

PROGRAM TO STRENGTHEN THE PROVINCES IN THE NORTHEAST REGION

(DR-0072)

EXECUTIVE SUMMARY

BORROWER: Government of the Dominican Republic

EXECUTING AGENCY: Technical Secretariat of the Presidency (STP), through the Provincial Development Councils and the Provincial Planning Offices.

AMOUNT AND SOURCE:

IDB: OC/FFI	US\$ 8,960,000
Local funding:	US\$ 1,040,000
Total:	US\$10,000,000

FINANCIAL TERMS AND CONDITIONS:

Repayment period:	25 years
Disbursement period:	2.5 years
Interest rate:	variable
Inspection and surveillance:	1%
Credit commission:	0.75%
Currency:	dollars (single currency facility)

OBJECTIVES: The objective of the program is to lend support to the government in the functional definition and performance of the Provincial Development Councils (CDPs) and the Provincial Planning Offices (OPPs) in the development of the five northeast provinces, within the framework of the decentralization policy. The program specifically seeks to: (i) test a model for provincial planning that will ensure effective coordination among the different social and political stakeholders in the process of building consensus and setting priorities for the CDPs; (ii) strengthen OPP capacity to provide technical assistance for the identification, execution, operation, and monitoring of priority projects; and (iii) finance basic services to improve access and use for economically disadvantaged citizens.

DESCRIPTION: Based on the lessons from the provincial development project in Salcedo Province, the program is designed to cover the five northeast provinces and their 32 municipalities and will be financed in three interrelated components. The first component will support the introduction of participatory planning exercises at the provincial level. The second component will finance provincial level social and economic infrastructure projects identified through

the planning exercises. The third component will strengthen provincial agencies, including the Provincial Offices for Women's Affairs (OPMs), in order to improve their managerial and development promotion capacity.

First Component: Planning exercises (US\$380,000). This component will support the development of the planning methodology to be used in each of the five provinces. It will involve communities, nongovernmental organizations, municipal governments, and other sectors in identifying priority needs and drawing up a provincial investment plan.

Second Component, Investment in social and economic infrastructure (US\$6,385,000). This component will finance the biannual investment plans that emerge from the planning processes in each of the five provinces. Resource allocations for each province will be determined on the basis of the poverty map, which will be used as a tool by the Dominican government to orient and allocate investment resources.

Third Component, Institutional Strengthening (US\$1,512,000). This component will (i) strengthen the OPPs through specialized consultancies, a cost system, computer equipment, office furnishings, vehicles, and the design and establishment of an evaluation and monitoring system; and (ii) support the OPM of Salcedo Province with specialized technical consultancies in credit program management, and the purchase of computer equipment and office furnishings. It will also finance the replication of the services provided by this office in the other four provinces participating in the program.

Fourth component, Program administration (US\$751,000). In order to ensure program execution: (i) financing will be provided to hire key personnel for the Program Coordinating Unit (PCU) and purchase computer equipment, office furnishings, and vehicles; and (ii) consulting services will be provided for supervision and program impact assessment.

Other activities. (US\$270,000) The program will also finance the use of project financing and evaluation systems currently used by ProComunidad and approved by the Bank and the program's external audits.

The remaining balance from ATN SF-5686-DR will be used to move ahead with preliminary activities to launch the program and to help meet the conditions

precedent. These activities will include: (i) hiring the PCU coordinator and accountant; (ii) providing for the initial training given by ProComunidad; and (iii) hiring a consultant to assist the PCU in drafting a program operations manual.

**ROLE OF THE
PROJECT IN THE
BANK STRATEGY FOR
THE COUNTRY AND
PROVINCE:**

The Bank's strategy for the Dominican Republic is to support poverty reduction through operations that seek to achieve long-term economic growth. The Bank recognizes that economic growth can be achieved only if the country improves its competitive position within a viable social context. In addition to integrated fiscal management and incentives for private enterprise, the Bank places priority on the reduction of poverty through operations that support increases in social spending and strengthen social participation in the management of public sector institutions.

**REVIEW OF
ENVIRONMENTAL AND
SOCIAL ISSUES:**

The ProComunidad environmental control system, which has been approved by the Bank, will be used. The program will promote the incorporation of women into the political, social, and economic life of the provinces in an effort to improve their living conditions (paragraph 4.6).

BENEFITS:

In addition to increasing access and use of the social and economic infrastructure among the poorest sectors of the population, the program will provide the following specific benefits: (i) a mechanism for ex-ante allocation of resources to the provinces based on the poverty map; (ii) greater opportunity for the participation of groups previously excluded from the decision process; (iii) a selection methodology that gives priority to works with clear counterpart commitments and preventive maintenance plans; (iv) increased capacity to provide technical services in a decentralized manner; and (v) stronger Provincial Offices for Women's Affairs better able to promote active women's participation in provincial development.

RISKS:

The main risk pertains to the rapidly changing social and political environment. Project management will have to be flexible and skillful in order to seize opportunities as they arise during the program. Finally, if the municipal governments are able to increase the transfers they receive from the central government, but the provincial agencies are not able to provide the necessary technical assistance, the municipalities may lose interest in provincial-level cooperation and inter-municipal activities.

**SPECIAL
CONTRACTUAL
CLAUSES:**

Conditions precedent to the first disbursement:

- (i) Bank approval of the program operations manual (paragraph 3.8);
- (ii) Hire of the PCU Coordinator accountant (paragraph 3.3);
- (iii) Presentation of the signed technical assistance contract between ProComunidad and the STP (paragraph 2.18).

Conditions Precedent to Disbursements for the First and Second Components:

- (i) Conclusion and signature of subsidiary agreements for the participation of each province in the program (paragraph 3.1);
- (ii) Hire of program coordinators and accountants for each of the OPPs (paragraph 3.6).

Other Contractual Conditions:

The contract will also include requirements concerning contract execution, monitoring, and evaluation (paragraphs 3.25, 3.26, and 3.28) and audited financial statements (paragraph 3.23).

**TARGETING POVERTY
AND SOCIAL SECTOR
CLASSIFICATION:**

The program is classified as a poverty-targeted investment (PTI) by virtue of its geographic classification, given that investments will be made in poor provinces. The investments will be allocated in each province on the basis of the report published by the National Planning Office in November 1997 and titled *Focalización de la Pobreza en la República Dominicana* [Targeting Poverty in the Dominican Republic] (paragraphs 1.15 and 2.8).

**EXCEPTIONS TO
BANK POLICY:**

See Procurement.

PROCUREMENT:

Bank procedures will be applied and will form part of the loan contract. The procedure for international public bidding will be required for procurement in amounts exceeding US\$200,000 for consulting services, US\$350,000 for goods and services, and US\$1 million for construction works.

The Bank will monitor the procurement of goods, works, and consulting services financed by the operation through ex-post inspection of a random sampling of at least 10% of the projects (paragraph 3.21).

It is proposed that ProComunidad be hired directly for the PCU and OPP training work (paragraph 3.16).

I. BACKGROUND

A. Socioeconomic context

- 1.1 The economic panorama of the Dominican Republic recently has improved due to the macroeconomic stabilization measures introduced in the early 1990s. The negative trend in growth rates seen in the 1980s was reversed, with growth reaching 8% in 1997. Nevertheless, poverty is widespread and affects 57% of the population with 30% living in indigence. Poverty is particularly prevalent in rural areas, where over 40% of children suffer from malnutrition. In urban and rural areas, poverty is more severe in the poor female-headed households.
- 1.2 Over the past 20 years, profound changes in the Dominican economy have led to extensive migration from rural to urban areas and abroad. Currently, 65% of the Dominican population lives in urban areas. The governments have failed to confront the social challenges related to the population movements for two fundamental reasons: (i) low levels of social investment; and (ii) the highly centralized structure of government. The Dominican Republic invests approximately 6% of GDP in the social sectors, a level far below the averages for Latin America, which range between 10% and 15%. As a result of pronounced centralism in the decision-making processes, the lack of a tradition of accountability and transparency, and the scant presence of municipalities and provinces in public policy, government agencies have had little incentive to be responsive to the needs of the most disadvantaged groups.

B. The government strategy for development

- 1.3 The government strategy for development is based on economic growth, social reform, and state decentralization. Social reform is detailed in the National Plan for Social Development (PNDS), which sets a priority on the reduction of poverty and social inequities. In the area of health, improvement in the welfare of the poorest population groups is sought through the achievement of greater efficiency, equity, and quality in the health system, which accrue from reforms in policies, institutional structures, and the organization of services. In the area of education, the General Education Law provides for decentralization, reform of curriculum, and administrative reforms.
- 1.4 Regarding the social safety net, the social investment fund-the Fund to Promote Community Initiatives (ProComunidad)-has played a central role in the anti-poverty policy and government efforts geared toward rational and efficient use of social investment. This institution was created in 1994 for the purpose of promoting financing for social projects that target the most vulnerable population groups. ProComunidad has achieved a modicum of success

in meeting its objectives. Nevertheless, weaknesses have been detected in areas of targeting, communication, and involvement of communities and local governments throughout the life cycles of the projects. Just the same, it should be noted that the quality of the works built is good and that the technological and organizational levels and the technical and environmental evaluations of the projects represent the best expertise in the country.

- 1.5 ProComunidad also forms part of the current government strategy to work more closely with civil society organizations (SCOs). At the national level the government has engaged in a social and political dialog on restructuring of the State based on open, vast public consultations throughout the country. At the local level, the Dominican League of Cities, some municipal administrations, NGOs, and the authorities of Salcedo Province have promoted the holding of open town meetings as a deliberative mechanism. Moreover, Salcedo Province has experimented with the establishment of Municipal Councils, comprised of councilpersons and representatives of civil society organizations, which act as agencies of social control to promote greater transparency at the municipal level.
- 1.6 Some of the key pieces in the process of decentralization are the Provincial Development Councils (CDPs) created in 1996 by presidential decree. The CDPs are deliberative agencies that consist of the provincial governor, municipal government authorities, and representatives of the social, religious, and congressional leadership in the provinces. The Provincial Planning Offices (OPPs) were also created as agencies that are to provide technical planing, consulting, and execution for the CDPs. Specifically, the OPPs represent an attempt to decentralize technical assistance by passing responsibility for it on to local governments in the area of development. OPP technical personnel are assigned by the different federal secretariats and provincial and municipal agencies. The government has applied to the Bank for support in order to step up this decentralization process, through a trial program that will (i) strengthen the capacity of the CDPs and OPPs to achieve consensus and give priority to provincial-level projects identified by the communities, NGOs, and municipal and sector authorities; and (ii) strengthen the capacity of the OPPs to provide technical services to local actors.
- 1.7 The modernization of a traditionally centralized government, such as the Dominican Republic's, inevitably creates tensions once new government structures and mechanisms are created. Since 1997, municipal governments have received the equivalent of 4% of the national budget 1/, while the provinces have not had their own budgets. Now that mayoral elections are held separately from the

1/ For 1998 this 4% has been estimated at approximately US\$80.0 million.

presidential contest, municipal governments have acquired an additional degree of legitimacy that the provincial bodies, due to their recent creation, have yet to achieve. ^{2/} At the same time, it is important to realize that most municipalities are small, covering limited territory and populations, and that they lack the access to technical expertise that would ensure the efficient and effective use of public resources. As a result, provincial bodies can play a significant role by providing technical assistance to poor municipalities and lending a framework to help forge working relationships among the municipalities.

- 1.8 Of all the projects that have promoted provincial development, the most noteworthy in closing the gap between civil society, local government, and the central government was the exercise undertaken in Salcedo Province. Its significance lies in its having provided the basis for the decision to create provincial structures-the CDPs and OPPs-in all of the provinces.

C. The provincial development experience in Salcedo Province

- 1.9 The government's limited capacity to respond to local demand for basic services led the mayors and a senator from Salcedo Province to identify original solutions to the problem of poverty in 1991. Salcedo Province endeavored to create working relationships among community organizations, NGOs, municipal governments, and provincial bodies on the basis of broad consultations and cooperation. A council was created as a deliberative forum for various local stakeholders. In addition, a Technical Provincial Office (OTP), which became the prototype for the current OPPs, was created to provide technical assistance to the participants.
- 1.10 In 1994 the Provincial Office for Women's Affairs (OPM) was created in order to improve women's living conditions and secure their integration into the political and economic life of the province. The specific intent has been to: (i) promote the rights of women; (ii) provide legal assistance to women victims of domestic violence; and (iii) create leaders.
- 1.11 The year 1996 saw the creation of the Provincial Office for Information and Statistics, which has strengthened the local institutional framework and created the capacity to generate information required for local needs.
- 1.12 The most noteworthy lessons from the Salcedo Province experience are presented below:

^{2/} Four of the five CDPs in the Northeast region were created in August and September of 1997. Their make-up will be changed in August 1998 with the inclusion of the new mayors and legislators elected in May 1998.

1. The municipal councils, open town meetings, and provincial encounters have created new standards for work at the provincial level, promoting cooperation among the various stakeholders often in the face of opposition from traditional leaders who have feared greater popular participation.
2. The long legacy of centralism has resulted in municipal governments that lack the institutional strength needed to assume responsibility for managing, planning, and executing of development projects. This situation made it necessary to create the Provincial Technical Office (OTP).
3. The OTP was flexible and skillful in attending to expressed needs. Nevertheless, it failed to recognize the need for local stakeholders, particularly local governments, to assume greater responsibility and identify their own needs more capably.
4. The absence of operational procedures and defined rules of play among the stakeholders undercut their efforts and prevented a sense of partnership from fully developing.
5. The impact of the experience was limited because it was not linked to a broader commitment from the central government to introduce reforms at the national level.
6. The broad participation of local groups had a concrete impact as seen in: (i) the promotion of health education and vaccination programs against tuberculosis and other diseases, which brought about a decrease in infant mortality; (ii) the creation of an office to confront domestic violence against women; (iii) the increase in coverage of drinking water supply from 40% in 1990 to over 85% in 1997; and (iv) the training of community leadership to act as liaisons between the communities and municipal authorities.
7. The OPM has been successful in: (i) placing women's issues on policy and development agendas at the provincial level; and (ii) allowing women to exercise their rights as citizens while showing that they are key contributors to the design and execution of programs geared toward social welfare. Significantly, the OPM has created a credit program for economically disadvantaged women and offers corresponding administrative training. However, the impact of this program has been undercut by deficiencies in administration and accounting.

D. The path ahead to provincial strengthening

- 1.13 The government seeks to consolidate the experience in Salcedo Province and extend it to four additional provinces in the northeast region (Duarte, Sánchez Ramírez, María Trinidad Sánchez, and Samaná). This extension effort will provide an opportunity to

test a model for strengthening provincial bodies, using clear rules and procedures to guide the interactions among provincial institutions and developing new human and technical resources through actual experience in provincial affairs.

- 1.14 The region is ready for this experiment given its range of experiences in provincial governance. Whereas the CDP and OPP in Salcedo Province have developed a certain degree of competence, the other CDPs and OPPs have only recently been created and their consolidation will thus require assistance.
- 1.15 It is important to note that these five northeast provinces are not representative of the nation. For example, whereas today the Dominican population is primarily urban-based, over 60% of the 750,000 inhabitants of this region live in rural areas. Poverty levels in the northeast provinces hover around 70%, and consequently constitute a high priority for social programs. In addition, ONAPLAN has found pockets of extreme poverty in the provinces of Sánchez Ramírez and María Trinidad Sánchez. These aspects will be taken into account in evaluating of the impact of this program.

E. The rationale for Bank participation

- 1.16 The Dominican Republic has had some experience in strengthening provincial institutions, most notably with support from the GTZ and UNDP. By building on this experience and coordinating activities with these institutions, this project could represent a major stride; not only will it finance provincial planning processes, but it will also provide financial resources for investment in social and economic infrastructure. In terms of value added, the Bank program will support the design and management of intermunicipal cooperation and give greater organizational clarity to technical assistance services at the provincial, and therefore the municipal, levels.

II. THE PROGRAM

A. Program objectives

- 2.1 The objective of the program is to provide support in clearly defining a role for the CDPs and OPPs in provincial development, of the provinces within the framework of decentralization.
- 2.2 The specific objectives of this trial program are to:
 1. Test a provincial planning model that ensures effective coordination among different social and political stakeholders in building consensus around the Provincial Development Councils;
 2. Strengthen the OPPs' capacity for providing technical assistance in the identification, execution, operation, and monitoring of priority projects, taking a gender-sensitive approach.
 3. Invest in basic services to improve access and use for less advantaged populations.

B. Program strategy

- 2.3 To meet its objectives, the program will delegate to provincial bodies the tasks of identifying, designing, and executing priority projects at the provincial level. The program is based on three innovative features: (i) a participatory, transparent mechanism for allocating program resources to the provinces; (ii) the development of technical capacity at the provincial level for helping the various stakeholders define priorities and execute investment projects; (iii) a participatory methodology for regulating interaction between stakeholders in government and civil society at the provincial level.

C. Program components

- 2.4 The operation is designed to cover the five northeast provinces and their 32 municipalities and will be financed in four interrelated components. The first component will support the introduction of participatory planning exercises at the provincial level. The second component will finance social and economic infrastructure projects identified through the planning exercises. The third component will strengthen provincial agencies, including the OPMs, in order to improve their managerial and development promotion capacity.

1. Component I: Planning exercises (US\$380,000)

- 2.5 The planning process, centered in the CDP, will promote cooperation among provincial and municipal agencies. The exercise will identify priorities at the provincial level and decide how they will be addressed. To assist in the planning process, every participating province will have a budget of up to US\$76,000 to cover costs associated with this activity.
- 2.6 The design of the provincial planning methodology to be applied in all of the five provinces will draw on successful prior participatory planning exercises in the Dominican Republic, including gender- and environment-related aspects. This planning methodology will involve the communities, NGOs, sector departments, and municipalities in identifying their priority needs and in drafting the provincial investment plan. Selection criteria for the projects will include: (i) the concrete commitment of the beneficiaries and local governments to contribute no less than 15% of the cost of each project; and (ii) the presentation of a maintenance plan for each project, including the financing source.
- 2.7 To identify needs at the municipal level, local governments will hold town meetings. Sector priorities at the provincial level will be defined by the sector departments. The OPPs will rank priorities among these lists of needs in a biannual investment plan. This plan will be subject to consultations with interested parties and then presented to the CDP for discussion and approval. The local governments will provide counterpart financing to cover a share of the cost of the projects, and the communities will provide counterpart resources either in cash or in kind. Altogether, the counterpart resources will constitute at least 15% of the cost of an individual project. The program operations manual will include the procedures and rules for the provincial planning process and the amounts of counterpart financing that will be required.

2. Component II: Investment in social and economic infrastructure (US\$6,385,000)

- 2.8 The program will finance a biannual investment plan for each of the five participating provinces. The amount allocated to each province was determined on the basis of a poverty-targeting study (poverty map) drawn up by the National Planning Office (ONAPLAN). The Dominican government will employ the poverty map to direct and allocate the investments. The distribution of funds available from the loan for investment in each province will be as follows:

<u>Province</u>	<u>Amount in US\$</u>
Salcedo	734,990
Duarte	1,733,260
Sánchez Ramírez	1,245,095
María Trinidad Sánchez	1,009,240
Samaná	762,415
TOTAL	5,485,000

- 2.9 The program will not follow a pre-prepared list of projects. To permit greater flexibility in addressing provincial needs, the Bank and the country have identified three broad categories of eligible investment, including figures indicating distribution levels. To wit:
1. Projects and service packages intended to provide basic social services in health and education, e.g. school repairs, school equipment, vaccination campaigns, health care programs for mothers and children, child nutrition programs, housing, repair of health centers and their equipment, water supply and sanitation programs (60% of the financing approved for each province).
 2. Economic infrastructure projects, such as: electricity, retaining walls, drainage canals, reforestation, day-care centers for the children of working mothers (30% of the financing approved for each province).
 3. Unrestricted programs and projects for activities deemed by the participants as high priorities at the provincial level, such as cultural development, community centers, recreational areas (10% of the financing approved for each province).
- 2.10 Items that cannot be financed with program resources have been listed and include: housing, construction and repair of municipal government buildings, municipal salaries and equipment, credit programs of any kind, vehicles, religious activities and buildings, political party activities and buildings, patron saints' days, land purchases, and infrastructure and activities for related to local lottery and gambling plans.
- 2.11 Up to 3% of the funds allocated to each province can be used to cover preinvestment costs connected with technical formulation of the projects.
- 2.12 During program execution, the Executing Agency and the Bank will monitor the usefulness of this list and the suggested allocations among social, economic, and provincial priority projects for the

provinces and will agree such changes as may be necessary to make these arrangements functional.

3. Component III: Institutional strengthening
(US\$1,512,000) 3/

- 2.13 The OPPs will be strengthened through: (i) the hire of a program coordinator and accountant for each office (US\$814,000); (ii) specialized technical assistance (US\$200,000); and (iii) office equipment and furnishings, vehicles, and general support (US\$378,000).
- 2.14 The Provincial Office for Women's Affairs (OPM) in Salcedo will receive specialized technical assistance in the management of credit programs in order to: (i) strengthen the accounting system; (ii) establish systems of internal control; (iii) design an organizational structure that defines roles and responsibilities in different work areas; (iv) adapt or determine the job profiles for the personnel required; (v) determine how the loans will be secured; and (vi) purchase office equipment.
- 2.15 Support will also be provided to replicate the services provided by this office in the other four provinces participating in the program in order to: (i) place women's issues on the policy and development agenda at the provincial level; (ii) enable women to exercise their rights as citizens and demonstrate their ability to contribute; and (iii) help design and execute programs geared to social and productive welfare. To this end, the program will finance training courses and purchase office equipment and furnishings (US\$125,000).

4. Component IV: Program administration (US\$751,000)

- 2.16 **Program coordinating unit (PCU).** Specifically the program will finance: (i) the hire of PCU personnel based on a salary scale agreed to with the government, technical assistance, and the purchase of office equipment furnishings, and vehicles. The PCU personnel will consist of a coordinator, an accountant/internal auditor, a specialist responsible for design and implementation of the monitoring and evaluation system, a specialist in social and economic development, and the necessary support staff (US\$429,000); and (ii) office equipment and furnishings and vehicles (US\$47,000), and general support (US\$50,000). To ensure that the lessons learned from this trial program are synthesized and shared, the PCU will hire consulting services for: (i) an interim evaluation after 12 months of execution; (ii) fora for municipal and provincial

3/ The breakdown of this budget and the terms of reference for the key positions to be financed by the loan are to be found in the technical files of the program.

exchanges of information; and (iii) a final evaluation (US\$225,000).

5. Other program activities (US\$270,000)

- 2.17 **Technical assistance from ProComunidad.** To facilitate program execution, financial and project evaluation systems already approved by ProComunidad will be used. This organization will be engaged to provide technical assistance and training to the PCU and OPPs. The PCU coordinator, accountant, and internal auditor will be trained for management in the areas of finance, accounting, and internal control and auditing. It will also furnish the financial operating regulations already approved and accepted by the Bank. This training process will last approximately three months. Once it is concluded, ProComunidad will supervise application of the financial operating regulations and the system. The program coordinators of the OPPs hired with loan resources will be trained by ProComunidad in management of the project cycle, specifically its formulation, evaluation, and supervision. ProComunidad will also train the accountant hired under the loan on the project cycle and the corresponding manuals (US\$150,000). A condition precedent to the first disbursement will be presentation of the signed technical assistance contract between ProComunidad and the Technical Secretariat of the Presidency.
- 2.18 The program will also finance an external audit (US\$120,000).

D. Project costs and financing

Table II-1 presents a breakdown by investment category and funding source.

Table II-1. Table of costs (in thousands of US\$)

Categories	IDB	National counterpart	Total	%
<u>Investments</u>	<u>5,865</u>	<u>900</u>	<u>6,765</u>	68
1. Participatory planning	380		380	
2. Investment projects (works)	5,485	900	6,385	
<u>Institutional strengthening</u>	<u>1,439</u>	<u>73</u>	<u>1,512</u>	15
1. OPP personnel	814	0	814	
2. Equipment	300	0	300	
3. Technical assistance				
a. OPP	200	0	200	
b. OPM	125	0	125	
4. General support	0	73	73	
<u>Program administration</u>	<u>751</u>	<u>0</u>	<u>751</u>	8
1. PCU personnel	429	0	429	
2. General support	50	0	50	
3. Equipment	47	0	47	
4. Consulting services	225	0	225	
Technical assistance from ProComunidad	150	0	150	1
SUBTOTAL	8,205	973	9,178	92
1. <u>Financial expenses</u>	<u>635</u>	<u>67</u>	<u>702</u>	7
a. Interest	545	0	545	
b. Inspection and surveillance	90	0	90	
c. Commitment fee		67	67	
2. External auditing	120	0	120	1
TOTAL	8,960	1,040	10,000	100
Percentage	90%	10%	100%	

1. IDB financing

- 2.19 The cost of the program is estimated at US\$10,000,000; the Bank loan, in the amount of US\$8,960,000. It will be given in United States dollars charged against the Bank's ordinary capital, (single currency facility). The loan in its entirety will be eligible for FFI financing. The loan from the Bank will cover 90% of the cost of the program, given that the operation qualifies as a poverty-targeted investment (PTI) and it has been determined, based on the situation in the country, that the great majority of potential beneficiaries are poor. The interest charges for the period of program execution will be drawn against the loan itself. Table II-2 presents the breakdown of the time periods and conditions for the proposed loan.

Table II-2. Loan conditions

Source of financing	Ordinary Capital
Amount US\$ SCF	US\$
Time periods:	
Life of loan	25.0 years
Grace period	2.5 years
Commitment	2.0 years
Disbursement	2.5 years
Interest rate	Variable
Supervision	1% of the loan amount
Commitment fee	0.75% annually on the nondisbursed balance

2. National counterpart

- 2.20 National counterpart funds will total US\$1,040,000. US\$140,000 of this amount will come from the national budget and will be used to cover the incremental operating costs of the OPP (US\$73,000) and the commitment fee (US\$67,000). The equivalent of US\$900,000 will come from local governments (in cash) and the communities (in cash and/or in kind).

III. INSTITUTIONAL FRAMEWORK AND PROGRAM EXECUTION

A. The borrower, the guarantor, and the executing agency

- 3.1 The Borrower of the loan will be the Government of the Dominican Republic. The Technical Secretariat of the Presidency (STP), through the Provincial Development Councils (CDPs) and their Provincial Planning Offices (OPPs) will be responsible for the technical execution of the Program within their respective provinces. Before disbursements are made for the execution of the first and second program components, the STP will enter into a subsidiary agreement with each of the provinces concerning the participation of each in the program.

B. Institutional structure of the program 4/

1. The program coordinating unit (PCU)

- 3.2 The PCU will be placed within the Technical Secretariat of the Presidency and will be responsible for coordinating interprovincial activities corresponding to program execution, specifically to: (i) monitor and provide follow-up for program objectives and ensure fulfillment of the operating regulations; (ii) present to the IDB the provincial investment plans and the plans to strengthen the OPPs with their respective budgets; (iii) publicize the program activities; (iv) ensure efficient resource management; and (v) present regular progress reports to the IDB.
- 3.3 The PCU will be staffed by a coordinator, an accountant, an internal auditor, an information systems specialist, a specialist in social and economic development, and the necessary support staff. To facilitate program execution, the PCU will be physically located in the northeast region. The hire of the program coordinator and accountant will be a condition precedent to for the first disbursement.
- 3.4 The PCU will respond to a Directing Council, consisting of a governor, elected from among the region's five; a regional legislator elected by the region's legislators; a mayor elected by the region's mayors, the Bishop of the Diocese, two representatives elected by the region's civil society organizations; and a member of the executive branch appointed by the President of the Republic. The main function of the Council is to ensure that the program meets its objectives in a transparent and accountable fashion. The council members will elect a Chairman and the Program Coordinator will serve as Council Secretary, with voice, but no vote. The

4/ The Institutional Structure of the program is located in the Technical Files.

Council and the PCU will enjoy technical and administrative autonomy.

2. The provincial development councils (CDPs)

- 3.5 The CDPs are deliberative, municipal-level bodies that consist of provincial and administrative authorities and representatives of social, religious, and congressional leadership in the provinces. Under the Program the CDPs will be responsible for (i) promoting social participation for planning, administration, and decision-making at the local and provincial levels; (ii) promoting ongoing effective coordination among the different levels of government and sectors in the country through roundtable discussions; and (iii) approving plans for provincial investments.

3. The provincial planning offices (OPPs)

- 3.6 The OPPs provide technical expertise, assistance, and execution to the CDPs and have their own professional and technical personnel who are assigned by the different federal secretariats and other provincial and municipal institutions. Its major functions are to: (i) prepare provincial plans and projects; (ii) identify needs for technical assistance; (iii) offer local governments support with the process of needs assessment; and (iv) provide technical assistance to social organizations in the province, local authorities, and federal institutions. A condition precedent to the disbursements under Components I and II will be the hire of program coordinators and program accountants in each OPP.

4. Fund to promote community initiatives (ProComunidad)

- 3.7 Given the experience already developed by ProComunidad in the execution of loans 825/OC-DR and 930/SF-DR and the need to use local institutional resources to best advantage, ProComunidad will be hired to train the PCU in financial management and to train the OPPs in project cycle management, including financial and environmental areas. Specifically, the program operations manual will incorporate the systems for costs, contracting, and supervision developed by each institution.

5. Other aspects

- 3.8 The municipal governments, community organizations, NGOs, and other specialized service providers will take part with the PCU, CDPs, and OPPs in executing the program. The relationships among the participating agents and the different agents will be set forth in agreements. The program will be executed according to the operational, technical, and financial requirements and the rules and procedures set forth in the agreements and the program operations manual. The operations manual will specify the selection criteria for the priority works. The beneficiaries and their municipality will be required, inter alia, to contribute at

least 15% of the cost of every project and to present a maintenance plan for each one, including the source of funding. The resources will be transferred as grants to the beneficiary organizations. A condition precedent to the first disbursement will be the approval by the Bank of the program operations manual.

C. Program execution

3.9 The program will be executed over a two and a half year period. In order to meet its schedule, the program will be undertaken in three phases:

- (i) Phase I will use the remaining balance from ATN SF-5686-DR in the amount of US\$100,000 in support of efforts to meet the conditions precedent to the first disbursement, specifically to cover the initial costs associated with: (i) hiring the PCU coordinator and accountant and their initial training by ProComunidad; and (ii) hiring the consultant who will assist the PCU with the program operations manual.
- (ii) In Phase II, program resources will be used to hire the OPP personnel and pay for equipment and training and the cost of the other PCU personnel.
- (iii) In Phase III, the funds available for investments will be disbursed when the corresponding investment plans from the provinces are presented.

3.10 It will be the responsibility of the CDPs to:

- 1. Approve the provincial investment plans;
- 2. Ensure that the projects provided for under these plans do not duplicate those already covered under sector programs;
- 3. Ensure that coordination takes place among different sectors.

3.11 It will be the responsibility of the OPPs to:

- 1. Develop, in a participatory manner, the annual plans for provincial investment;
- 2. Hire and pay specialized service providers (i) to prepare the (preinvestment) project portfolios, (ii) to prepare the bidding documents and contracts, and (iii) to hire the firms responsible for construction and supervision;
- 3. Recommend that those cases that would benefit from economies of scale be developed in a combined package (such as water and sanitation);
- 4. Ensure that the projects are viable in technical, economic, financial, and environmental terms, using the systems developed by ProComunidad;
- 5. Maintain lists of authorized, specialized service providers;
- 6. Manage the program-related bank accounts; and

7. Keep acceptable accounting records and present duly audited financial statements to the Bank.

3.12 It will be the responsibility of the PCU to:

1. Prepare and present to the Bank progress reports based on the information provided by the CDPs and OPPs;
2. Identify potential problems in program execution and formulate recommendations to address them effectively;
3. Ensure compliance with the procedures set forth in the program operations manual;
4. Present to the Bank the plans for provincial investment and for the institutional strengthening of the OPPs and their respective budgets;
5. Disburse the program resources to the corresponding OPPs;
6. Set up and keep program accounts and present semiannual statements to the IDB; and
7. Undertake concurrent audits to ensure procedural compliance and appropriate use of resources.

3.13 It will be the responsibility of the PCU Directing Council to:

1. Supervise the work of the PCU;
2. Monitor the progress of the program in order to ensure fulfillment of the objectives in a transparent and accountable fashion; and
3. Sum up and publicize the lessons learned.

3.14 It will be the responsibility of ProComunidad to:

1. Train the OPPs in the use of technical systems for the cost center and the technical, economic, financial, and environmental evaluation of the projects;
2. Train the PCU staff (the coordinator, accountant, and internal auditor) in management of the financial and accounting areas and of internal control and auditing; and
3. Transfer the operational, financial, technical, and environmental regulations that have been approved and accepted by the Bank to the OPPs and the PCU.

3.15 It will be the responsibility of the specialized service providers, NGOs, and companies to:

1. Provide technical assistance and training for the preparation of the annual plans for provincial investment;
2. Ensure the participation of women and other vulnerable groups in the planning and budgeting processes; and
3. Administer areas related to the project-cycle function at the request of provincial authorities.

D. Procurement of goods, works, and consulting services

- 3.16 Application of international public bidding procedures will be required for procurement in amounts exceeding: (i) US\$350,00 for goods; (ii) US\$1 million for works; and (iii) US\$200,000 for consulting services. ProComunidad will be contracted directly to provide technical assistance and training as per paragraph 2.17, given that it is the only institution in the country capable of providing these services. The contract with ProComunidad will be in the approximate amount of US\$150,000. The procurement of goods, works, and consulting services in lesser amounts will be conducted as indicated in Table 2 below under simplified procedures established in the loan contract.

Table 2: Procurement in lesser amounts

Procurement	National public bidding	Private bidding	Direct contracting
Goods	from US\$50,000 to US\$249,000	less than US\$50,000	n/a
Works	from US\$100,000 to US\$999,000	from US\$60,000 to US\$100,000	less than US\$60,000
Consulting services	from US\$75,000 to US\$199,000	less than US\$75,000	n/a

- 3.17 The maximum amount of loan resources that can be used for an individual project is the equivalent of US\$250,000.

E. Revolving fund

- 3.18 It is recommended that a revolving fund be set up in the amount of 5% of the funds from the proposed loan.

F. Disbursements

- 3.19 The loan and the national counterpart funding for institutional strengthening will be deposited in a special account to be administered by the PCU. Transfers will be made to subsidiary project accounts held in local commercial banks and administered by the respective OPPs. The counterpart funds for the projects will be deposited in the corresponding accounts. The legal and operational aspects of these transfers and their settlement will be detailed in the program operations manual. The disbursements to the OPPs will be made on the basis of the provincial investment plans.
- 3.20 In view of the nature of the operation and the anticipated volume of transactions for purchases and services, the PCUs and OPPs,

respectively, will keep on file the original and/or copies of their contracts, orders, invoices, receipts, credit slips, supplier certificates, and any other documentation required to corroborate the information provided in the report presented to the Bank. The report must provide a list of the projects financed, the amounts, check numbers, dates, contractors, source of funds, and tax information. The documentation that must be kept should be duly identified and filed, and it should be furnished to authorized IDB officials and the external auditors for their review.

- 3.21 The Country Office will perform ex-post technical and financial inspections, in order to examine support documentation, including the files and receipts, in a random sample of at least 10% of the projects. The examination is intended to verify that the PCU has on file disbursement request documents showing that the funds have been used in accordance with the loan contract. If failures to follow the agreed upon procedures are found, a broader sample will be taken and the PCU will be advised of the obligation to return unjustified balances.

- 3.22 The program disbursement schedule will be as follows:

Table 1: Proposed distribution of the program

First year	Second year	Third year	Total
40%	50%	10%	100%

G. Accounting and auditing

- 3.23 The PCUs and OPPs will set up and keep appropriate accounts and records in accordance with generally accepted accounting practices. The program resources handled by the PCUs and OPPs will be audited by a qualified independent auditing firm accepted by the Bank. The statements will be presented to the IDB after the first year of execution and throughout the entire period of the program.

H. Initial report

- 3.24 The initial report presented to the Bank should include a list of PCU personnel candidates and their curriculums vitae. The Bank reserves the right of nonobjection to candidates to be hired with loan resources.

I. Progress reports

- 3.25 The PCU will prepare semiannual progress reports, with the first one due six months after the program begins. Agreed performance, monitoring, and evaluation indicators will be applied. The form,

scope, and content of these indicators will be decided in agreement with the Bank.

J. Monitoring and evaluation

- 3.26 The impact of the program will be monitored and evaluated using a combination of instruments and techniques. A management information system will be set up to provide information that will make it possible to gauge performance (input-output). This system will be developed by a specialist in information systems to be hired by the PCU. An interim evaluation will be performed under contract after the first 12 months of the program. The terms of reference and the candidate for this evaluation will be decided in agreement with the Bank. The intermediate evaluation will, inter alia, study (i) whether the OPPs have begun to act as effective liaisons for providing technical assistance, particularly to the municipal authorities with the handling of financial resources; (ii) the effectiveness of the CDPs and OPPs in handling participatory provincial planning processes; (iii) the capacity of the communities and the Municipalities to meet maintenance requirements. The presentation of the results of this evaluation will provide an opportunity to discuss with the Government and agree on a financing and sustainability plan for the OPPs after IDB financing has been discontinued.

K. Supervision

- 3.27 The scope of this type of program will require concurrent monitoring that will be performed by an IDB technical team, through missions from Headquarters during the program. The supervision provided by the Country Office will last for 10 weeks of the year and will be undertaken by a social specialist and a financial specialist.

L. Final evaluation

- 3.28 Given the innovative nature of the program, a final evaluation of the impact and outcome of both the processes and the projects should be performed. Among other areas, this evaluation should delve more thoroughly into the issues identified in the intermediate evaluation (paragraph 3.26), and it will use the information from the monitoring and evaluation indicators as well as the results from surveys and focus groups made up of beneficiaries. An outside consultant will be hired with program funds, and the report will be presented to the Bank and the Government within 29 months after the effective date of the loan agreement.

IV. FEASIBILITY, BENEFITS, AND RISKS

- 4.1 The proposed program will be executed at a time of great change in the Dominican Republic, where efforts are under way to modernize all three branches of government. Government decentralization is providing an opportunity for original approaches, like those under this program, to have a substantial impact. Meanwhile, the speed of change poses a challenge that will require deft handling if the processes are to achieve the benefits expected.

A. Institutional feasibility

- 4.2 To accomplish the program objectives, financing will be provided to set up the Program Coordinating Unit (PCU) and hire key personnel for each of the participating OPPs. Having on board a coordinator experienced in management and tested professionals responsible for implementation in each province, the program will have the qualified human resources needed. Placing the PCU within the Office of the Technical Secretariat of the Presidency (STP) will also strengthen execution.
- 4.3 The success of the program will depend on an ongoing exchange between the provinces. A careful examination confirms that the agencies of Salcedo Province have supported the creation, development, and consolidation of the CDPs and OPPs in neighboring provinces. The PCU will have access to funds to promote exchanges of experience, and the program will make funds available for the exchange of knowledge, particularly concerning the experiences of the Offices for Women's Affairs (OPMs).
- 4.4 The Program will build on existing efforts to strengthen the provincial agencies and benefit from the comparative advantage offered by ProComunidad. The transfer of ProComunidad's cost, procurement, project evaluation, and supervision systems will significantly reduce the time needed to set up the program and substantially improve program quality.

B. Technical feasibility

- 4.5 Technical feasibility flows from two sources: on the one hand, from the experiences that have taken place in Salcedo Province since the early 1990s; on the other, from the incorporation of lessons learned from other projects funded by IDB and currently under execution, particularly the experience of ProComunidad.

C. Environmental feasibility

- 4.6 The program will finance a range of investments, none of which will be particularly large. Therefore, the program will use the environmental control systems that have been applied by

ProComunidad and which the Bank has found to be appropriate. Among the activities that will be performed prior to beginning program execution, ProComunidad will undertake technology transfers to the OPPs, and will provide training throughout the life of the program.

D. Financial feasibility

- 4.7 The loan will ensure funding for key personnel in the PCU and all of the OPPs, as well as a portion of the operating costs that these offices incur. The national counterpart contribution will cover the other associated operating costs. At the conclusion of the Program, the government will assume responsibility for covering all of the operating costs associated with OPP management.
- 4.8 The financial feasibility of the projects will depend on the fulfillment of the commitments made by the beneficiaries during the project selection process. These were to: (i) provide at least 15% of the costs of the individual projects; and (ii) fulfil a commitment to implement the maintenance plan that will comprise part of each project proposal. The operations manual will specify the mechanisms that will be in place to ensure that the counterpart funds are available at the time the works are begun.

E. Economic feasibility

- 4.9 The program will use the cost systems and evaluation instruments developed by ProComunidad. These instruments have been assessed as part of an ex-post evaluation of the operation with ProComunidad financed by the IDB. According to that evaluation, ProComunidad performed reliable evaluations of individual projects, although there were weaknesses in the ability of the beneficiaries to support complete projects and in the future potential demand for the services provided. The preparation of provincial investment plans will provide the opportunity to perform economic assessments of the aggregate impact of the projects.

F. Benefits

- 4.10 The direct beneficiaries will be those who have access to the social and economic infrastructure financed under the program. The strengthening of the planning processes at the provincial level will facilitate greater efficiency in the allocation of resources. Other efficiencies will flow from the use of the counterpart resources that will be committed before the individual projects are started. These commitments will ensure that priority projects are undertaken, and provide an incentive for ensuring project sustainability.
- 4.11 The creation of venues for participation will help to involve groups left out in the past. This process may aggravate differences among stakeholders, but participation by the interested groups in the decision-making processes will increase

accountability and transparency. This process will have a multiplier effect on the development efforts in other provinces. Finally, the provincial planning framework will provide an impetus for the municipal governments to work together on a range of inter-municipal activities.

- 4.12 The direct support to the Provincial Offices for Women's Affairs in each of the provinces will encourage the incorporation of women into the planning processes. The program is designed to use technical assistance and training in order to raise women's status as their direct contributions to development receive recognition.
- 4.13 Support for the development of the OPPs will create and strengthen technical assistance at the provincial level. The program will demonstrate that technical assistance can be organized efficiently and effectively. Specifically, the OPPs will have the opportunity to provide support to the smallest, poorest, and weakest municipalities managing larger volumes of public resources but still with few technical resources at their disposal.

G. Risks

- 4.14 An environment of rapid change requires skillful handling. Without a road map clearly defining the decentralization process, a balance will have to be struck so that the need to maximize returns through economies of scale, emphasizing the provincial perspective, will not overwhelm respect for municipal government autonomy. As the municipalities push to increase their share of central government transfers from 4% to 10%, their interest in working at the provincial level may taper off. To prevent that, the project management will have to show flexibility in order to provide the services deemed necessary by the municipalities and other beneficiaries.

PROCUREMENT PLAN
DOMINICAN REPUBLIC
PROGRAM FOR STRENGTHENING THE
PROVINCES IN THE NORTHEAST REGION
(DR-0072)

Major acquisitions	Financing	Method of acquisition (thousands of US\$)	Prequalification	Expected date of SBN publication
Incremental personnel for the Program Coordinating Unit: US\$429,000 Average: US\$80,000 per position	IDB GDR	LPB from US\$75 to US\$199 PB under US\$75	NO	N/A
Incremental personnel for the Provincial Planning Offices: US\$750,000 Average: US\$75,000 per position	IDB GDR	LPB from US\$75 to US\$199 PB under US\$75	NO	N/A
Specialized technical assistance: US\$395,000	IDB GDR	LPB from US\$75 to US\$199 PB under US\$75	YES	N/A
Office equipment, furnishings, and vehicles: US\$262,000 Average: US\$42,000	IDB GDR	LPB from US\$50 to US\$249 PB under US\$50	NO	I/99
Technical assistance for participatory planning processes: US\$380,000 Average: US\$76,000 per province	IDB GDR	LPB from US\$75 to US\$199 PB under US\$75	YES	I/99
Construction works: US\$5,900,000 Average cost per project: Water US\$ Sewerage US\$ Electricity US\$	IDB GDR	LPB from US\$75 to US\$999 PB under US\$75	YES	1999 and 2000
OPM Training: US\$125,000 Average: US\$ 25,000	% IDB % GDR	LPB from US\$75 to US\$999 PB under US\$75	YES	N/A

IPB - International public bidding
LPB - Local public bidding
PB - Private bidding
SBN - Special bidding notice

**LOGICAL FRAMEWORK
DOMINICAN REPUBLIC
PROGRAM TO STRENGTHEN THE
PROVINCES IN THE NORTHEAST REGION
(DR-0072)**

Narrative summary	Verifiable indicators	Means of verification	Important assumptions
<p>Goal:</p> <p>1. Decentralized model of development operating at national level</p>	<p>1.1 A decentralized model to promote development operating in all provinces and municipalities</p>		<p>(Consistency of goal with overall objective)</p>
<p>Purpose</p> <p>1. To apply lessons learned from a NE provincial trial program to the development of a feasible national scale program</p>	<p>1.1 At least five best practices identified by program completion</p> <p>1.2 A forum to examine national feasibility of organized best practices by program completion</p> <p>1.3 A plan containing a clear definition of local stakeholders' roles presented by Dominican government by program completion</p>	<p>1.1 Evaluation documents</p> <p>1.2 Lists of participants and records of forum</p> <p>1.3 Document published by GDR</p>	<p>(Consistency of purpose with goal)</p> <p>1. Other community development trials/strategies are successfully executed.</p> <p>2. Government of the Dominican Republic maintains its commitment to promote decentralization.</p> <p>3. Sociopolitical consensus reached on national application of the model.</p> <p>4. National Congress approves new decentralization laws.</p>

ANNEX II

Page 2 of 2

Narrative summary	Verifiable indicators	Means of verification	Important assumptions
<p>Results</p> <p>1. Provincial planning model designed and in operation</p> <p>2. Institutional capacity of OPPs improved</p> <p>3. Office on Women's Affairs strengthened</p> <p>4. Socioeconomic projects designed and in operation</p>	<p>1.1 An operations manual for the planning processes in use as of the 2nd month of execution</p> <p>1.2 In the five NE provinces, the CDPs make decisions based on provincial investment priorities after 2nd quarter of project</p> <p>2.1 OPPs evaluate project viability, environmental impact according to operations manual as of 2nd month of operation</p> <p>2.2 OPPs perform financial operations on time, properly, and transparently after 2nd month of project</p> <p>3.1 30% increase in women benefitting from OPM-run projects by program completion</p> <p>4.1 At least 40 social and economic infrastructure projects operational by program completion</p>	<p>1.1 PCU progress reports</p> <p>1.2 Minutes of CDP meetings</p> <p>2.1 Project portfolios</p> <p>2.2 Financial statements audited annually</p> <p>3.1 OPM activities report presented to OPP</p> <p>4.1 PCU progress reports</p>	<p>(Consistency of results with purpose)</p> <p>1. Other local stakeholders support the NE process.</p> <p>2. Government remains committed to decentralization process.</p>

RGII-DR055P
DR-0072
Original: Spanish

PROPOSED RESOLUTION

**REPUBLICA DOMINICANA. LOAN ___/OC-DR TO THE REPUBLICA DOMINICANA
(Project to Strengthen the Provinces of the Northeast Region)**

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 Project to Strengthen the Provinces of the Northeast Region. Such financing will be for the amount of up to US\$8,960,000, 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-DR056P
DR-0072
Original: Spanish

PROPOSED RESOLUTION

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

(Project to Strengthen the Provinces of the Northeast Region)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as administrator of the Intermediate Financing Facility Account, hereinafter referred to as the "account", to enter into such contract or contracts as may be necessary with the República Dominicana, as Borrower, and to adopt such other measures as may be necessary to utilize the resources of the account to pay a part of the interest due by the Borrower on outstanding balances of up to US\$8,960,000 of the loan authorized by Resolution DE-___/___, in accordance with applicable Bank policy.