

TECHNICAL-COOPERATION LOAN FOR AN INTEGRATED FINANCIAL MANAGEMENT PROGRAM

(DR-0094)

EXECUTIVE SUMMARY

BORROWER AND: The Dominican Republic
GUARANTOR:

EXECUTING AGENCY: Comisión Técnica Interinstitucional (CTI) [Inter-agency Technical Committee], composed of the Secretaría de Estado de Finanzas (SEF) [Ministry of Finance], the Secretariado Técnico de la Presidencia (STPR) [Technical Secretariat of the Office of the President] and the Contraloría General de la República (CGR) [Office of the Comptroller General]

AMOUNT AND SOURCE: IDB: US\$10,300,000 (OC-IFF)
US\$ 750,000 (nonreimbursable technical cooperation from the Japan Special Fund)
Local: US\$ 950,000
Total: US\$12,000,000

USE OF THE INTER-MEDIATE FINANCING FACILITY: The proposed financing includes the use of available IFF funds. The 1998 allocation of such funds among IFF-eligible countries is still to be determined.

FINANCIAL TERMS AND CONDITIONS: Amortization period: 25 years
Disbursement period: 3 years
Interest rate: variable
Inspection and supervision: 1% of the loan
Credit fee: 0.75% of the undisbursed balance
Currency: US\$ from the Single Currency Facility

OBJECTIVES: The general objective is to boost efficiency in the allocation and management of public funds, which will contribute to greater macroeconomic stability and to the transparency required in a democracy. The objective will be attained by establishing an integrated financial management system (SIGEF) in the Dominican public sector. The main specific objectives of the SIGEF are: (i) to make fiscal spending and investment policies more consistent with national development objectives; (ii) to improve efficiency in the management of government assets and liabilities; and (iii) to increase transparency in the management of public funds and the effectiveness of internal controls.

DESCRIPTION:

Financing for consulting services, training, and equipment will support the process of designing and introducing an integrated financial management system (SIGEF) in the Dominican public sector. The process will define, develop, set standards, and provide computer linkage for the government's core fiscal management units and systems. The end result will be a system for managing financial, human, and material resources that will help to improve government services and facilitate public access to information about the use of those resources. The activities have been divided into the following components.

- Programming and budget (US\$482,900). A system of budgeting that is centralized as to policy and standards but operationally decentralized will be established in the different public agencies.
- Public investment (US\$800,000). A national system for identifying, evaluating, and monitoring public investments will be established.
- Public borrowing (US\$368,000). A coordinated system will be established for the Ministry of Finance, the Central Bank, and the Technical Secretariat to promote comprehensive, technical, and transparent management of the public debt.
- Treasury (US\$433,000). A funds management system will be established to enable the National Treasury Department to control the government's main financial flows, ensuring that they are coordinated with other economic policies.
- Accounting (US\$352,000). An integrated government accounting system will be developed.
- Internal control (US\$247,000). A modern internal control system will be introduced to permit the Office of the Comptroller General to analyze budget, economic, financial, property, and legal management and to evaluate the operation and management of the public sector.
- Related systems (US\$734,000). Proposals will be made and/or reforms carried out with respect to public procurement and contracting systems, recording mechanisms, allocation and maintenance of national property not in public use, and human resources financial administration, which will all be integrated into the financial management system.

A central general coordination component (US\$1,191,500) will be established for technical and administrative supervision of the reform; a conceptual framework will be designed for the SIGEF; and proposals will be made for updating the legal framework governing financial administration.

As support for the SIGEF, an information-processing system component (US\$2,251,000 for hardware and US\$1,800,000 for systems development) will be designed and introduced that will provide a platform for internal data processing in each operating system, allow for consolidation of financial information in a single database, and perform internal controls for the entire system. Last, to ensure that the program will be viable and sustainable, a training component (US\$629,150) will design and implement a training plan for the SIGEF which will support technical progress in the project and promote the necessary changes in concepts and administrative culture.

The public investment component will be financed by the Japan Special Fund under the terms described in Annex V to the loan proposal.

**ENVIRONMENTAL
REVIEW:**

The Committee on Environment and Social Impact approved the environmental summary for the program (classified in Category III) on August 22, 1997. The summary was sent to the Public Information Center on September 19, 1997.

BENEFITS:

The main benefits will stem from the substantial improvement in the financial management capacity of public sector institutions. That improvement will make it possible to: (i) allocate public funds more efficiently, making for better coordination with the government's economic policy objectives; (ii) support macroeconomic stability by providing timely, integrated, and reliable information; (iii) facilitate the timely provision of budget funds for line agencies, which will allow for better production of public services; and (iv) administer funds in a more economical fashion, reducing contracting costs, investing temporary cash balances, and obtaining benefits from timely debt payments or renegotiations. The program will enhance governance by increasing transparency in the management of public funds and by tightening control mechanisms.

RISKS:

One of the main risks is the strong discretionary component in the allocation of public funds that has traditionally existed in the country. If the practice continues the program's efforts will have

scant impact. Safeguard: This program is intended to support the authorities in implementing policies and practices to ensure universality and transparency in financial management and execution. One of the key benchmarks of the operation establishes maximum acceptable ranges for the use of off-budget items. A further risk is the complexity of the operation, like others of its kind. Safeguard: When the operation was designed, stress was placed on: (i) expeditious and autonomous management and coordination mechanisms, with an executing agency that brings the main players together; (ii) a strong component to support administration of the reform; and (iii) a flexible execution mechanism and close monitoring by the Bank, which will allow for regular evaluations and adjustments based on a matrix of indicators.

**THE BANK'S
COUNTRY STRATEGY:**

The Bank's country strategy is based on institutional strengthening and modernization of the State, with the specific goals of enhancing the efficiency and transparency of the workings of the public sector. Modernization of government financial management systems is crucial because of the implications for management of the development programs in which the Bank participates, and as a response to the institutional mandate that gives priority to modernization of the State.

POVERTY TARGETING:

This program is not targeted specifically to low-income groups.

**PROCUREMENT
THRESHOLDS:**

The thresholds above which international competitive bidding will be used in the program are US\$350,000 for the procurement of goods and US\$200,000 for consulting contracts.

**EXCEPTIONS TO
BANK POLICY:**

None.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Apart from the standard Bank clauses, the loan contract will include the following special conditions precedent to the first disbursement: (i) appointment of the program's technical director (paragraph 3.11); (ii) appointment of the local counterpart staff for the permanent technical unit (paragraph 3.12); and (iii) evidence that suitable premises for the program have been rented for the executing agency (paragraph 3.26). A further special condition is that the government submit a prioritized request for Bank approval prior to using loan proceeds for institutional development studies (paragraph 3.21).

I. FRAME OF REFERENCE

A. Introduction

- 1.1 Over the last five years, the Dominican Republic has been carrying out structural reforms intended to reestablish the basic macroeconomic balances and renew the country's institutions and productive infrastructure. Despite the positive results in reducing inflation and the public deficit, there have been gaps in this new framework of stability, particularly during election campaigns. To address this situation, at the end of 1994 a stringent stabilization program was introduced in the fiscal sector, whereupon the question of management of public funds has come particularly to the fore.
- 1.2 Traditionally a strong component of discretionality has existed in the allocation of Dominican public funds, stemming from a decision-making process that largely takes place at the highest levels of the executive branch. A central element has been the budget reserve fund (Fund 14.01), which is used for close to 50% of central government spending. This practice has introduced inefficiency and lack of transparency into the management of government funds, impairing the effectiveness of the national budget and hampering the development of institutions and systems to take charge of public administrative and financial management.
- 1.3 The Dominican authorities have begun a process to modernize and integrate their financial management systems and are committed to the reforms needed to achieve this goal. A fully implemented and operationally integrated financial management system (SIGEF) requires major changes with respect to regulations, institutions, and policies. The current weakness of agencies and systems, gaps in legislation, and the reigning culture and practices make it impractical, and even highly risky, to immediately adopt the measures described. Before that can be done, it is necessary to carry out a process of institutional strengthening and to establish technical supports. This program will be the main tool for assisting the authorities in laying the groundwork for the SIGEF and in its implementation and initial operation.
- 1.4 The purpose of this document is to present a technical-cooperation program to support the new Dominican authorities in the process described above. This chapter discusses the background of the proposed operation. Chapter II summarizes the program's objectives. Chapter III describes the components and organization and execution features. Chapters IV and V deal, respectively, with benefits and risks and with mechanisms for program monitoring and evaluation.

B. Macroeconomic context

- 1.5 Since the start of this decade, the Dominican Republic has been engaged in a macroeconomic stabilization and structural reform process whose main objectives have been to improve the standard of living of the population and boost the competitiveness of the productive sectors, with a view to integration into the new world order. As a result of these actions, after shrinking by 5.8% in 1990, the economy grew by an average of 4.2% a year between 1991 and 1996, inflation fell from 80% in 1990 to 4% in 1996, net international reserves moved from a deficit of US\$198 million at the end of 1990 to a surplus of US\$145 million at the end of 1996, the consolidated public sector deficit fell from 5% to 1% of GDP over the same period, and the external public debt stock, after peaking at US\$4,613 million in 1991, gradually shrank to US\$3,814 million at the close of 1996.
- 1.6 Despite this improvement, the country's external and internal balances are still very fragile and heavily dependent on sound management of fiscal policy. The current functional-institutional design does not provide guarantees of sustained efficient fiscal management. For one thing, the absence of government financial management based on timely and reliable information about the sources and uses of funds leads to unnecessary public borrowing and monetary operations. This eventually threatens the fiscal balance or the inflation or exchange targets set by the authorities. Moreover, owing to the lack of reliable information on the real position of the treasury, the government has engaged in borrowing operations with the private sector or central bank whose need has been more apparent than real. The cost of these deficiencies in information is not small. If the government borrows from the private sector to finance an apparent cash deficit, aside from discouraging economic growth by pressuring interest rates upward and crowding out private-sector domestic borrowing, it jeopardizes its fiscal performance over the medium term, with the accompanying macroeconomic impact. Alternatively, if the government uses monetary operations to fund the deficit, it unjustifiably imperils the future sustainability of monetary, financial, and exchange balances.
- 1.7 In view of the serious macroeconomic consequences that could stem from this fragile situation, the government has undertaken to make significant reforms in the field of public finances. The proposed program, apart from making public spending more efficient and transparent, will provide the authorities with comprehensive, timely, integrated, and reliable information that will support the macroeconomic stabilization and structural reform processes begun in the early 1990s.

C. Public financial management

1.8 Different analyses of areas of government financial management coincide in pointing out that in the Dominican Republic:

- (i) The budgeting system fails to anticipate the sources of monetary income and to allocate funds to programs and projects in a timely matter, because of inadequacies in formulation, programming, and execution.
- (ii) The public investment system does not duly identify, program, and monitor investment projects, because of methodological and organizational shortcomings.
- (iii) The public credit system is unable to fully identify the debt or administer it properly, because of lack of integration and weaknesses in its mechanisms.
- (iv) The treasury system is unable to administer a balanced cash flow, quantify the necessary funding means, or pay its liabilities on time, because of limitations in its instruments and a shortage of qualified staff.
- (v) The accounting system is unable to provide consistent, reliable, or timely information, because of a lack of standards and operationality.
- (vi) The internal control system does not fully carry out its commitment to guard against waste or fraud in the use of funds, because of weaknesses in its structure and functioning.
- (vii) The government procurement system does not make for timely procurements of goods and services at good prices; the national property system does not permit clear identification, administration, or maintenance of national property; and the human resources financial management system, which is virtually nonexistent, makes it impossible to follow an adequate wage policy or to efficiently manage the payroll.

1.9 In addition to their severe operating constraints and weaknesses because they do not have a comprehensive conceptual framework or electronic information supports, the systems are not coordinated. Information is frequently exchanged manually and late, items are recorded two or three times, and data are lost, unreliable, or incompatible.

1.10 In the Dominican Republic formal responsibility for public financial management is very splintered and there is organizational confusion regarding which tasks are supposed to be performed by the

Technical Secretariat, the Ministry of Finance, and the Office of the Comptroller General.

- 1.11 This confusion can be illustrated by the fact that the agency responsible for programming and evaluation (the National Budget Office) analyzes and approves expenditures one by one. The agency responsible for examining accounts rendered and for inspecting accounting operations (the Comptroller General) preaudits expenditures, orders payments, and records them. The agency responsible for managing the cash flow and for programming and determining payment priorities (the Treasury Department) handles payrolls and issues hundreds of thousands of paper checks. The agency responsible for acting on an increasingly sophisticated and competitive capital market (the Public Credit Department) signs debt service documents that have already been processed by the Central Bank on behalf of the government.

D. Government actions

- 1.12 The new Dominican government that took office in August 1996 announced during the election campaign that it was determined to make major changes in the substance and style of the management of public finances, and acted on its promise in the first year. It has taken steps to reform the budget, tighten controls, and integrate public financial management systems. Under Decree 581/96 of November 19, 1996, it established the Interagency Technical Committee (CTI), composed of the Minister of Finance who chairs it, the Technical Secretary of the Office of the President, and the Comptroller General. The committee is responsible for making proposals to modernize the sector. The Dominican president has also appointed an independent committee (Decree 295/97) to supervise the transparent use of the funds from account 14.01. Its members include the Comptroller General and the presidents of the Audit Board, the Association of Dominican Accountants, and the National Private Enterprise Council.
- 1.13 The problems of lack of operativity and disarticulation mentioned above are particularly relevant in the context of the process of deconcentration and transparency embarked on by the government. Moreover, with its current lack of information and extreme inefficiency in allocating and administering resources, the government is unable to deliver public services (education, health, justice, etc.) at the levels demanded by society.
- 1.14 In this context, the Ministry of Finance presented a request for technical assistance on October 22, 1996, which the Bank responded to by approving ATN/SF-5437-DR on December 6, 1996. That technical-cooperation assistance supported the authorities in designing a project to modernize the financial administration, which has been used as the basis for the present operation. ATN/SF-5437 was also intended to elicit active participation and to build consensus between the authorities and staff of the agencies

involved so that future reforms and investments in the area would be viable.

E. Bank strategy and activities

- 1.15 One of the cornerstones of the Bank's country strategy is institutional strengthening and modernization of the State, with the specific goals of enhancing the efficiency and transparency of public administration. Modernization of the government's financial management systems is crucial owing to the implications for management of the development programs in which the Bank participates, and as a response to the institutional mandate that gives priority to modernization of the State.
- 1.16 The Bank has considerable experience in funding programs to modernize government financial administration. It has concluded or is implementing or preparing 16 projects in 13 countries in the region. The projects range from support for national governments in introducing comprehensive reforms to technical-cooperation projects affording support in specific areas for subnational agencies. The lessons learned are presented in detail in document XII in the technical files. All the lessons have been taken into account in preparing the present operation, particularly those involving the definition of government commitments.
- 1.17 The Bank has been acting in the Dominican Republic on different fronts under a comprehensive approach to public finances. Technical-cooperation project ATN/SF-4706-DR for stage three in modernization of the tax administration is currently under way. Its central aim is to improve the effectiveness of internal taxation. TC-97-02-40-9-DR to support modernization of the customs administration is currently being processed, and a study on tax policy and subsidies has been completed. These activities and the operation presented here are closely linked. It is hoped that, combined, they will lead to fiscal management that takes an integrated view of revenues and expenditures.
- 1.18 The Bank is also processing DR-0116 for modernization of the Congress; DR-0075 to strengthen the justice sector, and DR-0073 on modernization of the public sector, all of which have elements that bear on financial management and will improve the outcomes of this operation. These programs will strengthen the capacity of other branches of government to perform analyses and external controls that will provide the balance necessary for the democratic play of institutions. In particular, DR-0116 will strengthen the Audit Board, which is the senior constitutional entity for the supervision of financial management.

F. Program rationale and conceptualization

- 1.19 The problem in public finances is of such dimension as to make itself felt in all sectors of the nation's business. In

particular, it has limited the effectiveness of economic policies and lent an anti-social sector bias to public spending. This places constraints on development strategies of all kinds and justifies an operation such as the one proposed here because of its social cost-effectiveness. With its direct tie-in to the Bank's strategy described in the country paper for the Dominican Republic, this operation is the first major step toward integrated fiscal management and stronger public administration agencies.

- 1.20 Full implementation and operation of a SIGEF requires major changes with respect to rules, institutions, and policies. It requires the creation and integration of systems, functional effectiveness, and the reorganization of responsibilities. Annex VII of this document summarizes the actions that the new government is committed to taking. The current weakness of agencies and systems, gaps in legislation, and the reigning culture and practices make it impractical, and even highly risky, to immediately adopt the measures described. Before that can be done, it is necessary to carry out a process of institutional strengthening and to establish technical supports. This program will be the main tool for assisting the authorities in laying the groundwork for the SIGEF and in its implementation and initial operation.

II. OBJECTIVES

A. Long-term goal

- 2.1 The long-term goal is to improve the delivery of public services (health, education, security, etc.) in the Dominican Republic. The program will support the authorities in the process of institutional reform to make government financial administration more efficient.

B. General and specific objectives

- 2.2 The general objective is to boost efficiency in the allocation and management of public funds, which will contribute to greater macroeconomic stability and to the transparency required in a democracy. The objective will be attained by establishing an integrated financial management system (SIGEF) in the Dominican public sector.
- 2.3 The main specific objectives of the SIGEF are: (i) to make fiscal spending and investment policies more consistent with national development objectives; (ii) to improve efficiency in the management of State assets and liabilities; and (iii) to increase transparency in the management of public funds and the effectiveness of internal controls.

III. DESCRIPTION

- 3.1 Financing for consulting services, training, and equipment will support the authorities in the process of designing and introducing an integrated financial management system (SIGEF) in the Dominican public sector. The process will define, develop, set standards, and provide computer linkage for the government's core fiscal management units and systems, including programming and budgeting, public investment, treasury (including revenue collection), public debt, and accounting. The internal control system and other systems related to financial administration will also be integrated, since although they do not form a fundamental part of the financial management system, they strongly condition the administration of public sector resources. They include government procurement, national property, and human resources financial management. The end result will be a macrosystem for managing financial, human, and material resources that will help to improve government services and facilitate public access to information about the use of those resources.
- 3.2 Institutionally, the SIGEF will be applied to the entire Dominican nonfinancial public sector. It will begin by integrating central government institutions and then replicating the experience with autonomous agencies and nonfinancial public enterprises. The model will lead to automatic integration from the standpoint of information systems, while facilitating independent management by line agencies. The process of integration will begin by strengthening the operations units in the different fiscal management and control systems (National Treasury Department, National Budget Office, National Planning Office, Public Credit Department, Office of the Comptroller General, etc.) and by providing support for the establishment of new central units that will ensure the consistency of that integration (information systems unit, audit office, budget policy unit, etc.).
- 3.3 The program will focus on the Ministry of Finance as the senior body responsible for public finance and for the SIGEF and on the Technical Secretariat of the Office of the President (with respect to budget programming, policy, and formulation and public investments) and the Office of the Comptroller General (with respect to accounting and internal control). Reforms will be made in these agencies and standards for financial administration will be issued to be applied throughout the nonfinancial public sector. The guiding principle will be centralization of policy and standard-setting and decentralization of operations. The program will support the use of the new rules and standards through the dissemination of guidelines and regulations, training for public servants, and new systems.

- 3.4 Twenty-eight percent (US\$3,416,900) of the program's funds will be invested in strengthening or establishing fiscal management units in the budgeting, public investment, treasury, public debt, accounting, internal control, and related systems. Thirty-four percent (US\$4,051,000) will be used to develop information systems for the SIGEF and to provide equipment. Fifteen percent (US\$1,820,650) will be used for general reform activities, such as designing the model, legal framework, coordination, and training.

A. Components

- 3.5 The activities are grouped by subject area into the following functional components:

- (i) Programming and budget. US\$482,900 (Specific objective (i)) A system will be established that is centralized for policy and standards but operationally decentralized in the different public agencies, which will be used for national budget formulation, execution, and monitoring. Concrete steps will be taken to: (i) strengthen budget policy formulation; (ii) reinforce revenue and expenditure budgeting mechanisms; (iii) develop a system for programming budget execution; and (iv) develop and implement a system for physical, financial, and efficiency evaluation of budget performance. This component will also introduce a procedure for evaluating the impact of the program on the delivery of social services. The pilot project will be targeted to the education sector and will be carried out as described in paragraph 5.3. A breakdown is presented in document XV (implementation guidelines) in the technical files.
- (ii) Public investment. US\$800,000 (Specific objective (i)) A national system will be established to identify, evaluate, program, and monitor government capital spending, with a view to more efficient allocation of public funds. In particular: (i) the regulatory-institutional and methodological frameworks for the system will be reviewed and updated; (ii) a human resources training system will be designed and implemented through in-service training and refresher courses for university professors; and (iii) the basic informational structure for a public investment project pipeline and monitoring system will be installed in the National Planning Office and extended to the rest of the institutions involved.
- (iii) Public credit. US\$368,000 (Specific objective (ii)) A coordinated system will be established linking the Ministry of Finance, the Central Bank, and the Technical Secretariat, giving the country access to

capital markets under better conditions and promoting technical, comprehensive, and transparent management of the public debt. In particular: (i) the Public Credit Department of the Ministry of Finance will be strengthened and (ii) the information processing system for managing the debt will be upgraded.

- (iv) Treasury. US\$433,000 (Specific objective (ii)) A funds management system will be introduced to enable the National Treasury Department to control the government's main financial flows, in harmony with the other economic policies. In particular: (i) a single-account cash management system will be designed and installed; (ii) instruments will be developed for financial programming and cash budgeting; and (iii) the revenue collection process will be strengthened.
- (v) Accounting. US\$352,000 (Specific objective (iii)) An integrated government accounting system will be developed that is attuned to the regulations and characteristics of public institutions and applies generally-accepted accounting principles. In particular: (i) support will be provided for establishing a national audit office in the Ministry of Finance; (ii) a chart of accounts and methods for applying it will be developed; and (iii) management and public information systems will be designed and installed.
- (vi) Internal control. US\$247,000 (Specific objective (iii)) A modern internal control system will be introduced that will permit the Office of the Comptroller General to analyze budget management from the economic, financial, asset, and legal standpoints, and to evaluate public management based on efficiency and effectiveness criteria. In particular: (i) a functional model for the internal control system will be developed and implemented; and (ii) the Office of the Comptroller General will be strengthened by improving its regulatory framework, procedures, the technical capacity of its staff, and its information system.
- (vii) Related systems. US\$734,000 (Specific objective (ii)) Proposals will be drawn up and/or reforms implemented in key related systems that provide inputs and information for the financial management system, as a contribution to efficiency and transparency in the use of public funds. In particular: (i) support will be provided for a new legal, institutional, and procedural framework for the government's procurement and contracting system; (ii) mechanisms for recording,

allocation, and maintenance of national property not in public use will be strengthened; and (iii) a human resources financial management module will be developed and integrated into the public financial management system.

- 3.6 Also, a central general coordination component (US\$1,191,500) will provide technical and administrative supervision for introduction of the reform. Under this component: (i) the general conceptual framework for the SIGEF will be designed; (ii) proposals will be produced to modernize the legal framework for financial management (document XIV in the technical files describes the guidelines for drafting a Financial Administration Act); and (iii) the system will be promoted in the different institutions in the nonfinancial public sector.
- 3.7 Under another component, as support for the SIGEF, an information processing system will be designed and implemented (US\$2,251,000 for hardware and US\$1,800,000 for systems development), which will be a modern system platform that is scalable and sustainable. The platform should operationalize internal data processing in each operating system, consolidate financial information in a single database, and perform internal controls for the entire financial management system. For this component: (i) a SIGEF information system unit will be established in the Ministry of Finance; and (ii) information system modules for the SIGEF will be designed and installed.
- 3.8 Last, to ensure that the program will be viable and sustainable, a training component (US\$629,150) will be carried out to support technical progress on the project and help instill the necessary changes in concepts and management culture. In particular: (i) a training plan will be designed and implemented for the SIGEF; and (ii) existing structures in the Ministry of Finance's Tax Training Institute and the National Budget Office's training facility and library will be strengthened.
- 3.9 The foregoing components are based on the logical framework summarized in Annex I of this document. The objectives, components, activities, performance indicators, means of verification, and assumptions it contains will form part of the program's work plan and will be a key tool for program supervision and evaluation.

B. Execution

1. Borrower and executing agency

- 3.10 The Dominican Republic will be the borrower and the Interagency Technical Committee (CTI) (Decrees 581/96 and 468/97) will be the executing agency, through its Permanent Technical Unit (UTP). The public investment component to be financed under parallel

nonreimbursable technical-cooperation assistance from the Japan Special Fund will operate under an agreement for financing the rest of the program, separate from the loan contract, and may also be executed independently. The detailed plan of operations for this component is presented in Annex V of this document.

- 3.11 The CTI will be responsible for the general direction and supervision of the program, and the UTP will take charge of its practical execution. The UTP will be headed by a technical director to be appointed by the country's President on the proposal of the CTI, with funding from the counterpart contribution. The technical director will be directly accountable for the technical management and the administration of program funds and will be supported by a group of consultants, who will form the program coordination component.
- 3.12 The UTP will have two units, both answering to the technical director: (i) a technical unit responsible for direct program implementation, composed of at least one local professional in each of the areas/components, who will be the counterparts for the consulting services to be contracted; these professionals will be experts in their fields and will work full-time on the program; and (ii) an administrative unit to assist with contracts, payments, communications, logistical support, etc., which will be staffed by at least three professionals and three assistants. These units will be financed from the local counterpart. Document IV in the technical files contains a detailed program execution plan.
- 3.13 Implementation of the different aspects of the SIGEF will encompass a host of agencies and institutions in the nonfinancial public sector. The complete list is given in document IV in the technical files. Existing budget rules and mechanisms permit interconnection and flows of information without the need for special institutional arrangements. These mechanisms will be supplemented during the project by activities involving training and promotion of the SIGEF to be carried out by the CTI/UTP. The mechanisms will be completed under the future Financial Administration Act. In addition, in the public borrowing area, an agreement is to be reached between the CTI and the Central Bank defining the terms under which the latter will participate and the gradual transfer of functions. The agreement will be included in the first annual work plan to be presented to the Bank.

2. Timetable and execution method

- 3.14 It will take an estimated three years to execute the program. Document VIII in the technical files gives a tentative timetable of activities. It indicates that during the first 12-18 months of the program, activities will focus mainly on institutional strengthening and the establishment of the main technical supports needed to lay the groundwork for the SIGEF. Once the necessary institutional and policy changes can be devised, support will be

provided for their adoption, implementation, operation, and development.

- 3.15 The features of the proposed program are such as to require flexible execution and continuous monitoring. It thus will be carried out on the basis of annual work plans to be prepared by the UTP and reviewed by the Bank's technical team. The first annual work plan is to be presented to the Bank 30 days after activities begin. That plan and the subsequent plans will be based on the objectives, activities, and targets identified in Annex I (logical framework).
- 3.16 Annual technical management meetings will be held for project monitoring and adjustment. Project team missions and external advisory services will support the Country Office for that purpose. At the meetings, the UTP and the Bank will evaluate the previous year's work plan and work out the details of the plan for the following year. The evaluation will be based on the benchmarks in Annex I. The meetings will also study and report on: (i) progress in the technical enabling environment for the actions to which the government has committed itself (see the matrix in Annex VII of this document); and (ii) progress on the actions themselves.

3. Procurement of goods and services and consulting contracts

- 3.17 Procurements of goods and services and consulting contracts will be subject to the Bank procedures contained in annexes to the loan contract. The program does not include works to be paid for from loan proceeds. The counterpart funds will be used for: (i) the rental and furnishing of premises for the executing unit; and (ii) remodelling and outfitting of existing premises to permit the installation of computer equipment and appropriate operation of the program's work units. The estimated total cost of rentals, remodelling, and outfitting is US\$200,000.
- 3.18 The borrower will use up to US\$2,408,000 equivalent of the financing to purchase computer hardware, accessories, and instructional materials. A tentative list of procurements is given in document VI in the technical files. The equipment is to be purchased, installed, and put into operation within nine months after the program begins. International competitive bidding will be required for procurements worth more than US\$350,000 equivalent using proceeds of the financing.
- 3.19 Advisory services provided by individual consultants and consulting firms or specialized agencies will be required for the program. Tentative terms of reference are in documents II and III in the technical files. The UTP will present the definitive terms of reference to the Bank for approval prior to contracting the services.

- 3.20 Consulting firms or specialized agencies will be engaged in the areas of information systems, public investment, and the administration of national property. Individual consultants may be contracted for the other areas, or services may be packaged to attract firms. In all cases, international calls for proposals will be used for contracts worth more than US\$200,000. For lesser amounts, the procedures will ensure that a minimum of three bidders compete.
- 3.21 The program has also earmarked up to US\$800,000 for the future institutional development of financial management and related areas in the public service. These funds will be used for baseline studies and designs for operations in the Bank's Dominican Republic pipeline. To use these funds, the country's channel of communication with the Bank must present a prioritized request to the Bank for approval.

C. Total cost and financing

1. Budget

- 3.22 The total cost of the proposed technical-cooperation program is US\$12 million. IDB financing will be composed of: (i) up to the equivalent of US\$10.3 million, reimbursable, from the ordinary capital, with interest subsidized with Intermediate Financing Facility resources; and (ii) up to US\$750,000 equivalent, nonreimbursable, from the Japan Special Fund (JSF). The borrower will provide US\$950,000 as the local counterpart.
- 3.23 The general terms and conditions of the loan are presented in the executive summary. The following table gives a synopsis of the budget by item of expenditure and type of financing. Document IX in the technical files presents the budget in greater detail.

**Estimated cost by item of expenditure
(US\$)**

	IDB	Local	Japan	Total
1. Individual consultants	3,873,550	65,000	81,000	4,019,550
1.1 International	2,005,750		36,000	2,041,750
1.2 Local	1,292,000	54,000	12,000	1,358,000
1.3 Per diems	83,400		18,000	101,400
1.4 Travel	43,500		15,000	58,500
1.5 Other benefits	315,000			315,000
1.6 Class hours	133,900	11,000		144,900
2. Consulting firms or specialized agencies	2,005,000		460,500	2,465,500
2.1 Public investment system			460,500	460,500
2.2 Administration of national property	205,000			205,000
2.3 Information systems	1,800,000			1,800,000
3. Equipment, systems, and instructional materials	2,408,000	137,000	193,000	2,738,000
4. Other costs	1,530,450	628,000	15,500	2,173,950
4.1 Support staff		428,000*		428,000
4.2 Rental and remodelling of premises		200,000		200,000
4.3 Institutional development studies	800,000			800,000
4.4 Contingencies	730,450		15,500	745,950
5. Financial costs	483,000	120,000		603,000
5.1 Interest	380,000			380,000
5.2 Credit fee		120,000		120,000
5.3 Inspection and supervision	103,000			103,000
Total	10,300,000	950,000	750,000	12,000,000

* Includes US\$50,000 for counterpart support staff for the technical-cooperation project financed by the Japan Special Fund.

3.24 An illustrative cost breakdown by program component is shown in the following table.

**Estimated cost breakdown by program component
(US\$)**

Component	Financing			Total	%
	IDB	Local	JSF		
1. Programming and budget	482,900	-	-	482,900	4.0
2. Public investment	-	50,000	750,000	800,000	6.7
3. Public credit	368,000	-	-	368,000	3.1
4. Accounting	352,000	-	-	352,000	3.0
5. Internal control	247,000	-	-	247,000	2.1
6. Treasury	433,000	-	-	433,000	3.6
7. Related systems:		-	-	-	
7.1 Government procurement	261,000	-	-	261,000	2.2
7.2 National property	389,000	-	-	389,000	3.2
7.3 Human resources	84,000	-	-	84,000	0.7
8. Training	618,150	11,000	-	629,150	5.3
9. Information systems		-	-		
Hardware	2,114,000	137,000	-	2,251,000	18.8
Systems development	1,800,000	-	-	1,800,000	14.9
10. Project coordination	1,137,500	54,000	-	1,191,500	9.9
Other costs	800,000	578,000	-	1,378,000	11.5
Contingencies	730,450	-	-	730,450	6.0
Financial cost	483,000	120,000	-	603,000	5.0
TOTAL	10,300,000	950,000	750,000	12,000,000	100

2. Recurring costs

- 3.25 The program's recurring costs stem from the new units to be established for the SIGEF (for example, the Audit Office in the Ministry of Finance) or for the full operation of existing units (for example, the Public Credit Department in the Ministry of Finance). In the medium term, these costs are expected to be offset by savings from functions that will no longer be performed (for example, preaudit and accounting in the Office of the Comptroller General, paychecks issued by the Treasury Department, etc.). In the short term, the borrower has undertaken to absorb these costs through budget increases. The main net incremental costs when the program is completed will be for operation and maintenance of the SIGEF. These costs, which will be concentrated in the information systems unit to be established in the Ministry of Finance, are an estimated US\$340,000 a year. They can be absorbed with no difficulty by the budgets of the agencies that sit on the Interagency Technical Committee.

D. Disbursements

1. Conditions precedent to the first disbursement

- 3.26 Apart from the general loan-contract conditions, special conditions precedent to the first disbursement will be: (i) establishment of the office of the Technical Director in the UTP and the local

counterpart as described in paragraphs 3.10 and following, with the executing agency submitting a staffing chart to the Bank for approval, including the professional profiles; and (ii) evidence that suitable premises have been rented for the executing unit to carry out the program.

2. Retroactive financing and cost recognition

- 3.27 Up to US\$50,000 may be recognized from the local contribution for expenses to prepare and outfit the premises for the executing unit incurred after October 22, 1996, which is the date of the request. Also, all the costs incurred by the borrower between the date on which the loan is approved and the contract signing date may be recognized or financed retroactively by the Bank, as pertinent, provided that the contract requirements have been complied with.

3. Single Currency Facility and advances

- 3.28 The borrower has opted for loan disbursements in dollars under the Bank's Single Currency Facility. To facilitate program execution, if requested by the executing agency a revolving fund may be established for US\$500,000 which will be periodically replenished upon presentation by the beneficiary of duly documented disbursement requests, justified in accordance with Bank rules. Establishment of the fund is dependent on compliance by the executing agency with the conditions precedent to the first disbursement established in this document.

E. Environmental and gender considerations

1. Environment

- 3.29 On August 22, 1997, the Environment and Social Impact Committee approved the environmental summary for the program, classified as a category III operation. The proposed actions having to do with environmental viability will take the form of training under the public investment component; they are described in section V of document XVI (environmental summary) in the technical files.
- 3.30 The executing agency will offer two training courses on the project cycle each year during the program, covering preparation, execution, monitoring and evaluation. They will include environmental considerations from the outset of project preparation. The courses will chiefly be targeted to professional staff from the national investment system but will also include professionals in the private sector, universities, NGOs, and other institutions that work with investment projects. The courses will be designed to allow for their institutionalization and continuity after the program has been completed. They will also promote community participation.

2. Gender

- 3.31 Gender considerations have been kept in mind in designing this operation, and have two main focuses: (i) the training to be provided on programming, budgeting, project evaluation, etc., will include gender analysis as an integral component; and (ii) the courses and in-service training will ensure that women are duly represented and take account of their special situation vis-à-vis participation in this training.

IV. BENEFITS AND RISKS

A. Benefits

- 4.1 The program will bring many benefits. The main ones stem from the substantial improvement in the financial management capacity of all public sector institutions. This will make it possible to:
- (i) Allocate public funds more efficiently, making for better coordination with the government's economic policy objectives;
 - (ii) Support macroeconomic stability by providing comprehensive, timely, integrated, and reliable information;
 - (iii) Facilitate the timely provision of budget funds for project and program executing agencies, which will allow for better production of public services; and
 - (iv) Administer funds in a more economical fashion, reducing contracting costs, investing temporary cash balances, and obtaining benefits from timely debt payments or rescheduling.
- 4.2 At the same time, the program will enhance governance by markedly increasing transparency in the management of public funds and by tightening control mechanisms.

B. Risks

- 4.3 One of the main risks is the strong discretionary component in the allocation of public funds that has traditionally existed in the country. If the practice continues, the program's efforts will have scant impact. Safeguard: The new authorities have on their own initiative embarked upon reforms to improve the management of public monies and tighten controls. This program is intended to support the authorities in implementing policies and practices to ensure uniform and transparent financial management and execution.

One of the basic benchmarks of the operation that will make it possible to measure progress in the reform establishes a maximum range of 10% in the use of off-budget items for fiscal year 1999.

- 4.4 A further risk is the complexity of the operation, like others of its kind. The program involves a large number of specific objectives, different public institutions, a range of components, and a variety of consulting services. Safeguard: When the operation was designed, stress was placed on: (i) expeditious and autonomous management and coordination mechanisms, with an executing agency that brings the main players together; (ii) a strong program component to support administration of the reform; and (iii) a flexible execution mechanism and close monitoring by the Bank, which will allow for regular evaluations and adjustments based on a matrix of indicators.

V. MONITORING AND EVALUATION

- 5.1 The Bank will supervise the program through its Country Office in the Dominican Republic, with support from the project team. The project team recommends that the monitoring capacity of the Country Office be bolstered for a program of this kind. Accordingly, the operation includes funds to engage an external consultant during the program to prepare the regular evaluations.
- 5.2 The actions necessary to modernize financial administration vary in nature and are continually changing. This makes it crucial to broaden the traditional system of rigid a-priori goals by using mechanisms that allow for expeditious changes. Therefore, the program will have the flexible execution procedure described in paragraphs 3.15 and 3.16, with a monitoring arrangement that includes: (i) annual work plans; (ii) regular evaluation meetings; and (iii) monitoring reports. Document X in the technical files gives a detailed account of the proposed monitoring methodology.
- 5.3 The project includes a specific evaluation activity to measure the impact that the SIGEF will have on efficiency in the production and delivery of social services. It involves: (i) devising baseline indicators for a selected pilot social area (education) at the outset of the program; (ii) monitoring during the program of aspects that it is intended to influence, such as the timely provision of funds, more flexible management of funds, resource savings through economies, etc.; and (iii) in the intermediate stages and at the end of the program, measurement of the indicators for the pilot project and evaluation of outputs and outcomes. Document XV in the technical files presents guidelines for evaluating the pilot project.

INTEGRATED FINANCIAL MANAGEMENT PROGRAM
(DR-0094)
LOGICAL FRAMEWORK

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Goal that this program will help improve the delivery of public services (health, education, security, etc.) in the Republic. The program will assist government authorities in the process of public-sector reform to make public-sector management more efficient.	a. Quantitative and qualitative indicators of impact on the delivery of public services, developed parallel to the program.	a. Reports on indicator performance during and after the program	A macroeconomic and sector policy framework, particularly in the social sector, that allows the government to carry out priority functions.
Objective to boost efficiency in the management of public funds, contribute to greater macroeconomic stability and to the transparency of democracy. The objective will be achieved by establishing an integrated financial management system (SIGEF) in the public sector.	a. Financial management system operating in an integrated fashion by the end of the program with a central database that produces continuous and reliable information, with each transaction recorded once only.	a. Report by the Audit Board to Congress	There is political will to ensure cost-effectiveness and transparency in the allocation of resources.
PROGRAMMING AND BUDGET			
Objective of a programming and budget system that is centralized as to policy and operationally decentralized in public agencies, that permits efficient formulation and tracking.	<p>a. Functional model for the programming and budget system prepared and approved by March 1999.</p> <p>b. National budget with the following characteristics presented to Congress for the year 2000: (i) accurately reflects economic and social policy in its structure and content; (ii) covers 100% of revenues, expenditures, and funding sources in the public sphere; and (iii) adheres to the technical guidelines of the senior budget agency.</p>	<p>a. Report on the functional model approved by the CTI</p> <p>b. National budget 2000</p>	

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
the formulation of budget	<p>1.a Establishment of a technical support unit for budget policy in the Technical Secretariat of the Office of the President (STPR) by March 1999.</p> <p>1.b STPR budget policy for fiscal year 2000 is consistent with macroeconomic projections, sector priorities, and specific policies, as of March 1999.</p>	<p>1.a Order establishing the unit</p> <p>1.b Budget policy circular for the 2000 budget</p>	Interagency agreement regarding authority of the STPR and the Ministry of Finance (SEF).
ing of mechanisms for the expenditure budget	<p>2.a Technical instruments and regulations for operations programming; budget formulation, consolidation, modification, and analysis; automatic budget extension system in operation by December 1999.</p> <p>2.b Support systems for ONAPRES (information and human resource systems) in operation by December 1999.</p> <p>2.c Programming structures revised; social sectors in 1999 budget, remainder in 2000 budget.</p>	<p>2.a Technical manuals; regulations, draft financial administration bill</p> <p>2.b Validation of the information processing system; training reports; operating manuals</p> <p>2.c National budgets for 1999 and 2000</p>	Coordination with the public sector program.
ing of revenue-estimate s	<p>3.a Methodology for calculating revenue reviewed in cooperation with the tax collection authority by March 1999.</p> <p>3.b Funds from the Budget Reserve Fund account for less than 10% of the budget in 1999.</p>	<p>3.a Program report</p> <p>3.b Reports on budget performance</p>	<p>Senior-level decision to strictly apply 50 of the Budget Act.</p> <p>Application of the revenue-estimation methodology.</p>
velopment, and startup of a cution programming system	<p>4.a PEP system operating in coordination with Treasury Department, based on the parameters of the functional model, in the 2000 budget.</p>	<p>4.a Regulations for programming budget execution</p>	
s for a budget evaluation	<p>5.a Evaluation indicators for social programs designed by March 1999.</p> <p>5.b Strategy and action plan for establishing a physical and financial budget evaluation system prepared by June 1999.</p>	<p>5.a Program report</p> <p>5.b Program report; strategy approved by the Interagency Technical Committee (CTI)</p>	

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
INVESTMENT			
of a national system for programming, and monitoring investments that makes for more efficient use of public funds.	<p>a. Functional model of the public investment system developed and approved by June 1998.</p> <p>b. National public investment plan formulated using technical criteria by 2000.</p>	<p>a. Program reports</p> <p>b. National public investment plan document</p>	<p>Dates depend on beginning the technical cooperation project in advance of DR-0094.</p> <p>Approval of the new regulatory and institutional framework at the request of the Government.</p>
updating of the regulatory, institutional, and methodological framework.	<p>1.a Draft legislation, decrees, and resolutions to update the regulatory and institutional framework presented by December 1998.</p> <p>1.b Methodological guidelines for project identification, evaluation, and monitoring, prepared and approved by December 1998.</p>	<p>1.a Program reports</p> <p>1.b Program reports</p>	
implementation of human resource training systems.	<p>2.a Training systems designed by June 1998.</p> <p>2.b Eighty percent of staff in the system trained by December 1999.</p> <p>2.c Four teacher refresher courses given by December 1999.</p>	<p>2.a Program reports</p> <p>2.b Idem</p> <p>2.c Idem</p>	<p>2.c Signature of agreements with universities.</p>
development of a basic structure for investment information (public project pipeline and investment plan) to be integrated with SIGEF.	<p>3.a National system operating with 90% coverage of public investments by December 1999.</p>	<p>3.a National investment plan document and program report</p>	

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
EBT			
of a coordinated system SEF, the Central Bank, and the ives the country access to s under good conditions and prehensive, technical, and management of the public debt.	<p>a. Functional model of the public credit system developed and approved by March 1999.</p> <p>b. System operating with clear demarcation of responsibilities of the SEF, the Central Bank, and the STPR on programming, negotiating, contracting, and managing the public debt, supported by a complete and up-to-date data bank linked to the SIGEF, by January 2000.</p>	<p>a. Report on the functional model approved by the CTI</p> <p>b. Execution report; financial administration bill; system validation</p>	Agreement between the CTI and t Bank on debt management functi
and functional development of Credit Department (DCP) of the	<p>1.a Organizational and internal rules prepared and issued by June 1999.</p> <p>1.b DCP operating in accordance with the functional model, with trained personnel and support systems installed by January 2000.</p>	<p>1.a Decree and internal resolutions</p> <p>1.b Program reports; training reports; information system reports; systems validation</p>	
overhaul of the debt nt information system.	<p>2.a Debt management information system in the DCP analyzed, overhauled, and operating with up-to-date data by June 1999.</p> <p>2.b Information system linked to the SIGEF by January 2000.</p>	<p>2.a Program report; information system report; system validation</p> <p>2.b Program report; information system report; validation of data flow</p>	Condition of existing debt informa is such that the overhaul plans ar

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>of a National Audit Office in the up of an accounting system to of financial information and ting standards for the public</p>			
	<p>a. Functional model of the accounting system developed and approved by March 1999.</p> <p>b. Automatic posting of all transactions that affect the economic and financial situation and information available to enable the agencies responsible for the system to manage public finances, by June 2001.</p>	<p>a. Report on the functional model approved by the CTI</p> <p>b. Validation of the system; program reports</p>	
ent and institutional nt of the National Audit Office.	<p>1.a Legal establishment of the National Audit Office in the SEF, with a defined organization, functions, and procedures by June 1999.</p> <p>1.b Support systems for Audit Office functions in operation by June 1999.</p>	<p>1.a Decree establishing the Office</p> <p>1.b Validation of information system; training reports; program reports</p>	Agreement to transfer accounting from the Office of the Comptroller the SEF.
nt of an accounting manual and gies for its use.	2.a Accounting manual, standards for integrated accounting, and other technical tools designed and issued by June 1999.	2.a Manual published; supplementary instructions; program reports; logic diagrams	
nt of management and public systems.	<p>3.a Management information system in operation by December 2000.</p> <p>3.b Strategic definition of the public information system by March 1999.</p> <p>3.c Substantive information on public finances available to the public by January 2000.</p>	<p>3.a Program reports; system management reports</p> <p>3.b Strategy report approved by the CTI</p> <p>3.c Validation of information media and publications</p>	Senior level support for the disse financial information to create tran

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
CONTROL			
<p>n of an internal control system Office of the Comptroller to analyze budget, economic, erty, and legal management gs of the public sector based fficiency, effectiveness and</p>	<p>a. Functional model for the internal control system developed and approved by March 1999.</p> <p>b. Support systems for the CGR (trained human resources, information systems, technical regulations) in operation by December 1999.</p> <p>c. CGR operating as the head of the internal control system, performing the auditing functions assigned to it in the functional model and the Financial Administration Act by January 2000.</p>	<p>a. Functional model report approved by the CTI</p> <p>b. Program reports; information system reports; training reports; system validation</p> <p>c. Presidential decree; Office of the Comptroller General Act amended; program reports</p>	<p>Senior level definition of the control of the CGR.</p> <p>Passage of the Financial Administration Act prior to January 2000.</p>
FINANCIAL DEPARTMENT			
<p>n of a fund management system treasury Department controls the main financial flows in with macroeconomic policies. be partly decentralized and single account.</p>	<p>a. Functional model for the treasury system developed and approved by March 1999.</p> <p>b. Treasury system operating and integrated with the other parts of the SIGEF, based on effective cash programming and with clear, transparent, and flexible controls for the line units by December 2000.</p>	<p>a. Functional model approved by the CTI</p> <p>b. Program reports; regulations issued; system validations; draft financial administration bill provisions</p>	
<p>ent of a single-account treasury</p>	<p>1.a Logical design of the single-account system prepared and approved by March 1999.</p> <p>1.b Operation of the system negotiated with the Reserve Bank by June 1999.</p> <p>1.c Individual current accounts closed by June 2000.</p>	<p>1.a Program report</p> <p>1.b Record of negotiations</p> <p>1.c Program report; system validation</p>	<p>Senior level support for closing accounts payable.</p>

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
ent of instruments for financial ng and cash budgeting.	2.a Methodological financial programming model based on the cash budget designed by March 1999. 2.b Directives, standards, and procedures for financial programming and cash budgeting issued by June 1999.	2.a Report on the model 2.b Regulations issued	
ng of the revenue collection	3.a Models for collecting revenue operating in fiscal year 2000. 3.b Information on revenues available in the required form and time by January 2000.	3.a Program reports; system validation 3.b Program reports; system validation	
D SYSTEMS			
ministrative systems associated management, to promote transparency in the use of and the information flows e SIGEF.	a. Functional models for the relevant areas of the procurement, national property, and human resources financial management areas developed and approved by March 1999.		
ent of a new legal, institutional, l framework to cover t contracting.	1.a Public sector procurement bill submitted to Congress and draft regulations prepared by June 1999. 1.b Senior procurement-system authority operating with support systems (information systems, human resources, etc.) by June 2000.	1.a Bill; notice of its introduction in Congress; draft regulations 1.b Program reports	Passage of the Procurement and Act by Congress.
ng of the mechanisms for allocating, reallocating, maintaining, and retirement of property not in public use.	2.a Legal, organizational, and procedural reforms introduced by June 2000. 2.b System for identifying, marking, and surveying national property and valuation criteria introduced by December 2000. 2.c System organized and in operation, covering the agencies in the nonfinancial public sector by June 2001.	2.a Bill to amend Law 1832; internal regulations 2.b Program reports 2.c Program reports	

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
of the financial aspects of the sources system into the SIGEF.	<p>3.a Module for establishing wage policies, payroll, job statistics, etc., based on personnel budget information, in operation by December 1999.</p> <p>3.b Payroll systems integrated into the SIGEF by June 2000.</p>	<p>3.a Program reports; system validation</p> <p>3.b Program reports; system validation</p>	
G			
ies to support the technical under the program to achieve changes in concepts and culture and promote the f the reforms.	<p>a. At least 80% of the managers of the budget programs of the central government, decentralized institutions, and branches of government trained in the principles, concepts, and use of the SIGEF by June 2000.</p> <p>b. One hundred percent of the staff of the agencies responsible for the SIGEF trained in management and administration of the systems by June 2001.</p>	<p>a. Program reports; training reports</p> <p>b. Program reports; training reports</p>	
ng of training infrastructure for	<p>1.a INCAT reorganized to provide training in financial administration, including an equipped classroom and teaching materials by June 1999.</p> <p>1.b Classroom in operation in ONAPRES, fully equipped to provide courses for program managers by June 1999.</p>	<p>1.a Program reports; on-site verification</p> <p>1.b Program reports; on-site verification</p>	Institutional agreement with INCAT expansion of its coverage.
implementation of the training	<p>2.a Training plan designed and approved by the CTI by March 1999.</p> <p>2.b Training plan implemented in accordance with the CTI's mandate and the specific requirements of the systems by June 1999.</p>	<p>2.a Training plan approved by the CTI</p> <p>2.b Program reports; training reports; teaching materials; interviews with staff</p>	

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
INFORMATION SYSTEMS			
Design of a modern, scalable, and information systems platform in charge of the SIGEF and its modules to provide complete information and all the necessary internal controls.	<p>a. Logical model for the information system, second-level data flow charts, and information system development plan approved by the CTI by June 1999.</p> <p>b. Central SIGEF, including modules for budgeting, cash management, and accounting in operation by January 2001.</p> <p>c. Central SIGEF linked to public credit and related systems by June 2001.</p> <p>d. Institutional SIGEF operating in 34 nonfinancial public sector agencies by January 2001.</p>	<p>a. Logical model approved by the CTI</p> <p>b. Development plan approved</p> <p>c. Program reports; on-site validation</p> <p>d. Program reports; on-site validation</p>	
Design and development of a management information systems unit.	1.a Unit legally established, equipped, and trained by December 1999.	1.a Legal instrument establishing the unit; program reports; training reports	
Design of SIGEF modules.	2.a Computer design of the SIGEF modules identified in the conceptual framework and the first-level data flow diagram by January 2000.	2.a Designs approved by the CTI; program reports	
Design and installation of SIGEF	<p>3.a Modules developed and first version of the central SIGEF in operation by June 2000.</p> <p>3.b SIGEF institutional prototype developed by June 2000.</p> <p>3.c Validation of the modules by the SIGEF management agencies by December 2000.</p>	<p>3.a Program reports</p> <p>3.b Program reports; prototype validation</p> <p>3.c Report approved by the CTI</p>	

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
COORDINATION			
administrative supervision of n of the reform, including the program's conceptual preparation and presentation framework to integrate financial	<p>a. Activities and work plans approved by the CTI by September 1998.</p> <p>b. Consultants identified, hired, and supervised as of the date for each component.</p> <p>c. Computer equipment procured and installed by April 1999.</p>	<p>a. Records of approval of work plans and execution reports</p> <p>b. Regular reports on execution; contracts</p> <p>c. Reports on bids and the installation of equipment</p>	Effective support from the CTI.
the general conceptual for the SIGEF.	1.a Conceptual model and first-level data flow charts prepared and approved by March 1999.	1.a Design report approved by the CTI	
on of the legal framework for ministration.	<p>2.a Financial administration bill drafted and submitted to Congress by June 1999.</p> <p>2.b Specific systems standards prepared at the times established for each system.</p>	<p>2.a Draft bill; notice of its introduction in Congress</p> <p>2.b Draft standards</p>	Political priority given to placing t before Congress.
of the institutional SIGEF in the the nonfinancial public sector	3.a Promotional activities in 34 agencies of the NFPS by June 1999.	3.a Records on activities	Senior-level support for the reform government agencies.

ates in the above Logical Framework have assumed July 1, 1998, as the starting date of the program; if it begins on another date, they will be adjusted accordingly.

indicator having to do with use of off-budget items, a distinction will be made between factors that fall within the purview of the program's internal administration, and e
control of the program operation.

PLAN OF OPERATIONS
PUBLIC INVESTMENT PROJECT PIPELINE AND MONITORING SYSTEM
(TC-96-09-13-4)

EXECUTIVE SUMMARY

BENEFICIARY: Dominican Republic

EXECUTING AGENCY: Technical Secretariat of the Office of the President
- National Planning Office

FINANCING: IDB - Japan Special Fund: US\$750,000
(nonreimbursable)

TERMS: Implementation period: 24 months
Disbursement period: 27 months

ENVIRONMENTAL CLASSIFICATION: The Committee on Environment and Social Impact approved the environmental summary for this program (classified in Category III) at its meeting on August 22, 1997.

OBJECTIVES: The overall objective of this technical-cooperation project is to enhance the efficiency of the process of allocating and managing government resources. It will also contribute to greater macroeconomic stability and to the higher degree of transparency required by a fully functioning democracy. These objectives will be pursued through the institutional strengthening of the public sector investment system, as part of the integrated financial management system (SIGEF) in the Dominican public sector. The specific objectives of the technical cooperation will be to: (i) refine the regulatory and methodological framework used for the public sector investment system; (ii) build up the professional skills of those working with the system; and (iii) develop and implement a computerized information systems structure such as is needed for the system to operate well.

DESCRIPTION: Through financing for consulting services and equipment procurement, support will be provided for activities organized under the following components: (1) Regulatory and methodological framework. The

institutional and legal framework governing the operation of the system, and the methodologies for identifying, developing, and evaluating public sector projects, will be reviewed and updates will be proposed. (2) **Human resources.** Programs will be designed and implemented for the training of (i) national investment system staff and (ii) local human resources associated with the national system investments, projects and operations. (3) **Computerized information systems.** A basic framework for organizing investment information (the public investment project pipeline and monitoring system) common to all government agencies will be developed.

BENEFITS:

The development of the public sector investment component within an integrated financial management framework (SIGEF) will significantly enhance technical skills in the public sector at each stage of the investment life cycle. Upgrading mechanisms to identify, select and monitor projects will make for more efficient resource allocation. The human-resources component will further strengthen the country's capacity to deliver training to public sector professionals in the theory and practice of the public investment process. The implementation of a public investment project pipeline and monitoring system will provide a solid framework for flexible and functional coordination among the different agencies involved; it will make the information system more efficient, especially in the area of government spending; it will initiate the process of institutionalizing technical criteria for resource allocation, establishing a national system for priority-setting; and it will make for greater consistency among investment decisions, macroeconomic policies, and short-, medium- and long-range development objectives.

RISKS:

The principal risk has to do with the high degree of discretionary authority in the allocation of public monies which has been the case historically in the Dominican Republic. If this practice continues, little would come of program efforts. Safeguard: The new authorities have taken steps to reform financial management of public sector resources and to improve controls. The integrated financial management program (DR-0094) which is being processed in parallel with this technical cooperation will help government officials specifically to establish rules and practices ensuring universality and transparency in the management and application of resources.

THE BANK'S COUNTRY STRATEGY:	One of the cornerstones of the Bank's country strategy is institution-strengthening and modernization of the State, with the specific aim of enhancing the efficiency and transparency of government management. Modernizing government resource management systems in general, and investment systems in particular, is essential, both in terms of the implications it has for the management of development programs in which the Bank participates and as a response to the institutional mandate making modernization of the State a priority.
SPECIAL CONTRACTUAL CONDITIONS:	A special condition precedent to the first disbursement will be the appointment of the technical director and the Dominican counterparts as provided for in paragraphs 4.3 and 4.8. For funds to be disbursed under component 2.b), draft agreements with the universities participating in the program must have been presented to the Bank's satisfaction.
EXCEPTIONS TO BANK POLICY:	None.
APPROVAL PROCEDURE:	This technical cooperation is being processed in parallel with a loan proposal for an integrated financial management program (DR-0094).

I. BACKGROUND

A. General framework

- 1.1 Over the last five years, the Dominican Republic has carried out a series of structural reforms aimed at restoring basic macroeconomic balances and reforming its institutions and production infrastructure. Despite the positive results achieved in terms of reducing inflation and narrowing the public deficit, this new framework of stability has seen some breaks in continuity, especially during the election process. This made it necessary to implement a very tight stabilization program in the fiscal sector toward the end of 1994, which brings the matter of management of government resources to the forefront.
- 1.2 The allocation of resources in the Dominican public sector was characterized historically by a strong degree of discretionary authority, the result of a decision-making process concentrated at the highest level of the Executive Branch. Of particular note was the use of a budgetary reserve fund, accounting for almost 50% of central government expenditures. This practice introduced distortions and a lack of transparency, impairing the effectiveness

of the national capital investment and expenditure budget and impeding the development of institutions and systems in charge of public sector administrative and financial management.

- 1.3 In particular, the situation described above has had a notable impact on the institutions in the national public sector investment system and their performance. This system, which is part of the National Planning System established by Law 55 on November 22, 1965, consists basically of: (a) the National Development Council; (b) the Technical Secretariat of the Office of the President, and (c) Sectoral Offices. The system is responsible for identifying and developing investments consistent with the thrust of economic and social policies, evaluating them, and monitoring their implementation.
- 1.4 For the reasons cited above, a weak and piecemeal investment system has operated for decades, with limited technical capacity, few mechanisms for institutional coordination and only a marginal ability to exercise the useful role it was originally assigned by law. Specifically, assessments have confirmed (i) the absence of a uniform regulatory, functional and methodological framework, with straightforward criteria and well-defined procedures for identifying, selecting and evaluating investment projects of various government agencies; (ii) a scarcity of well-qualified human resources in these areas; and (iii) the lack of computerized information systems such as would be needed for the system to function properly.
- 1.5 The measures taken by the new Dominican government which took office in August 1996 clearly bespeak its resolve to introduce important changes in the content and style of the management of public finances. Toward this end, through Decree 581/96 of November 19, 1996, the Interagency Technical Committee (CTI) was created, composed of the Minister of Finance, who chairs the group, the Technical Secretary in the Office of the President, and the Comptroller General of the Republic. This committee drew up a program to improve financial management (operation DR-0094), to be financed by the IDB, which is being processed in parallel with the technical cooperation proposed herein.
- 1.6 The objective of DR-0094 is to enhance the efficiency of the process of allocating and managing public resources, thereby contributing to greater macroeconomic stability and the higher degree of transparency required by a fully functioning democracy. This objective will be pursued through the establishment of an integrated financial management system (SIGEF) in the Dominican public sector.
- 1.7 Implementing the SIGEF and making it fully operational will entail major changes at the regulatory, institutional and policy levels,

to create and integrate systems and realign functions or reorganize areas of responsibility. The current weakness of agencies and systems, legal gaps and prevailing practices make the immediate adoption of the aforementioned measures unworkable. Institutions must first be strengthened and technical support created. One of the key institution-strengthening targets is the national investment system, and this technical cooperation will provide the basic set of tools for supporting government authorities in this process.

II. OBJECTIVES

- 2.1 The overall objective of the proposed technical cooperation is to enhance the efficiency of the process of allocating and managing public resources, to improve macroeconomic stability and the transparency required by a fully functioning democracy. This objective will be pursued through institutional strengthening of the public investment system, as part of the integrated financial management system (SIGEF) in the Dominican public sector.
- 2.2 The specific objectives of the technical cooperation are to:
(i) revamp the regulatory, functional, and methodological framework used for the public investment system; (ii) build up professional skills in those working with the system; and (iii) develop and implement a computerized information system structure such as is needed for the system to operate properly.

III. DESCRIPTION

- 3.1 To attain the specific objectives described above, program activities have been organized under the following components:
(1) regulatory, functional and methodological framework; (2) human resources; and (3) computerized information systems.

- 1. Regulatory, functional and methodological framework

- a. Regulatory and functional framework

- 3.2 Through this subcomponent, by means of specialized consulting services to be provided to the Technical Secretariat of the Office of the President (STPR), the institutional and legal framework governing the system's operation will be reviewed and updates proposed. The updating will be consistent with and complementary to initiatives to revise financial management rules and policies (DR-0094). Similarly, efforts will be made to improve arrangements

for functional coordination among the various agencies in the investment identification, development, and monitoring process. Specifically, investment planning and budgeting will be harmonized with economic policies, and the design and tracking of investment budgets at public sector entities will be improved. In addition, a unit to develop and monitor projects and technical cooperation funded by external sources will be designed and set up in the STPR.

b. Methodological framework

- 3.3 Through this subcomponent, methods of identifying, developing, and evaluating public sector projects will be updated. With assistance from specialized consultants, economic and social indicators will be revised and updated, and cost-effectiveness indicators will be developed for selected public investment sectors. The subcomponent also involves the use of techniques to rank and set priorities for studies and public sector investments, and the preparation of manuals and guides on methodology and on project identification, development, and evaluation.

2. Human resources

- 3.4 With funding for specialized consulting services and support materials, the following programs will be designed and implemented:

a. Training of national investment system staff

- 3.5 Staff will be trained in subject areas related to operating the investment system, through a direct training program at various public sector agencies. Complementing this program will be a train-the-trainer program, which will produce the multiplier effect necessary for the system to become self-sustaining once the technical cooperation is completed.

b. Training of Dominican human resources in topics pertaining to investment and projects

- 3.6 Human resources in the public investment sector will be trained through a program of refresher courses for instructors. The training will be provided by way of agreements with local institutions of higher learning, with the participation of consulting professors funded by the program, within the framework of existing agreements or new agreements signed to this end. Professors hired for this component will be directly responsible for instructor training, and they will review curricula of regular courses.

3. Computerized information systems

- 3.7 With funding for consulting services and equipment procurement, a basic framework for organizing investment information (public

sector investment project pipeline and monitoring system) common to all government agencies will be developed. This component comprises: (i) the design and implementation of standards for the project cycle, the information flow on the physical and financial status of the project and other operational requirements; and (ii) procurement and installation of computer and communications equipment, and adjustment and development of programming modules needed for the functioning of an extended system, its testing and implementation.

- 3.8 The core group of agencies whose inclusion is considered essential for the system to perform effectively, and which will comprise the initial pilot operating group, in addition to ONAPLAN, includes tentatively: (i) the Office of the President of the Republic; (ii) ONAPRES; (iii) Ministry of Public Works and Communications; (iv) Ministry of Public Health and Welfare; (v) National Institute of Water Resources; (vi) Dominican Electricity Corporation; (vii) Ministry of Education; (viii) Ministry of Agriculture; (ix) FONDOPREI; and (x) National Water and Sewerage Authority.

IV. IMPLEMENTATION

A. Organization

- 4.1 The Technical Secretariat of the Office of the President (STPR), through its National Planning Office (ONAPLAN), will be the executing agency for this program. Through the STPR representatives in the executing unit for program DR-0094, a close technical and administrative working relationship will be maintained during the reform process and the preparation and presentation of the updated regulatory framework.
- 4.2 The Technical Secretary, or person appointed by that official, will be in charge of program management. The program management group will, among other duties, evaluate progress on the program, review and approve reports and work plans, and coordinate with other agencies on the implementation of technical and/or administrative decisions that affect or result from the program, among other tasks.
- 4.3 The Technical Secretary will appoint a Technical Director for the program from among qualified STPR professional staff, who will be charged specifically with executing, coordinating, and managing the day-to-day operations of the project, under the technical management's supervision.
- 4.4 To provide technical support for the program's implementation, the STPR will select and hire a consulting firm or specialized agency

according to Bank procedures. This firm or agency will provide outside consulting services in accordance with the terms of reference in the technical files (document V).

- 4.5 For the services detailed in subcomponent 2.a), to be provided by public or private institutions of higher education, the STPR will enter into the respective agreement(s). The STPR will provide foreign and Dominican professors, instructional equipment, and support materials, using technical cooperation funds. The universities will provide infrastructure and administrative services. Drafts of the agreements are to have been approved by the Bank prior to their signature. Complete information on types of courses, target students, etc. is to be provided with the agreements.
- 4.6 The program will begin within 60 days after the signing of the agreement between the beneficiary and the Bank, with the starting date to be considered the day on which the program's Technical Director begins work. This date is to be officially communicated to the Bank. The program will be completed within 24 months counted from the date of the agreement with the Bank.

B. Requirements

- 4.7 External advisors. This component will comprise the services of short- and medium-term international and Dominican consultants, to be provided by the consulting firm or specialized agency to be hired and by individual consultants (professors). The terms of reference are in the RE2/OD4 technical files (Appendix 1). The services to be engaged are the following:

a. Consulting firm or specialized agency

International consultants (total: 25 consultant/months)

- Technical coordinator. Senior consultant in public investments - 12 months
- Consultant in project pipeline and monitoring systems - 6 months
- Training consultant - 4 months
- Consultant in methodology guides - 3 months

Dominican consultants (total: 30 consultant/months)

- Consultant in public investments - 12 months
- Training consultant - 4 months
- Consultant in information systems - 12 months
- Legal consultant - 2 months

b. Individual consultants – Professors

- Foreign professors – equivalent of 4 consultant/months
- Dominican professors – equivalent of 4 consultant/months

- 4.8 Local counterpart. To assist the Technical Director, the STPR will need to appoint, from among its staff, at least two professionals and one administrative assistant to provide support over the course of the program. They will help organize all matters pertaining to calls for proposals, procurement of goods and services, systems for recording and using funds, opening of current accounts and processing and authorization of payments related to the execution of the work plans, and procurement and contracts for the program.
- 4.9 The STPR will also assemble a team of its most able staff members to serve as a counterpart to the external consultants. This team will include at least a technical core of five staff members covering the areas of public investments, training, pipeline and monitoring systems, legal matters and information technology.
- 4.10 To ensure continuity in the execution of the program, all changes, removals, or substitutions of counterpart staff that the beneficiary believes necessary will be made by mutual agreement between the parties.
- 4.11 Equipment and materials. The STPR, drawing up to US\$193,000 equivalent of the funding, will procure computer hardware, peripherals, and instructional materials, with technical advisory assistance from the consulting firm or specialized agency to be hired, and in accordance with the Bank's tendering procedures. Items are to be selected by reference to the indicative list of equipment in the RE2/OD4 technical files (Appendix 2). The equipment is to be installed and operational within six months after the program begins.
- 4.12 Facilities and maintenance. The agreement to be signed with the Bank will stipulate that: (i) no equipment may be acquired under the program until electrical wiring and connections have been properly fitted for existing computer and recording equipment and equipment to be installed; (ii) the STPR agrees to include, in its budget estimates, the funds necessary for staff, materials and services for comprehensive maintenance of equipment contributed by the program and related facilities. The program's recurrent costs will be minimal, and the STPR budget should have no difficulty covering them.
- 4.13 General support. The STPR, drawing on local counterpart funds, will provide logistical support for the operation, which will include: resources for installing equipment, premises for program

activities, office equipment, furniture, and supplies, services and secretarial staff.

C. Reports

- 4.14 The program's Technical Director will be responsible for producing and presenting the reports described below to the Technical Secretary of the STPR for review and approval. Once these reports have been approved, they will be forwarded to the Bank as explained in the following paragraphs.
- 4.15 Initial report. This report will be presented within 30 days after the Technical Director starts work. It will include the master work plan and the timetable for execution of the program, indicating monthly quantitative targets for each activity or set of activities and indicators against which to measure progress in achieving the targets and final objectives set for each activity or area.
- 4.16 Midterm reports. These reports will be presented in the fifth and tenth months after the consulting firm or specialized agency begins its work. The reports will list activities conducted during the period and indicate if they met the specified deadlines, with special emphasis on the acceptance level of measures implemented and attainment of specific targets, by comparison against the corresponding indicators. Positive and negative factors that may have affected the attainment of objectives set for the period will also be clarified. The reports will also outline activities planned for the subsequent period and, if necessary, proposed new ones to supplement and support those already planned.
- 4.17 Final report. This report will be presented within 30 days after completion of the program. It will contain a summary of the activities accomplished and a detailed analysis of specific targets attained, outputs and outcomes, the suitability and applicability of indicators used in monitoring, and an assessment of the impact of the technical cooperation on the program. If any of the targets or objectives were not attained, an explanation is to be provided.
- 4.18 Financial report. This report will be presented within 30 days after the date of the final disbursement and will detail program expenditures financed out of the Bank's contribution and local funds. It must have been audited by independent auditors acceptable to the Bank and in accordance with standards agreed upon with the Bank.

D. Program cost and financing

- 4.19 The total cost of the program is estimated at the equivalent of US\$800,000. The Bank's contribution is estimated at the equivalent of US\$750,000, drawn from the Japan Special Fund. The local

contribution is estimated at US\$50,000 equivalent. A budget summary is presented below.

Budget (US\$)

EXPENDITURE ITEMS	IDB/JSF	LOCAL	TOTAL
1. Consulting firm or specialized agency	460,500		460,500
1.1 Fees	(460,500)		(460,500)
1.1.1 International consultants 25 months: US\$175,000			
1.1.2 Dominican consultants 30 months: US\$90,000			
1.1.3 Per diems, travel and other benefits: US\$95,500			
1.1.4 Overhead: US\$100,000			
2. Individual consultants - Professors	81,000		81,000
2.1.1. Fees	(81,000)		(81,000)
Foreign professors equivalent 4 months: US\$36,000			
Dominican professors equivalent 4 months: US\$12,000			
Per diems and travel: US\$33,000			
6. General support	193,000	50,000	243,000
6.3 Computer equipment	(158,000)		(158,000)
6.4 Instructional materials	(35,000)		(35,000)
6.6 Support staff		(50,000)	(50,000)
98. Contingencies	15,500		15,500
TOTAL	750,000	50,000	800,000

E. Disbursements

1. Conditions precedent to the first disbursement

- 4.20 A condition precedent to the first disbursement will be the appointment of the technical director and the Dominican counterpart, as provided for in paragraphs 4.3 and 4.8. Before funds may be disbursed for component 2.b), the drafts of agreements to be signed with participating universities must have been submitted to the Bank and be satisfactory to the Bank.

2. Disbursement procedure

- 4.21 Once the conditions precedent have been satisfied, funds will be disbursed according to procedures established by the Bank, over a period not to exceed 24 months counted from the disbursement eligibility date. To facilitate execution of the program, an advance up to US\$75,000 may be made, to be justified in accordance with Bank rules and practices.

V. BENEFITS AND RISKS

A. Benefits

- 5.1 Development of the public investment component within the integrated financial management system framework (SIGEF) will significantly enhance technical skills in the public sector at each stage of the investment capacity and cycle. Upgrading mechanisms to identify, select, and monitor projects will result in a more efficient allocation of resources.
- 5.2 The human resources component will also strengthen the country's capacity to continue training professionals in the public sector in the theory and practice of the public investment process.
- 5.3 Implementing an investment project pipeline and monitoring system will provide an effective framework for flexible and functional coordination among the different agencies involved; it will make the information system more efficient (especially in the area of government spending); it will make it possible to begin the process of institutionalizing technical criteria for resource allocation decisions, establishing a national system for priority-setting; and it will make for more consistency among investment decisions, macroeconomic policies and short-, medium- and long-range development objectives.

B. Risks

- 5.4 The most significant risk has to do with the historically strong element of discretionary authority in the allocation of public resources. If this practice continues, little would come of program efforts. Safeguard: The new authorities have taken steps to reform financial management of public resources and to improve controls. The integrated financial management program (DR-0094) which is being processed in parallel with this technical cooperation will help government officials specifically to establish rules and practices ensuring universality and transparency in the management and application of resources.

VI. EVALUATION AND MONITORING

- 6.1 In the course of this operation there are plans for (i) close monitoring by the Country Office, supported by the project team, with an emphasis on evaluating progress and flexibility to any needed changes; and (ii) a midterm Bank mission (at approximately month five) which will assess progress and identify any changes needed.

**MATRIX OF ACTIONS FOR FULL IMPLEMENTATION OF THE INTEGRATED FINANCIAL MANAGEMENT SYSTEM (SIGEF)
TO BE SUPPORTED UNDER PROGRAM DR-0094**

ACTION	JUSTIFICATION	LEGAL INSTRUMENTS	TECHNICAL CONDITIONS
of an Audit Office in the Ministry of Finance (SEF).	The functions of posting and managing accounts should be separate from those of internal control and linked to the rest of the financial management system under the same ministry (SEF).	<ul style="list-style-type: none"> a. Partial repeal of Law 3894 on accounting and audit authority b. Law establishing a National Audit Office c. Promulgation of the Financial Administration Act 	Design of an organizational structure, functions, and procedures for accounting; development of rules and standards; and dissemination; bill for amending Law 3894 and establishing the Auditing financial administration bill.
of public debt management Ministry of Finance.	There is no public borrowing system which, in addition to complying with the legal requirements, ensures efficient management of public funds. The system should coordinate with the Central Bank (BCRD) and the Technical Secretariat of the Office of the President (STPR) and be integrated into the rest of the financial administration system under the same ministry (SEF).	<ul style="list-style-type: none"> a. Review and application of Resolution 618-93 by the Ministry of Finance, which established the Public Credit Department b. Agreement on technical support with the BCRD and gradual transfer of functions to a strengthened Ministry of Finance c. Promulgation of the Financial Administration Act 	Define the structure, organization and functions of public borrowing; develop and regulatory framework; training technical officers and users; prepare manuals; financial administration bill.
of the Directorate General of DGAG) as the agency that manages centralized policies, prices, etc.). Formal responsibilities for procurement to line agencies.	Clear policies and reliable and timely data are required to guide the actions of line agencies in procurement and contracting. These processes should also be decentralized to increase the efficiency and management accountability of line agencies.	<ul style="list-style-type: none"> a. Repeal of Law 295 on procurement b. Promulgation of a procurement and contracting act c. Establishment/modification of the basic regulations governing the DGAG 	Procurement and contracting bill and regulations; reorganization of the system; central unit; development of an information system as support; draft basic regulations for line agencies; institutional strengthening; training.
of a single-account system, nation of separate current matic payment orders by line payment management through accounts.	The management of line agencies should be facilitated through the introduction of a predictable and transparent payment system. An integrated system for cash management could generate returns from the investment of temporary balances and savings through harmonization with budget execution.	<ul style="list-style-type: none"> a. Decree eliminating separate current accounts b. Amendment of Law 3893 on the National Treasury Department c. Financial Administration Act and regulations 	Definition of methodology and standards for the single account; technical coordination with the Treasury Department with Budget and Public Credit; models for financial programming and revenue intake of financial administration bill.

ACTION	JUSTIFICATION	LEGAL INSTRUMENTS	TECHNICAL CONDITIONS
preaudit by the Office of the General. 1/	The CGR should specialize in the substantive tasks of internal control to evaluate financial management. Internal financial control under the SIGEF will lead to greater transparency and increase the accountability of government managers by removing external discretionality in the approval of financial transactions.	<ul style="list-style-type: none"> a. Amendments to Law 3894 on accounting and audit authority b. Decree regulating the internal control system c. Financial Administration Act and regulations 	Strengthening the internal control financial administration of line agencies; to amend the law on accounting authority; draft regulatory decrees; provisions concordant with those control; financial administration b and systems development.
functions of budget execution to the Ministry of Finance. be shared by the STPR and	The budget, which is the chief tool for applying economic policy, must be linked, within the agency in charge of the system, to the treasury, public borrowing and accounting systems, so that legal authority will not be scattered.	<ul style="list-style-type: none"> a. Amendment of Law 55 of 1965 in respect of the Technical Secretariat of the Office of the President b. Law transferring functions to the Ministry of Finance and reorganizing ONAPRES c. Financial Administration Act and regulations 	Bill to amend Law 55 and complete legislation and to transfer functions Ministry of Finance and reorganizing ONAPRES; financial administration

tion of such controls by the CGR will be limited to the financial administration area and will be replaced by internal controls under the new system. Other a priori controls (ing) will not be included.

of budget planning and policy will continue to be performed by the Office of the President, which will be strengthened in this aspect.

PROPOSED RESOLUTION

REPUBLICA DOMINICANA. TECHNICAL COOPERATION LOAN TO THE REPUBLICA DOMINICANA
(INTEGRATED FINANCIAL ADMINISTRATION PROGRAM)

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreements as may be necessary with the República Dominicana and to adopt such measures as may be pertinent for the execution of the plan of operations with respect to a Technical Cooperation Loan for an Integrated Financial Administration Program, referred to in Document AT-_____.

2. That up to the sum of US\$10,300,000, is authorized for the purposes of this resolution, chargeable to the resources of the Single Currency Facility of the Ordinary Capital of the Bank.

3. That the above-mentioned sum is to be provided on a reimbursable basis.

PROPOSED RESOLUTION

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

(Integrated Financial Administration Program)

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 other pertinent measures to use the resources of the account to pay a part of the interest due by the Borrower on outstanding balances of up to US\$10,300,000 of the loan authorized by Resolution DE-____/____.

PROPOSED RESOLUTION

REPUBLICA DOMINICANA. NONREIMBURSABLE TECHNICAL COOPERATION TO
THE REPUBLICA DOMINICANA FOR A PROGRAM FOR AN INVENTORY
AND MONITORING OF PROJECTS
(INTEGRATED FINANCIAL ADMINISTRATION PROGRAM)

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as administrator of the Grants Fund Established by the Japanese Government, to enter into such agreements as may be necessary with the República Dominicana and to adopt such additional measures as may be pertinent for the execution of the plan of operations referred to in Document AT-_____, with respect to a Technical Cooperation for a Program for an Inventory and Monitoring of Projects, which is part of the Integrated Financial Administration Program, referred to in the same Document AT-_____.

2. That up to the sum of US\$750,000, is authorized for the purpose of this resolution, chargeable to the Grants Fund Established by the Japanese Government.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.