered with licensed CAPs; (ii) health professionals who treat Solidaridad beneficiaries following the guidelines and protocols for mother and child care; (iii) regional health services (SRS) making institutionalized use of the SGC for planning and managing their services; (iv) electronic records of vaccination coverage; (v) children under 5 who attend appointments to monitor growth; and (vi) health professionals who treat Solidaridad beneficiaries and are trained to provide comprehensive care for adolescents as established in the health services plan. The education indicators included in the results matrix are: (i) teenagers aged 14 to 16 in Solidaridad families who have completed at least six grades of basic education; and (ii) percentage of poor young people aged 16 to 18 who have completed secondary school.

II. FINANCING STRUCTURE AND RISKS

A. Borrower and executing agency

- 2.1 The borrower is the Dominican Republic. The Social Policy Coordination Council (GCPS), which executed the first and second phases of the program, will be the executing agency for this third phase. The GCPS was created by Presidential Decree 1082-04 and given executive and coordination powers. It has the mandate and the capacity to implement the program, since Decree 570-05 gives it the functions of management, administration, and execution of programs in the Dominican Republic's social protection system.

B. Amount of financing and disbursement plan

- 2.2 The Bank will provide financing of US\$80 million from its Ordinary Capital. Contracts awarded through international competitive bidding may be paid directly. This operation is expected to be approved by the Bank's Board of Executive Directors in mid-November and be eligible for disbursement by the end of 2011.
- 2.3 As executing agency, the GCPS may procure goods and services that are eligible for retroactive financing for up to a maximum of US\$5 million, provided they have been procured after 21 July 2011 and procurement procedures that are substantially similar to those subsequently established in the loan contract, and pursuant to Bank policy OP-504, have been followed. This recognition is justified since the third phase includes new lines of investment and activities not included in the second

phase, such as the blood banks and laboratories, the pilot network project, etc., that need to get under way in advance so as not to jeopardize attainment of their objectives during the execution period.

- 2.4 It has been agreed that the following special execution conditions will be included in the loan contract, in addition to those mentioned in the Project Summary: (i) at least 230 CAPs will have been licensed prior to 31 December 2012; (ii) at least 10 blood banks will have been licensed during the loan disbursement period; (iii) at least 100 vaccination clinics will have been licensed during the loan disbursement period; and (iv) the health services supply map will have been completed within three months of entry into force of the loan contract.

C. Environmental and social safeguard risks

- 2.5 In accordance with the Environment and Safeguards Compliance Policy (OP-703), the ESR classified the program as a category “C” operation. The optional electronic links contain an analysis of the potential factors for exclusion from Solidaridad, related to the lack of identity documents, and a discussion of how the program has been mitigating them.³³

D. Fiduciary risks

- 2.6 Based on the positive experience that the GCPS has had in executing other loans from international agencies, and on the analysis of its fiduciary capacity (conducted by the Bank during preparation of the first and second phases of the operation and during the fiduciary management visits), the fiduciary risks of this operation are considered low.

E. Other risks

- 2.7 **Operational difficulties: Impact of the political cycle on the continuity of the progress made and complex coordination requirements.** Three interdependent autonomous institutions—the Master Beneficiaries System (SIUBEN), Solidaridad, and the Social Subsidies Administration Unit (ADESS)—are involved in program implementation. In addition, two sector institutions participate in the social protection network—the health and education ministries. This presents challenges of programmatic and operational coordination that could be affected by the political transition (turnover of management and technical teams not accompanied by the transmission of the knowledge acquired or possible tensions with new strategic and programmatic priorities of the new authorities). At the same time, because it is a national program, the local operating level is a potential source of deficiencies in the lines of transmission. The following activities are expected to have a palliative effect: (i) adjustment of technical profiles and special requisites in the selection of key personnel; (ii) review and adjustment of manuals; (iii) coordination of actions

³³ The World Bank is financing a program to provide identity documents to 364,220 Dominicans living below the poverty line and in extreme poverty who do not have official proof of registration. As of the end of August 2011, 8,000 documents had been issued and 32,000 files were being compiled by agents or verified by the Central Electoral Board.

- by the Technical Department of the GCPS through technical and regional committees and subcommittees; (iv) implementation of a communication plan; (v) an active role by the Bank in supporting the transition process to assure programming continuity in the social sector; and (vi) supervision plans that pay priority attention to key operating aspects that assure efficient execution.
- 2.8 **Modest returns on the investment in human development owing to partial compliance with co-responsibilities.** Possible lack of understanding by beneficiaries of their co-responsibilities and weaknesses in the operational planning and supervision chain could lead to low use of education and health services. The strengthening of the chain of supervision, operational planning, and programming activities in general and the development and implementation of a communication strategy are expected to act as mitigation measures.
- 2.9 **Health services management agency.** Although the creation of a health services management agency is provided for by law, there is a possibility that interest groups will resist. This generates two risks: (i) that the Congress will not approve the bill creating the management agency (National Health System—SNS); and (ii) that the SNS is approved with characteristics that are very different from the initial proposal, limiting its course of action. With regard to the first risk, the discussion in Congress of the proposed law, which is backed by the highest levels of government, is already at a rather advanced stage, which minimizes the risk described. As to the second risk, as a mitigation measure reflected in the operation's implementation plan, a plan to implement the SNS is being activated, which consists of working jointly with the MSP on the potential areas of divergence.
- 2.10 **Sustainability.** Presidential elections and a change in government will take place in 2012, which could affect the sustainability of the Solidaridad Program and the cash transfers to beneficiary families. Because of the large-scale coverage and social impact of the program on the entire country, the new government is expected to maintain its commitment to support poor Dominican families through Solidaridad.

III. IMPLEMENTATION AND ACTION PLAN

A. Summary of implementation arrangements

- 3.1 The program will be implemented by the Executive Technical Department (DTE), with support from the project coordination unit (PCU) established for the first and second phases of the program. The PCU will be responsible for procurement, contracting, and payments at the DTE's request, except for cash transfers, which are the responsibility of the Social Subsidies Administration Unit (ADESS). The program will have support from the Central Bank of the Dominican Republic in the technical supervision of the third round of the EEPS, which is part of Component 4. The GCPS's Financial Management Department (DAF) is expected to gradually take over the PCU's functions during the third phase of the program, in accordance with the transfer plan agreed upon with the Bank.

- 3.2 Given the greater complexity of the contracting to be carried out in this third phase, procurement will be evaluated ex ante as per the thresholds established in the procurement plan. Three months after the program begins, the advisability of switching to ex post evaluations of procurement via national competitive bids will be examined.
- 3.3 The executing agency will submit the following to the Bank: (i) the audited annual financial statements of the program within 120 days following the close of the executing agency's fiscal year; and (ii) the final audited financial statements of the program within 120 days after the last disbursement. The financial statements will be audited by a firm of independent auditors acceptable to the Bank. For this third phase, it was agreed to also commission a recurring operational audit for the process of verifying co-responsibilities. The loan proceeds for Component 1 will be disbursed on the basis of the percentage of cases in the sample in which Solidaridad Program beneficiaries complied with their co-responsibilities in health and education, as verified by the audit. Audit costs will be financed by the program.

B. Summary of arrangements for monitoring results

- 3.4 Electronic link 3 details the arrangements for monitoring and evaluation of the outputs and outcomes of the operation. In particular, the EEPS will be used as a means to monitor health, nutrition, and education indicators. Last, charts with a quasi-experimental design will be studied to evaluate the outcomes of the component to strengthen the supply of health services. All these activities are covered in Component 4 of the program.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	The operation contributes to the lending program to small and vulnerable countries, and for poverty reduction and equity enhancement.		
Regional Development Goals	The operation contributes to the regional goals of reducing the extreme poverty rate, the Gini coefficient of per capita household income inequality, the share of youth ages 15 to19 who complete ninth grade, the maternal mortality ratio and the infant mortality ratio.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	The operation contributes to the following Bank products: Individuals (afro-descendant) receiving a basic package of health services; Individuals (afro-descendant) receiving targeted anti-poverty programs.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2581	Increase the effectiveness and efficiency of the Social Safety Net.	
Country Program Results Matrix	GN-2617	The operation is included in the 2011 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	8.8		10
3. Evidence-based Assessment & Solution	7.8	25%	10
4. Ex ante Economic Analysis	8.8	25%	10
5. Monitoring and Evaluation	8.7	25%	10
6. Risks & Mitigation Monitoring Matrix	10.0	25%	10
Overall risks rate = magnitude of risks*likelihood	Medium		
Environmental & social risk classification	C		
III. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)			
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes	The project promotes maternal health and works with female adolescents on issues related to reproductive health, particularly on the prevention of pregnancy.	
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Technical cooperation operations DR-T1071/DR-T1052 to support the design and implementation of the first two rounds of the EEPs survey are currently under implementation. Additionally, Operational Input DR-T1077 to support the executing agency in the implementation of the activities in the health sector has been approved.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan.	Yes	The evaluation of the project will contribute to the generation of knowledge regarding the social safety net in the country, as well as the provision of health services.	

This is the third phase of a multi-phase program to support the social safety net in the Dominican Republic. The operation seeks to increase human capital of children and youth in poor families, as to allow them to escape poverty when they become adults. The project is an investment loan financed with resources from the Bank's Ordinary Capital.

The loan proposal presents a solid diagnostic of the problem and its causes. It describes progress and remaining challenges in terms of health and education in the country, and includes some preliminary results from the previous phases of the program. It is worth noting that among CCTs financed by the Bank this one is especial, as it also includes a component to improve access and quality of health services, through infrastructure, equipment, information systems and training.

The project logic is adequate and well reflected in the results matrix. Indicators are adequate for the most part, though some output indicators could be more specific. The proposal includes an cost-effectiveness economic analysis comparing alternative transfer schemes based on their effectiveness to increase school attendance in secondary school. The project has a broad impact evaluation agenda, including experimental and quasi-experimental designs, to measure its results and improve its design and implementation. The risk matrix is adequate, with mitigation measures and indicators to monitor them.

**RESULTS FRAMEWORK
MATRIX OF INDICATORS**

Project objective	To enhance the capacity of poor Dominican families to escape poverty through their own means, by increasing their human capital stock (health, nutrition, and education).
Expected impact	In adulthood, the children benefitting from the Solidaridad Program have a lower probability of being chronically poor.

Outcome indicators	Baseline 2011	End-of-program target 2013
Prevalence of chronic undernutrition in children under 2 in Solidaridad beneficiary households	10.1 (EEPS 2011) ¹	9.8 (EEPS 2013)
Average height of children aged 36 to 60 months in Solidaridad beneficiary households	101.1 (EEPS 2011)	102.0 (EEPS 2013)
Percentage of children aged 18 to 60 months in Solidaridad beneficiary households with complete immunization	28.5 (EEPS 2011)	35.0 (EEPS 2013)
Percentage of children aged 14 to 16 years in Solidaridad beneficiary households who completed at least six grades of basic education	73.93 (EEPS 2011)	76.00 (EEPS 2013)

Component 1	Conditional cash transfers
<i>Objective:</i>	To protect spending by Solidaridad beneficiary households and spur their demand for public services in the areas of health, nutrition, and education.

¹ The social protection evaluation survey (EEPS) has been conducted annually since 2010, and covers a representative sample of the Solidaridad beneficiary population and a sample of poor families that are not program beneficiaries. The 2010 and 2011 EEPS have already been conducted. The 2012 EEPS forms part of the present project and a fourth EEPS is expected to be conducted in 2013.

Outputs	Baseline 2011		2012		Cumulative target	Comments
1.1. Number of people receiving conditional cash transfers who complied with their co-responsibilities in nutrition, health, and education	99,828		462,779		562,607	Source: Program monitoring system

Interim outcomes	Baseline 2011		2012		Target 2013	Comments
1.2. Percentage of women who took their children for at least one checkup at a health center ²	56.8%		65%		69%	Source: EEPS 2011, 2012, 2014
1.3. Percentage of women who were prescribed and took vitamins or micronutrients in the six weeks following delivery ³	44%		50%		55%	Source: EEPS 2011, 2012, 2014
1.4. Percentage of women with a child under 5 who went for a checkup in the six weeks following delivery	44.6%		50%		55%	Source: EEPS 2011, 2012, 2014
1.5. Percentage of women who took folic acid, iron, and vitamin pills or supplements during their most recent pregnancy and did not pay for them	10.8%		15%		20%	Source: EEPS 2011, 2012, 2014
1.6. Percentage of poor adolescents aged 16 to 18 who completed secondary education	12% (2007)		16%		20%	Source: EEPS 2011, 2012, 2014

² Sample refers to children under 5.

³ Refers to the most recent live birth.

Component 2	Institutional strengthening of Solidaridad						
Objective:	The objective is to strengthen Solidaridad’s planning and operational supervision capacity and its ability to communicate with its beneficiaries.						
Outputs		Baseline 2011		2012		Target 2013	Comments
2.1. Communication strategy to improve the understanding of co-responsibility		Knowledge of co-responsibility should be better		Strategy designed		Strategy implemented	Semiannual program reports
2.2. System for effective supervision of community liaisons		Community liaison system is weak in terms of supervision		System designed		System implemented	Semiannual program reports

Interim outcomes		Baseline 2011		2012		Target 2013	Comments
2.3. Percentage of households who know their Solidaridad co-responsibilities		No data		75%		90%	Source: EEPS 2011, 2012, 2014
2.4. Monitoring of compliance by families with their co-responsibilities has improved		Suboptimal planning and low level of monitoring				Optimum planning and high level of monitoring	Random audits of a group of liaisons on co-responsibilities planning

Component 3		Strengthening of the supply and improvement of the quality of health services						
<i>Objective:</i>		The objective is to raise the quality of the health care services used by Solidaridad beneficiaries by strengthening service delivery.						
Outputs		Baseline 2011			2012		Target 2013	Comments
3.1. Implementation of the clinical management system (SGC) ⁴ module for the patient referral and counter-referral system		SGC with no referral and counter-referral module			SGC with a referral and counter-referral module designed		SGC with a referral and counter-referral module implemented	Semiannual program reports
3.2. Implementation of the SGC module for complementary services (network of laboratories and blood banks)		SGC with no complementary services module			SGC with a complementary services module designed		SGC with a complementary services module implemented	Semiannual program reports
3.3. Nurses receiving a specialized nursing assistant course at the primary care level		n/a			700		1500	Semiannual program reports
3.4. Nurses receiving training in digital literacy		n/a			700		1500	Semiannual program reports
3.5. Regional, healthcare, and strategic managers obtaining a diploma in health system administration		n/a			27		27	Semiannual program reports
3.6. Area coordinators receiving a specialized course in health systems management		n/a			120		256	Semiannual program reports
3.7. Number of remote CAPs with connectivity		n/a			100		100	Semiannual program reports
3.8. Number of healthcare personnel trained virtually		400			800		3400	Semiannual program reports
3.9. Number of vaccination clinics licensed		n/a			n/a		127	Semiannual program reports
3.10. Number of CAPs in military areas licensed		n/a			5		5	Semiannual program reports
3.11. Map of the supply of public health services (health centers on levels I, II, and III, blood banks, vaccination clinics, clinical laboratories)		n/a			1		1	Semiannual program reports

⁴ The clinical management system (SGC) was implemented as part of the second phase of the loan (DR-L1044).

Interim outcomes	Baseline 2011		2012		Target 2013	Comments
3.12. Increase in the percentage of Solidaridad beneficiaries who use upgraded CAPs	10%		18%		23%	Semiannual program reports
3.13. Increase in the percentage of health personnel at the primary level who know at least 80% of the contents of mother and child care guidelines and protocols	8%				60%	Evaluation of charts
3.14. Percentage of physicians who provide treatment following the mother and child care guidelines and protocols	8%				50%	Clinical management system

Component 4	Support for the integrated monitoring and evaluation system						
Objective:	The objective is to support the integrated monitoring and evaluation system recently developed for Solidaridad.						
Outputs		Baseline 2011		2012		Target 2013	Comments
4.1. Social protection evaluation survey (EEPS) 2012 completed		n/a		EEPS completed		EEPS completed	Semiannual program reports
4.2. Quantitative and qualitative analysis of SGC performance		n/a		Design of the analysis completed		Analysis completed	Semiannual program reports
4.3. Evaluation of compliance with technical standards of the georeferencing system for the health services supply map		n/a		Evaluation completed		Evaluation completed	Semiannual program reports
4.4. Evaluation of additional modules for the virtual training system (managerial and operational levels)		n/a		Design of the evaluation completed		Evaluation completed	Semiannual program reports
4.5. Evaluation of the involvement of civil society (NGOs) in the prevention of teenage pregnancy		n/a		Evaluation completed		Evaluation completed	Semiannual program reports

Interim outcomes		Baseline 2011		2012		Target 2013	Comments
4.6 Information generated as input for the monitoring and evaluation system		n/a		Evaluation recommendations		Evaluation recommendations	Evaluation reports

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Dominican Republic
Project number: DR-L1047. Support for the social protection program – third phase
Executing agency: Social Policy Coordination Council (GCPS)
Prepared by: Luis César Acosta (Senior Fiduciary Specialist in Finance) and Carolina Escudero (Procurement Specialist) at the IDB Country Office in the Dominican Republic

I. EXECUTIVE SUMMARY

- 1.1 Despite difficulties related to the availability of resources, the country has made progress in the last two years in strengthening its Integrated Financial Management System (SIGEF), particularly the system's accounting and budget modules. Today, all new sovereign guaranteed operations use the UEPEX/SIGEF submodule for their accounting. At present, this submodule is composed of an accounting system and a budget system. The UEPEX/SIGEF accounting system is designed to administer the proceeds of financing from external institutions such as the World Bank and the IDB. The accounting system is operating satisfactorily in relation to the budget system
- 1.2 The national system for government procurement and contracting is not sufficiently developed as yet to consider using it in Bank operations and therefore procurement will be managed in accordance with IDB policies and procedures.
- 1.3 Project DR-L1047 will constitute the third phase of support for the social protection program. Implementation of the activities planned in this new operation will be the responsibility of the Social Policy Coordination Council of the Dominican Republic through the project coordination unit (PCU) established to execute the first and second phases of the program. The PCU's capacity has been satisfactory and it has sufficient technical and administrative staff competent to administer program resources in this third phase.
- 1.4 The lead institutions in the internal control and external supervision system of the Dominican State (the National Audit Office and the Office of the Comptroller General) have weak institutional capacity and financial limitations that do not allow them to fully and satisfactorily exercise their mandates. However, the Office of the Comptroller General has internal audit units (UAIs) primarily in each central government institution. In the particular case of the PCU, the Office of the Comptroller General maintains a UAI that reviews the drafts payments for the operations' activities.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 Procurement and financial administration and execution will be the responsibility of the PCU that was established to run the two previous phases of the program. The PCU has adequate internal controls and financial and procurement procedures satisfactory to the Bank. The staff of the PCU have clearly-defined responsibilities and adequate experience and profiles to carry out their functions. In parallel, under an agreement between the executing agency and the Bank, the PCU will gradually transfer responsibility for managing the program's procurement to the Procurement and Contracts Office of the GCPS's Financial Management Department, to which end activities have been agreed upon to strengthen the office's capacity.
- 2.2 As for the use of systems to manage, monitor, and report on the activities and resources of the operation, the project plans several activities to strengthen the integrated monitoring and evaluation system under Component 4. The executing agency will use UEPEX/SIGEF to monitor the budget, keep the accounts, and generate financial reports and statements (see section IV 2).

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 Based on the institutional capacity assessments conducted during preparation of projects DR-L1039 and DR-L1044 (first and second phases, respectively), the results to date in both cases, inspection visits, and the execution of agreements between the executing agency and the Bank, the fiduciary team has performed an *update of institutional capacity*,¹ and determined that the fiduciary risk associated with execution of the third phase of the program is LOW. In other words, it is consistent with the levels of fiduciary risk and mitigation measures included in the program's risk management matrix.

IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE CONTRACTS

- 4.1 To facilitate contract negotiation by the project team, principally LEG, the agreements and requirements to be considered in the special conditions are presented below.
- 4.2 **Audited financial statements:** During execution and within 120 days after the close of the fiscal year, the PCU will submit the annual financial statements of the program audited by an external firm of auditors acceptable to the Bank, in accordance with terms of reference agreed upon with the Bank. The PCU will also submit the final financial statements audited by a firm of auditors acceptable to the Bank, within 120 days after the date of the final disbursement of the program.
- 4.3 **Recognition of retroactive expenses:** The Bank may recognize eligible expenses incurred after 21 July 2011 (date of approval of the project profile) of up to US\$5 million from the loan proceeds, provided procurement procedures

¹ See IDBDOCS #36434709, "Update of the institutional capacity of the GCPS to manage procurement for execution of the first, second, and third phases of the Support for the Social Protection Program."

substantially similar to those subsequently established in the loan contract have been followed.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 Procurement processes under the program will be executed by the PCU and the GCPS through the Procurement and Contracts Office of the Financial Management Department, as responsibilities are transferred in accordance with the agreement between the executing agency and the Bank.
- 5.2 **Execution of procurement.** Contracts for works, goods, and nonconsulting services² generated under the project will be carried out pursuant to the Bank's policies (GN-2349-9, as amended) and using the standard bidding documents (SBDs) issued by the Bank. Procurement subject to national competitive bidding (NCB) will be executed using national bidding documents agreed upon with the Bank or satisfactory to the Bank. The program's sector specialist is responsible for reviewing the technical specifications for procurement during preparation of the selection processes.
- 5.3 **Procurement of goods, works, and nonconsulting services.** Works, goods, and nonconsulting services³ arising under the project will be procured according to the Bank's policies (GN-2349-9, as amended) and using the Bank's standard bidding documents (SBDs). Procurement subject to national competitive bidding (NCB) will be executed using national bidding documents agreed upon with the Bank or satisfactory to the Bank. The program's sector specialist is responsible for reviewing and validating the technical specifications for procurement during preparation of the selection processes.
- 5.4 **Selection and contracting of consultants.** Consulting contracts arising under the program will be executed using the standard request for proposals (SRfP) issued by or agreed upon with the Bank or satisfactory to the Bank. The program's sector specialist is responsible for reviewing the terms of reference for the consulting contracts.
- 5.5 **Selection of individual consultants.** Individual consultants will be selected as established in document GN-2350-9, as amended. During the program, as individual consulting services are required, notices will be published in local media or on the United Nations Development Business (UNDB) website requesting expressions of interest.
- 5.6 **Recurring expenses.** This item includes the group of consultants to be financed by the program who will constitute the PCU, whose contracts will follow the procedures established in document GN-2350-9, as amended.

² Policy for the procurement of works and goods financed by the Inter-American Development Bank (GN-2349-97), paragraph 1.1: Nonconsulting services are treated like goods.

³ Idem.

- 5.7 **Advance procurement/Retroactive financing.** To be applied as established in the loan contract.

Table of thresholds (in US\$000)

Works			Goods ⁴			Consulting	
International competitive bidding	National competitive bidding	Shopping	International competitive bidding	National competitive bidding	Shopping	International consulting notice	Shortlist 100% national
>3,000	>250	≤250	>250	>50	≤50	>200	≤200

- 5.8 **Major procurement processes.** To consult the procurement plan for the first 18 months, [click here](#).
- 5.9 **Procurement supervision.** The procurement plan identifies the processes subject to ex ante and ex post review. All cases of direct selection will be reviewed ex ante, as will contracts that exceed the ceilings established in the table of thresholds for each type of process. Based on the level of risk identified for the project, ex post reviews of procurement will be performed annually.

Threshold for ex post review (in US\$)		
Works	Goods and nonconsulting services	Consulting services
≤ 3,000,000	≤ 50,000	≤ 200,000

- 5.10 **Records and files.** As established in current procurement policies, the PCU will maintain the physical files for seven years. The following is recommended to improve institutional capacity in this regard: (i) prepare a protocol for control and management of the physical files; and (ii) identify and outfit a suitable area to hold the physical files that guarantees their integrity and security.

VI. FINANCIAL MANAGEMENT

6.1 Programming and budget

With regard to programming, it was agreed with the PCU that it will keep the documents agreed on with the Bank up to date, such as the project execution plan (PEP), the annual work plan (AWP), the procurement plan, and matrixes with development and compliance indicators. In parallel to these instruments for control and monitoring of execution, a disbursement plan will be established to serve as the basis for preparing disbursement requests and a cash flow, which will be continually monitored.

⁴ Includes nonconsulting services.

With regard to the budget, it was determined that the PCU will be responsible for producing reports on the status of the budget and for analyzing and requesting the Bank to approve budget modifications (transfers) in the event that the amounts allocated to the items are not sufficient to carry out the planned activities.

6.2 **Accounting and information systems**

The PCU has an official accounting and budget control system known as UEPEX/SIGEF, which, in addition to reporting accounting transactions and controlling the budget, also has the capacity to generate the financial statements required under the Bank's rules and policies. UEPEX/SIGEF will also maintain adequate control over project commitments and available balances.

6.3 **Disbursements and cash flow**

The investments estimated for the third phase (US\$80 million) will come wholly from the Bank loan. Component 1 (US\$42.7 million) will partially finance conditional cash transfers for health and education and will be disbursed on the basis of the results of the planned concurrent audits. The other components will be disbursed on the basis of the annual work plan and semiannual projections of needs, in accordance with Bank requirements. The Bank's modalities for the disbursement of loan proceeds to the executing agency will be applied as follows: (i) for Component 1, funds will be disbursed in the form of reimbursement of expenditures, inasmuch as the disbursements under this component, as indicated above, will be subject to the outcomes of the concurrent audit, which will determine the percentages of co-responsibility compliance and verification of such compliance; and (ii) for the remaining components and/or budget categories, the loan resources will mainly be disbursed in the form of advances. It has been agreed that the executing agency will not provide any cash counterpart for the program.

Given the low level of financial fiduciary risk (see risk matrix), and in accordance with the results of the evaluation of internal controls performed in the previous phases, the executing agency's experience, the accounting system to be used, and the quality and competence of the documentation supporting the disbursement requests, it has been determined that disbursements will be reviewed ex post.

With regard to the exchange rate, the PCU has agreed with the Bank that the exchange rate for converting the currency of the loan into local currency will be the official buying rate of the Central Bank of the Dominican Republic on the date that the funds disbursed by the Bank to the PCU are converted into local currency.

6.4 **Internal control and internal audit**

The executing agency and the PCU have an internal control entity or internal audit unit (UAI) that reports to the Office of the Comptroller General of the Dominican Republic.

The UAI is responsible for reviewing all payments made under the project prior to their authorization by the competent authorities (ministers, deputy ministers, directors, etc.). Therefore, all receipts or documentation representing a project

expenditure to be paid or covered must be approved by the UAI. Although the Office of the Comptroller General is the lead agency for internal control, it does not perform internal audits as such; for the time being it only participates in the process of issuing payment orders.

6.5 External control and reports

The National Audit Office is the senior supervisory agency of the Dominican State, responsible for auditing all expenditures/government agencies. It is our understanding that the frequency and types of audits are determined annually by that office through a risk analysis. The project's activities are considered part of the GCPS's activities and therefore they and the project records are subject to external audits by that office.

Notwithstanding the above, and considering the weak capacity of the National Audit Office to ensure that its audits will have reasonable annual coverage of institutions and, specifically, its auditors' lack of familiarity and experience with the Bank's requirements, it is justifiable for the PCU to contract a firm of registered external auditors acceptable to the Bank to perform annual audits of the program's financial statements during execution. The reports on the audited financial statements prepared by the auditors will be submitted by the PCU to the Bank within 120 days after the close of the fiscal year and the PCU will submit the final report on the audited financial statements prepared by the auditing firm acceptable to the Bank within 120 days after the final disbursement. The external auditors' reports will comply with the Bank's standards and requirements. The PCU will follow Bank guidelines designed by the Bank for that purpose in preparing the terms of reference for contracting the external auditors.

On the Bank's recommendation and as a general practice in projects with the Dominican Republic, the PCU will require the external auditors to present a midterm audit report that will be used to identify contractual noncompliances, weaknesses, or shortcomings in internal control that will be addressed by the executing agency before the end of the fiscal period under review. Copies of these preliminary reports will be sent to the Bank for information purposes.

6.6 Financial supervision plan

The financial fiduciary risk for the operation is low at present. Accordingly, it is recommended that two financial inspection visits be made during the first year of execution. The frequency and nature of subsequent visits will be determined on the basis of the results of the project risk matrix. In addition, it is recommended that at least one visit be made jointly with the Project Team Leader. The visits should be planned and carried out jointly by the Project Team Leader and the executing agency.

6.7 Execution arrangements

General program administrative and financial execution will be the responsibility of the PCU, which will have a team that includes a general coordinator, an accountant, and an assistant accountant. As executing agency, the GCPS will provide the logistics and additional support needed to implement the activities and attain the program's objectives.

6.8 Other financial management agreements and requirements

None.