

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

DOMINICAN REPUBLIC

**CONDITIONAL CREDIT LINE (CCLIP): PROGRAM TO SUPPORT
THE 10-YEAR EDUCATION PLAN**

(DR-X1004)

**SECOND INDIVIDUAL LOAN TO SUPPORT THE 10-YEAR
EDUCATION PLAN**

(DR-L1056)

LOAN PROPOSAL

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1.	Annual work plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36837963
2.	Monitoring and evaluation plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36837191
3.	Procurement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36837926
4.	Environmental and social management report http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36838022
OPTIONAL	
1.	List of completed sector work http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36838272
2.	Economic analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36836289
3.	Economic evaluation http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36838213
4.	Safeguard Policy Filter Report and Safeguard Screening Forms http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=37156040

ABBREVIATIONS

CCLIP	Conditional Credit Line for Investment Projects
CGR	Comptroller General's Office
DCC	Departamento de Compras y Contrataciones [Purchases and Contracts Department]
ICB	International competitive bidding
INAFOCAM	Instituto Nacional de Formación y Capacitación del Magisterio [National Institute for Teacher Training]
MESCYT	Ministry for Higher Education, Science, and Technology
MINERD	Ministry of Education
NCB	National competitive bidding
NPV	Net present value
OCI	Oficina de Cooperación Internacional [International Cooperation Office]
OEI	Organization of Ibero-American States
OPE	Oficina de Planificación Escolar [Educational Planning Office]
PUCMM	Pontificia Universidad Católica Madre y Maestra
QCBS	Quality- and cost-based selection
SEPA	System for the Execution of Procurement Plans
SERCE	Segundo Estudio Regional Comparativo y Explicativo [Second Regional Comparative and Explanatory Study]
SGCE	Sistema de Gestión de Centros Educativos [Educational Facility Management System]
SIGEF	Sistema Integrado en Gestión Financiera [Integrated Financial Management System]
UEPEX	Unidades Ejecutoras de Proyectos con Financiamientos Externos [Executing Units for Externally-Financed Projects] (SIGEF module)
WAL	Weighted average life

PROJECT SUMMARY

DOMINICAN REPUBLIC SECOND INDIVIDUAL LOAN TO SUPPORT THE 10-YEAR EDUCATION PLAN (DR-X1004)

Financial Terms and Conditions			
Borrower: Dominican Republic Executing Agency: Ministry of Education of the Dominican Republic (MINERD)		Flexible Financing Facility*	
		Amortization period:	25 years
		Original WAL	15.25 years
Source	Amount (US\$)	Disbursement period:	3 years
		Grace period:	5.5 years
IDB (OC)	50,000,000	Inspection and supervision fee:	**
Local	15,000,000	Interest rate:	LIBOR-based
Total	65,000,000	Credit fee:	**
		Currency:	U.S. dollars from the Bank's Ordinary Capital
Project at a Glance			
<p>Project objective: As was the case under the first CCLIP operation, the objectives of this second operation are to support the MINERD in its efforts to improve performance and efficiency in elementary and secondary schools, to consolidate improvements in literacy and mathematics in the first cycle of basic education, and to expand school infrastructure. In the districts and schools targeted, the operation aims to: (i) alleviate classroom overcrowding; (ii) improve internal efficiency; (iii) increase actual instruction time; (iv) improve the school climate; and (v) improve performance in the first cycle of basic education. The program will directly benefit approximately 125,000 students (paragraph 1.24).</p>			
<p>Special contractual conditions: (i) precedent to the first disbursement, entry into effect of the updated Operating Manual (paragraph 3.5); and (ii) creation of the Coordinating Committee, which is a condition previously met (paragraph 3.1).</p> <p>This loan may be part of the Automatic Redirection List of the Contingent Loan for Natural Disaster Emergencies (DR-X1003) (paragraph 1.32).</p>			
<p>Exceptions to Bank policy: None.</p>			
Project qualifies as:		SEQ <input checked="" type="checkbox"/>	PTI <input type="checkbox"/>
		Sector <input type="checkbox"/>	Geographic <input type="checkbox"/>
		Headcount <input type="checkbox"/>	

(*) Under the terms of the Flexible Financing Facility (FN-655-1), the borrower may request modifications in the amortization schedule, as well as the currency and interest terms of the loan. In considering such requests, the Bank will take operational and risk management elements into account.

(**) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the Bank's policies relating to the calculation of charges for Ordinary Capital loans. In no case will the credit fee exceed 0.75%, nor will the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problems, and rationale

- 1.1 **Main sector challenges.** In recent decades, the Dominican Republic has made significant efforts to expand the access of the population to education and improve the quality of education services. Nonetheless, significant quality and equity gaps remain, as well as high rates of scholastic failure. Although attendance is high at almost all levels of the education system (gross rates of 38% in preschool, 104% in basic education, and 70% in high school), failure rates are also high. In the period 2009-2010, 76% of students completed basic education (1st-8th grade) but only 29% completed on schedule. At the high school level (9th-12th grade), the situation is even more challenging. Only 42% of young people complete high school, with just 17% completing at the targeted age. Scholastic achievement is also very weak. Dominican 3rd and 6th grade students came in last among 16 Latin American countries that participated in mathematics and reading tests under the 2006 Second Regional Comparative and Explanatory Study (SERCE). National tests support these findings, showing stagnation in student achievement in recent years (MINERD, 2011; Prado, 2011 - [electronic link #1](#)).¹

Table I-1. Internal efficiency indicators (%)

Description	1st grade			3rd grade			4th grade			6th grade			8th grade		
	U	R	N	U	R	N	U	R	N	U	R	N	U	R	N
Failure	6	11	9	14	18	16	10	12	11	8	9	8	5	5	5
Dropout	5	7	6	4	5	4	3	4	4	3	4	4	1	2	1
Total (failure plus dropout)	11	18	15	18	23	20	13	16	15	11	13	12	6	7	6
Overage - 2 years or more	13	13	13	23	28	25	25	31	27	26	31	28	26	35	29
Overage - 3 years or more	7	8	7	11	15	13	12	17	14	12	17	13	11	19	13

Source: Own calculations, based on enrollment data for 2009-2010. Notes: U=Urban, R=Rural, N=National.

- 1.2 **High levels of failure and overage students.** Many of the problems of internal efficiency and quality in Dominican schools begin in the first cycle of basic education (1st-4th grade). Although in the first two grades, grade promotion is automatic, high levels of grade failure and dropout persist, and these increase substantially in the 3rd grade. There are also significant gaps according to place of residence (70% and 84% of students enrolled in basic and secondary school, respectively, are from urban areas), with rural areas disproportionately affected. Statistics for 2009-2010 show an 18% failure/dropout rate for 1st grade pupils in rural public schools (11% fail, 7% dropout), compared with a failure/dropout rate of 11% among their counterparts in urban areas (6% and 5%, respectively). On average, school failure rates in basic education are 17% higher than at the national level. Failure and drop out rates at 3rd grade level are also alarming (23% in rural areas, 18% urban, 20% national). These rates decline in subsequent grades, but the problem persists (see Table I-1).

¹ All bibliographical references in this document can be found in the Electronic Links (electronic link #1).

- 1.3 The combination of late entry to 1st grade (16% of 6-year olds) and the persistent problem of scholastic failure have created a widespread phenomenon of overage students within the education system. The proportion of pupils at the correct age for their grade declines with grade level. While 75% of 1st grade students are in the correct age group (6 years or under), by 8th grade this proportion falls to just 54%. While 20% of 1st grade pupils in urban schools are overage by 2 or more years, 36% of 8th grade students fall into this category. In rural schools, these numbers are even more alarming, particularly in the high school years. While 17% of rural 1st grade students are overage by 2 or more years, 53% of 8th grade pupils fall into this category.
- 1.4 **Weak scholastic achievement and inequality in basic education.** The problem of school failure is compounded by weak performance. Only 9% of Dominican 3rd graders and 7% of 6th graders demonstrated basic levels (II-IV) of ability in SERCE mathematics tests. In the case of reading, the figures were 4% and 11%. This means that a substantial majority of students do not understand what they are reading.² As in the case of overage students, inequality related to location and level of income is a persistent problem. While 12% of urban 3rd grade students attain minimum levels of ability in mathematics, the figure for rural areas is 6%. The results for literacy are similar: while 25% of urban 3rd-graders have basic skills, this is true of only 17% of students in rural areas. Similar differences can be seen among 6th graders. Analysis of achievement by level of income shows that, on average, students in the poorest quintiles have test scores far below those in the highest quintiles.³
- 1.5 The ability to read is a decisive factor in determining a child's future academic success. During the first grades of basic education, children should "learn to read" in order to then be able to "read to learn."⁴ Good reading comprehension is essential for learning other subjects and succeeding in future academic life, particularly as the complexity of texts and books increases as students advance across grades and levels. Poor reading ability is one of the reasons for persistently high rates of failure in the early grades. Weakness in reading comprehension and basic mathematics increases the chances of future school failure, even in the case of those students who manage to enter high school. One of the greatest challenges for the education system is related to its limited ability to translate student retention into effective years of schooling.
- 1.6 Low test scores and indicators of internal efficiency point to structural problems in the supply of education services that begin with basic education (particularly in the first cycle) and continue into high school. These problems can be classified into

² With Bank support, the Ministry of Education (MINERD) carried out an evaluation of students beginning 4th grade in 2010. On average, students answered 38% of mathematics questions correctly and 37% of reading questions.

³ The average reading score for 3rd graders, for example, was 395.4. The lowest decile scored only 273.8, while the highest scored 450.9. The lowest quintile scored 353.1 and the highest 504.8.

⁴ Chall, 2000; McGuinness, 1997; Snow, et. al. 1998; Sousa, 2009; Dehaene, 2009 ([electronic link #1](#)).

three groups: (i) a scarcity of basic physical resources for teaching (infrastructure, books, materials, etc.); (ii) poor teaching quality; and (iii) ineffective school management.

- 1.7 **Quality and coverage gaps in school infrastructure.** The expansion of education services over the last 15 years has far outpaced the growth in education infrastructure. This has resulted in serious overcrowding in schools, particularly in urban areas (a consequence of rising urbanization in the country) and public schools. To meet growing demand, the Ministry of Education (MINERD) has been forced to introduce two or more shifts within a single school building, despite the management difficulties and more limited teaching hours that this implies. Currently, 75% of schools offer two shifts, 10% offer three, and only 15% offer a single shift. In public schools with 500 or more students, which are mostly urban and account for 69% of public school enrollment, the pupil/classroom ratio is 78.2, compared with 29.2 in the private sector. In the largest schools (with more than 3,000 pupils, accounting for 6% of public school enrollment), MINERD data puts the number of students per classroom at 117. Growing demand for high school education has obliged the MINERD to establish schools in improvised facilities in poor condition. Some 3,017 classrooms fall into this category, equivalent to 9% of the total.
- 1.8 The problem affects both basic and secondary education. Of the total number of students enrolled in high school, 66% attend classes in basic education facilities, while 16% attend in the evening with a limited class schedule and interruptions due to power cuts. Only 18% benefit from dedicated high school facilities. Many classes are very large: some 2,106 classes in high schools with 500 students or more and 5,514 in the basic education schools have more than 40 students. The most serious problems of overcrowding and multiple shifts are to be found in the major population centers and their surrounding areas. The existence of various schools sharing the same infrastructure and making intensive use of school facilities creates problems for the management of class schedules, accelerates the deterioration of buildings and furnishings, and intensifies conflicts between shift administrators and principals.
- 1.9 Multiple shifts also undermine observance of the school day. Public school students are receiving just over 50% of the classroom time stipulated in the curriculum. A 2008 EDUCA-Gallup study ([electronic link #1](#)) found that the average time devoted to classes in basic education schools was 2 hours and 41 minutes per day when it should be 5 hours (65%). In schools with afternoon shifts, classroom time averaged only 2 hours and 14 minutes per day (56% of the required time). The pattern in high schools is similar and is exacerbated by the fact that a greater proportion (55% on average) of enrolled students attend afternoon and evening classes.
- 1.10 All of these factors take their toll on the school environment and on student performance. In high schools, students in the most crowded classes and those in the evening shift have significantly worse grade promotion and dropout rates. For

evening students, the grade promotion rate is approximately 73%, compared with 91% for the morning shift and 87% for the afternoon.⁵ The dropout rate is also higher in the evening shift: 13% compared with 2% and 5% in the morning and afternoon shifts, respectively. Public high schools in urban areas with overcrowding (over 35 students per class) also have a lower grade promotion rate (72.8%) than those without overcrowding (85.5%).

- 1.11 **Low teaching quality.** Another of the challenges faced by the Dominican education sector is low teaching quality. Despite a high number of university graduates (90%) (PREAL, 2010 – [electronic link #1](#)), scholastic achievement remains weak and lower than in the rest of the region. There are a number of reasons for this, including: (i) poor initial teacher training; (ii) in-service teacher training that is unfocused and unrelated to classroom needs; (iii) weak or nonexistent classroom monitoring; and (iv) a lack of methodologies, guidelines, and educational resources necessary for teachers to adequately serve the school population. Moreover, teacher training is excessively theoretical and poorly targeted to the practical realities that teachers face in the classroom.⁶
- 1.12 **Ineffective school management and centralization.** Several studies have demonstrated the importance of good pedagogical leadership by school principals. Despite this, the current functions of school leaders are focused on basic administrative tasks, such as the provision of information to sector authorities and the resolution of routine conflicts. Most school principals are inadequately trained for the administrative and pedagogical management tasks for which they are responsible. They undertake little or no monitoring of student progress with a view to identifying pupils at risk of failing. Moreover, due in part to the multitude of shifts, they are unable to effectively manage infrastructure and the teaching body. As a result, schools fail to comply with the mandatory school calendar and teaching hours. (OECD, 2008; World Bank, 2012 – [electronic link #1](#)). Finally, school principals do not usually have the resources necessary to launch their own initiatives and carry out basic maintenance of the infrastructure under their responsibility. In relation to centralization, processes of deconcentration and strengthening of the management and monitoring of schools through the use of district teams need to be strengthened, so that these teams can better prioritize quality improvement initiatives in their areas (OECD, 2008 – [electronic link #1](#)).

⁵ In addition to weaknesses in the supply of education services, factors such as self-selection by students can affect learning outcomes. However, in the majority of schools offering an evening shift: (i) there either are no daytime classes; or (i) those that do exist are overcrowded. The government has established the elimination of high school evening shifts as a priority, with a view to freeing up basic education schools and reducing deterioration of their infrastructure. In addition, initiatives such as the High School Semi-Distance Education Program have been introduced with the objective of improving the quality of high school education. Evaluation of that program will be financed under the first CCLIP operation. Lastly, the Solidarity Program will allow families with high school students to receive conditional cash transfers from 2013 onwards.

⁶ Álvarez, 2004; OECD, 2008; PREAL 2010; World Bank, 2012; MESCYT, 2012 ([electronic link #1](#)).

- 1.13 **Government policies to improve the education system.** With a view to improving the quality of education and dealing with the challenges set out above, the Dominican government launched the 2008-2018 Ten-year Education Plan and the 2008-2012 Strategic Plan for Education Management. These plans are aimed at (i) enhancing coverage, particularly at the high school level; (ii) improving grade promotion and graduation rates and reducing dropout rates; (iii) establishing quality standards and a school performance evaluation system; and (iv) creating the conditions for compliance with the school calendar and schedule. Specifically, the Strategic Plan for Education Management establishes two measures for achieving better scholastic outcomes: (i) an increase in the number of class hours (quantity) from 2.5 hours (2008) to a minimum of 4 hours; and (ii) an improvement in the quality of classroom teaching to achieve desired scholastic outcomes (quality).
- 1.14 **Progress in the construction of school infrastructure.** In order to expand access for rural and disadvantaged urban population groups to education services, reduce the number of evening and afternoon shifts, reduce the number of students per class, and facilitate a school day of at least five hours, the government has pursued an aggressive program of school construction since 2004. Over the 2004-2011 period, the MINERD refurbished 7,511 classrooms and built a further 6,644, for an investment of more than US\$450 million, financed both with own resources and by multilateral organizations. In addition, resources for maintaining 16,000 urban, peri-urban, and rural schools have been transferred through district and regional boards. In terms of refurbished and newly constructed classrooms, this figure represents 31% of all classrooms built since the Republic was founded through 2004. Despite these substantial efforts, the deficit is still a significant one. According to the 2008-2012 Master Plan for School Infrastructure, which contains an assessment of needs, locations, shift use and enrollment, and physical infrastructure, the deficit of classrooms in 2012 is estimated at more than 30,000, once population growth and present needs are taken into account. The MINERD is also equipping the country's rural schools with solar panels and generators, in order to introduce electricity and technologies aimed at improving learning environments for rural pupils.
- 1.15 **Advances in the quality of teaching.** In 2009, the Ministry for Higher Education, Science, and Technology (MESCYT) launched the Plan to Reformulate Teacher Training Study Plans. This began with an analysis of 89 teacher training study plans in the country's 25 teacher training institutions. An assessment was conducted of each entity, resulting in the preparation of profiles and standards for the reformulation of study plans. In 2012, the MESCYT introduced a policy for initial teacher training, and designed the National Plan for the Training of Trainers, with an interagency body for the accreditation of study plans. Currently, 5 of the 25 institutions have reformulated study plans. Given the nature of the reform process, results are expected to be seen in the education system within 10 to 20 years. In parallel, with the Bank's support through the first operation (loan 2293/OC-DR) under the Conditional Credit Line for Investment Projects, or CCLIP (DR-X1004), a policy to support reading, writing, and mathematics skills in

the early basic education grades was also launched. In-service training was provided to 7,700 teachers in 2011. The Bank is also providing support to the MESCYT and MINERD under a technical cooperation project for the Improvement of Teacher Training and the Evaluation of Education (ATN/OC-11844-DR). This operation has financed a baseline survey of literacy and mathematics skills among students beginning 4th grade, and it has also supported reform of initial teacher training.

- 1.16 **Progress in school management and decentralization processes.** Over the last decade, the MINERD has moved forward with reorganization of the school system, decentralizing certain functions and creating room for greater participation and responsibility in regions, districts, and schools. A total of 104 districts have been established with the aim of supporting school management with technical staff. Funding for infrastructure maintenance, procurement of materials, organization of workshops, etc., has been deconcentrated to the districts. In addition, the Educational Facility Management System (SGCE) has been consolidated over the last four years, with a number of modules aimed at supporting school administration. As part of this process, 1,502 school principals have been trained and provided with computer equipment to use the SGCE. Also, 2,199 facilities have seen the creation of the role of teaching coordinator, who is responsible for coordinating the work of the teaching body at each school. Finally, in 2011, a school was launched to train school and district leadership for improved school management. The Bank will support improvements to school management through the program Support for Consolidation of the Social Protection System (loan 2733/OC-DR), which will channel US\$1 million to improve the design and use of the SGCE, thus facilitating the presentation of co-responsibilities to the Solidarity Program. Support is also being provided to the MINERD for the improvement of deconcentrated regional and district management, through the recently approved technical cooperation operation for results-based management (ATN/OC-13011-DR).
- 1.17 Lastly, the government has recently launched a pilot project to introduce a complete or extended school day in 20 schools around the country, with positive preliminary results. The schedule in these schools runs from 8:00 a.m. to 4:00 p.m., which includes 5 class periods in the morning and 3 workshops and tutorial periods in the afternoon, for a total of 8 periods of 45 minutes each, compared with 5 periods in regular school schedules. Two recent evaluations carried out by EDUCA-MINERD (2012) and the World Bank (2012) ([electronic link #1](#)) have demonstrated that although challenges still exist, teachers are using time more efficiently compared with schools with a normal day, with teaching time almost doubling (3.8 hours of effective teaching time over the extended school day, compared with 2.1 hours in the regular timetable). Recent studies in the region show that an extended school day is correlated with improved achievement, particularly in the case of poorer students.⁷ That said, despite the success of this model, most schools offering the

⁷ Duarte, et. al., 2011; Cerdán-Infantes and Vermeersch, 2007; Bellei, 2009 ([electronic link #1](#)).

extended school day face infrastructure challenges: 12 of the 20 schools do not have sufficient classrooms or cafeterias, while 7 have facilities in poor condition.

- 1.18 **First operation under the CCLIP.** The Program to Support the 10-year Education Plan (loan 2293/OC-DR) was the first operation under the CCLIP. It was aimed at responding to the main challenges and strategic lines set out in the Ten-year Education Plan and the Strategic Plan for Education Management. The objective of this first operation, which totaled US\$50 million (plus a counterpart contribution of US\$10 million), was to support the MINERD in improving the performance and effectiveness of elementary and secondary schools with more than 500 pupils. The operation was approved by the Board of Executive Directors on 3 February 2010 and attained eligibility on 25 October 2010. It has three components: (i) Component 1. Improvement of performance in reading, writing, and mathematics, which aims to improve the quality of education through in-service training and monitoring of teachers, district technical staff, and principals, through support agreements with three nongovernmental organizations with ample experience in the education sector: Centro Cultural Poveda, Pontificia Universidad Católica Madre y Maestra (PUCMM), and the Organization of Ibero-American States (OEI).⁸ Execution of this component began at the start of the 2011 school year (September). To date, more than 16,300 teachers and school principals from some 2,200 schools have been trained; (ii) Component 2. School management and education administration, which aims to strengthen management teams through training in school planning and financial management, and to decentralize funding to school and district boards. In 2011, the new MINERD authorities launched the school administrator program, which has trained 425 school principals. In addition, some US\$2.5 million have been transferred to school, district, and regional boards in support of deconcentrated management and the refurbishment of about 16,000 classrooms; and (iii) Component 3. Improvement in the supply of secondary education, under which 143 high school classrooms (10 schools) have been built and 161 basic education school classrooms have been refurbished. A further 304 classrooms are still under construction at 19 high schools. Preliminary results under Component 1 interventions point to improved scholastic achievement among 3rd and 4th grade girls and boys in the areas of reading, writing, and mathematics (Valverde, Luna, and Roncagliolo, 2011 – [electronic link #1](#)).
- 1.19 Upon approval of this second operation, the conditions established for the first operation under CCLIP guidelines (document GN-2246-1, as amended) will have been fulfilled: (i) execution has been satisfactory, with a performance index of 1.01 according to the project monitoring report, which suggests that the project's development objectives will be achieved; (ii) 84.4% of the loan proceeds have been committed, and 64.6% have been disbursed; (iii) the borrower and the executing agency have fulfilled the contractual conditions of the loan; and (iv) the Bank has

⁸ In February 2011, the new authorities altered the strategy, which was originally to be implemented by the MINERD, Instituto Superior de Formación Docente Salomé Ureña, and Instituto Nacional de Formación y Capacitación del Magisterio [National Institute for Teacher Training] (INAFOCAM).

received the unqualified audited financial statements for the project, dated 31 December 2011.

- 1.20 **Other Bank loan operations in the sector.** In addition to the first CCLIP operation, in recent decades the Bank has supported the sector with two loan operations for a total of US\$132 million. The Multiphase Program for Modernization of Secondary Education (loan 1289/OC-DR for US\$52 million, approved on 6 December 2000 and concluded on 28 March 2009) supported the creation of 707 school boards, the construction of 160 new classrooms, and the refurbishment of 132 more. The Multiphase Program for Equality in Basic Education (Loan 1429/OC-DR for US\$80 million, approved on 6 November 2002 and concluded in December 2011) financed the implementation of the Innovative Multigrade School for rural multigrade schools, and the Program in Support of Quality Education in disadvantaged urban schools. Both included the production and distribution of materials, support for school management, training for teachers, principals, and district technical staff, and, in the case of the Program in Support of Quality Education, the classroom-based monitoring of teachers. The project also supported the construction, refurbishment, and expansion of schools.⁹
- 1.21 **Program strategy.** The objective of the first CCLIP operation was to support the MINERD in improving the performance and effectiveness of elementary and secondary schools with more than 500 pupils. This second operation provides continuity with the strategies proposed under the first operation, maintaining the logic of the program and deepening support for the MINERD's efforts to reduce school overcrowding, increase actual classroom hours, and improve school performance. Construction of elementary and secondary school infrastructure and the upgrading of schools to accommodate the extended school day will be continued. The results of activities to improve reading, writing, mathematics, and management financed under the first CCLIP operation will be systematized and evaluated. Schools will also be provided with pedagogical resources to support these activities and the school day program.
- 1.22 Reducing crowding in makeshift classrooms and eliminating evening shifts in the areas targeted by the investment will help to improve the physical environment for learning. This should translate into improved classroom management by teachers, improved student performance, and, as a result, an increase in the internal efficiency of the system, reflected in lower failure rates. Several studies support these expectations, having shown a link between reductions in class sizes and improvements in performance.¹⁰ In some cases, a positive correlation has been shown between a reduction in class sizes and declining dropout rates (Krueger, 2001 - [electronic link #1](#)). At the same time, increases in actual class hours are linked to improved student performance.¹¹

⁹ Owing to deficiencies in the baseline survey, there is no impact evaluation for the program.

¹⁰ Angrist and Lavy, 2009; Fidler, 2001; Krueger, 2003; Urquiola, 2005 ([electronic link #1](#)).

¹¹ Abadzi, 2009; Bellei, 2009; Tenti, 2010; Mandel, 2011 ([electronic link #1](#)).

- 1.23 **Alignment with the country strategy and the GCI-9.** The operation is aligned with the Bank's 2010-2013 country strategy with the Dominican Republic (document GN-2581), the strategic objective of which, in the education sector, is to improve the quality of basic and secondary education in low-income areas, through reductions in overcrowding (basic and secondary education), improvements in effective grade promotion rates (basic and secondary education), and improvements in reading, writing and mathematics learning (basic education schools). The operation contributes to the targets set out under the Bank's Ninth General Capital Increase (GCI-9) (document AB-2764) and is framed within the Bank's Strategy on Social Policy for Equity and Productivity (document GN-2588-3). It was included in the Report on the 2012 Program of Operations (document GN-2661-4).

B. Objectives, components, and cost

- 1.24 As was the case under the first CCLIP operation, the objectives of this second operation are to support the MINERD in its efforts to improve performance and efficiency in elementary and secondary schools, to consolidate improvements in literacy and mathematics in the first cycle of basic education, and to expand school infrastructure. In the districts and schools targeted, the operation aims to: (i) alleviate classroom overcrowding; (ii) improve internal efficiency; (iii) increase actual instruction time; (iv) improve the school climate; and (v) improve performance in the first cycle of basic education. The program will directly benefit approximately 125,000 students.
- 1.25 **Component 1. Expansion and equipping of school infrastructure (US\$39.9 million).** This component will provide further support for the MINERD's efforts to reduce overcrowding in elementary and secondary schools, reduce evening shifts, bridge the deficit in school infrastructure, and improve existing school facilities.¹² Financing will also be provided for the launch of a program to improve the management and integration of school shifts.
- 1.26 **Subcomponent 1.1. Upgrading of schools for the extended school day and integration of shifts to improve school management.** This subcomponent will finance: (i) infrastructure upgrades at 20 schools currently offering the extended school day, and in another 50 in which the model is to be introduced. Funding will be provided for the repair of school facilities and the construction and outfitting of school cafeterias, laboratories, and other areas that help to improve learning conditions; and (ii) the integration of the various shifts by means of the creation of unified management teams that will receive training and technical support. The unified teams are expected to improve management of schools and the teacher workforce.
- 1.27 **Subcomponent 1.2. Construction and equipping of basic education classrooms.** This subcomponent will finance: (i) the review of architectural designs and

¹² Prioritization is based on 2009-2010 data. Enrollment in the schools to be built and that of the facilities within their area of influence will be updated with 2010-2011 data.

topographical surveys of plots; and (ii) construction of 176 basic education classrooms (160 basic education classrooms and 16 pre-school annexes) in 8 new school complexes, including the necessary equipment. Design of the schools will respond to educational needs and will include the basic elements required for them to offer the extended school day at a later stage.¹³ The planned infrastructure will help to reduce school overcrowding in the urban area of Higüey and the low-income urban areas of Villa Hermosa, Constanza, Yamasá, Santiago, San Pedro de Macorís, Los Alcarrizos, and Santo Domingo Oeste. These could be replaced by other similar areas with the written consent of the Bank and provided the selection criteria agreed upon between the parties have been met.

- 1.28 **Subcomponent 1.3. Construction and equipping of secondary school classrooms.** This subcomponent will finance the construction and equipping of classrooms in 17 high schools. Laboratories will be provided for 34 additional high schools that have been or are currently being built by the MINERD with financing under the first CCLIP operation and with own resources. The planned secondary schools will help to reduce overcrowding and eliminate evening shifts in the low-income urban areas of: Higüey, Villa Hermosa, Puerto Plata, San Cristóbal, Villa Altagracia, San Pedro de Macorís, Santiago, Santiago-Puñal, Santo Domingo Oeste/Los Alcarrizos, Rincón, and Villa Linda-Palmarejo, as well as the rural areas of La Vega, Baní, and Licey-Tamboril. These could be replaced by other similar areas with the written consent of the Bank and provided the selection criteria agreed upon between the parties have been met.
- 1.29 The schools targeted under this component are located in disadvantaged urban (84%) and rural areas (16%). They will also help to replace or reduce overcrowding in: (i) schools with improvised, borrowed, or rented classrooms in poor or risky conditions for students; (ii) secondary schools with evening shifts operating in basic education school facilities; or (iii) schools with at least one secondary school shift and an average class size of more than 40 (see [List of Works](#)).
- 1.30 **Component 2. Improvement in the quality of basic education (US\$9 million).** This component aims to improve learning in basic education, particularly in the areas of reading, writing, and mathematics. Those institutions that have worked with the MINERD to execute these activities under the first CCLIP operation (Centro Cultural Poveda, PUCMM, and OEI) will continue to operate with own resources and MINERD financing, through INAFOCAM. At the same time, support will continue for improvements to teaching practices through the provision of educational resources and materials.
- 1.31 The following activities will be financed: (i) systematization of the service provision models of the three organizations that have collaborated with the MINERD (Centro Cultural Poveda, PUCMM, and OEI); (ii) development of a system for the monitoring and analysis of these organizations' activities;

¹³ Each complex will have, on average, 16 basic education classrooms, 2 pre-school classroom annexes, a principal's office, a teachers' lounge, a library, a cafeteria, and restrooms.

(iii) provision of a package of educational resources to support learning and the work of teachers (technology corners, libraries); (iv) measurement of learning progress in children attending schools supported by the organizations collaborating with the MINERD; and (v) provision of sports, cultural, and academic reinforcement packages for the extended school day program. The upgrading of infrastructure linked to this latter program is included in Component 1.

- 1.32 **Cost and financing.** This second CCLIP operation will have a total cost of US\$65 million: US\$50 million financed with resources from the Bank's Ordinary Capital and US\$15 million in counterpart resources. This loan may be part of the Automatic Redirection List of the Contingent Loan for Natural Disaster Emergencies (DR-X1003).

Table I-2. Cost of second CCLIP operation (US\$ thousands)

Cost category	IDB	Local	Total	%
Component 1. Expansion and equipping of school infrastructure	39,984	10,425	50,409	77.6
Subcomponent 1.1. Upgrading of schools for the extended school day	4,984	0,625	5,609	
Subcomponent 1.2. Construction and equipping of basic education classrooms.	12,320	2,552	14,872	
Subcomponent 1.3. Construction and equipping of secondary school classrooms	22,680	7,248	29,928	
Component 2. Improvement in the quality of basic education	9,040	2,980	12,020	18.5
Administration, monitoring, and evaluation	0,976	1,070	2,046	3.1
Contingencies	0	0,525	0,525	0.8
Total	50,000	15,000	65,000	100.0

C. Key results indicators

- 1.33 The key results expected from this operation include: (i) improvements in reading and mathematics achievement among students attending the first cycle of basic education in schools that offer the extended school day and are supported by Centro Cultural Poveda, PUCMM, and OEI; (ii) improved grade promotion rates in elementary and secondary schools supported by Centro Cultural Poveda, PUCMM, and OEI, with integrated shifts, an extended school day, and in the new high schools; (iii) an improved school climate index in schools offering the extended school day with integrated shifts; (iv) increased hours of instruction at schools offering the extended school day with integrated shifts; (v) a decline in the percentage of high school pupils attending evening shifts; and (vi) a reduction in the number of students per class in elementary and secondary schools. For more details on results indicators, see Annex II.

II. FINANCING STRUCTURE AND RISKS

A. Financing instrument

- 2.1 The financial terms and conditions for the second CCLIP operation will be as follows: (i) LIBOR-based interest rate; (ii) 25-year amortization period; (iii) 3-year

disbursement period; (iv) 5.5-year grace period; and (v) a weighted average life (WAL) of 15.25 years. The execution period will be three years. The disbursement schedule is presented in Table II-1.

Table II-1: Disbursement schedule for the second operation (US\$ millions)

Source	Year 1	Year 2	Year 3	Total
IDB	4.14	18.58	27.28	50.00
Local	3.48	6.07	5.46	15.00
Total	7.62	24.65	32.74	65.00

B. Risks

- 2.2 **Environmental and social risks.** This operation has been classified as category “B” because it calls for civil works. In accordance with the Environment and Safeguards Compliance Policy (OP-703), consulting services have been engaged to identify the necessary mitigation measures, and an [environmental and social management report](#) has been prepared. No adverse social impacts are anticipated.
- 2.3 **Fiduciary risks.** As indicated in the Bank’s policies governing CCLIP operations, the institutional analysis carried out using the [Institutional Capacity Assessment System](#) was updated. The review concluded that the MINERD can fulfill the management functions required for project execution.¹⁴ It also indicated that there are opportunities for improvement in the areas of programming of activities, human resource management, administration of goods and services (procurement), and internal control. Accordingly, the fiduciary risk associated with execution of this second CCLIP operation is medium. Based on this analysis, strengthening of the executing agency through funding for additional financial/accounting and procurement staff is planned.
- 2.4 Over the last 10 years, the MINERD’s capacity to execute investments supported by the Bank has improved substantially, rising from US\$93.3 million in the 1992-2003 period to US\$170 million in 2004-2011. Under the first CCLIP operation, 64.6% of the loan has been disbursed. As of 25 September 2012, 84.4% of the resources provided under the first operation have been committed, following award of the contract for construction of 19 high schools (bid ME-LPI-001-2012). The MINERD is considered to have sufficient capacity to execute this second operation.
- 2.5 **Other risks.** As was the case in the first CCLIP operation, 5% of the budget for works has been set aside for contingencies. The inputs of the National Disaster Prevention and Risk Management Program (loan 1708/OC-DR) will be used to design school plans to mitigate environmental and other risks.

¹⁴ Administrative organization, financial management, and external control systems.

III. IMPLEMENTATION AND ACTION PLAN

A. Summary of execution arrangements

- 3.1 The borrower is the Dominican Republic, and the executing agency will be the Ministry of Education (MINERD). Overall management of the program will be the responsibility of the Coordinating Committee, which will chart the strategic course for the program. The Coordinating Committee was created for the first CCLIP operation and is coordinated by the International Cooperation Office (OCI). As under the previous operation, it will be responsible for program execution and results, official communications with the Bank, and the management of disbursements. **Creation of the Coordinating Committee is a condition that has already been met.**
- 3.2 The OCI, the Financial Division, and the Procurement Division will be responsible for administration of the loan proceeds. The Basic Education Division and the Division for the Evaluation and Control of Quality in Education will be responsible for the technical specifications of the goods and services to be procured under Component 2. The OCI and the Infrastructure and School Maintenance Divisions will be responsible for preparing terms of reference and the technical specifications of the goods, works, and consulting assignments planned under Component 1, as well as their procurement. The Educational Planning Office (OPE) will support the OCI with project monitoring and evaluation processes. The Operating Manual will set out the details of the integration and functions of the different bodies involved in execution.
- 3.3 **Reporting.** The MINERD will submit semiannual reports to the Bank describing progress and challenges in execution. The project monitoring report will be attached as an annex. Each December, the MINERD will submit updated work and procurement plans.
- 3.4 **System for execution supervision.** The program will adopt the Bank's supervision and monitoring mechanisms. The project supervision plan will be developed with the executing agency and confirmed during the startup workshop, taking into account the project report, the results matrix, the Operating Manual, and the findings of the risk analysis. It will include a multiyear program setting out the sequence of activities and the resources necessary for their implementation.
- 3.5 **Operating Manual.** The Operating Manual for the first CCLIP operation will be revised for use in this second operation. **The entry into effect of the Operating Manual updated by the MINERD will be a special condition precedent to the first disbursement of the loan proceeds.**

B. Procurement of goods and services

- 3.6 The procurement of goods and services and the selection and contracting of consulting services will be carried out in accordance with the Bank's policies for the procurement of goods and works (document GN-2349-9) and the selection and

contracting of consultants (document GN-2350-9) financed by the Bank. See the [procurement plan](#).

C. Activities subsequent to approval

- 3.7 **Audit.** An external audit will be conducted by independent auditors in accordance with the requirements and based on the terms of reference agreed upon with the Bank. The audited annual financial statements of the project will be delivered to the Bank within 120 days after the end of each fiscal year, and in the case of the final statements, within 120 days after the last disbursement. In addition, an audited midterm financial report of the activities financed in the six-month period between January and June of each year will be presented. Audit costs are part of the program cost and will be financed with proceeds from the loan.
- 3.8 **Economic evaluation.** The ex ante evaluation of program benefits using microsimulation tools indicates that the net present value (NPV) of each of the components is positive. In the case of Component 1, Subcomponent 1.2, for the construction and equipping of basic education classrooms, the NPV is positive, with a cost-benefit ratio of 1.51. In the case of Subcomponent 1.3, for the construction and equipping of secondary school classrooms, the NPV rises to 1.45 (see [economic evaluation](#)).
- 3.9 **Monitoring and evaluation.** The information required for monitoring will be obtained from: (i) existing information systems (SIGEC, the System for Education Monitoring and Supervision, the National Testing System, and the Performance Evaluation System); (ii) monitoring reports produced by the OCI and the OPE; and (iii) the reports of independent supervisory firms. In addition, a specific system will be established to collect, analyze, and monitor Component 2 activities. This will include database updates and the semiannual presentation of output and outcome reports. In addition to monitoring, the following evaluations are envisioned: (i) the impact of new school facilities on reflective teaching processes and, to the extent possible, of non-experimental methods (inverse probability weighting adjustment); and (ii) ex post economic evaluation of the program (ex post cost-benefit analysis).

Development Effectiveness Matrix Summary

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	(i) Lending to small and vulnerable countries, and (ii) Lending for poverty reduction and equity enhancement.		
Regional Development Goals	(i) Share of youth ages 15 to19 who complete ninth grade.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	(i) Students benefited by education projects (girls, boys).		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2581	To improve the quality of basic and secondary education in low income areas: (i) Reduced overcrowding of school infrastructure in basic and secondary education, and (ii) Improved effective promotion rates in basic and secondary education.	
Country Program Results Matrix	GN-2661-4	The intervention is included in the 2012 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	9.4		10
3. Evidence-based Assessment & Solution	10.0	25%	10
4. Ex ante Economic Analysis	10.0	25%	10
5. Monitoring and Evaluation	7.5	25%	10
6. Risks & Mitigation Monitoring Matrix	10.0	25%	10
Overall risks rate = magnitude of risks*likelihood	Medium		
Environmental & social risk classification	B		
III. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	Financial Management: SIGEF(Budget, Treasury), UEPEX (Accounting and reporting), External Control, Contraloria General de la República (Internal audit).	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Improvement of teacher training and evaluation in education (ATN/OC-11844-DR) – preparation both phases. Support to MINERD for results oriented management (ATN/OC-13011-DR) – preparation for extended school day.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan.			

The diagnose identifies four factors that influence the high failure and over age rates. Empirical evidence and magnitudes are provided for these factors. The proposed solutions are linked to the identified problems and evidence of its effectiveness in similar contexts is provided. The results matrix has a clear vertical logic. The impact, results and output indicators are SMART and have baselines and goals. For the cases in which baseline data is not available, a plan is described to collect data and establish the corresponding target.

The project has an ex ante cost-benefit analysis and proposes a similar ex-post evaluation. The evaluation also includes an after-before comparison without attribution.

All risks are classified as medium or low. The risks classified as medium include overload for the procurement and contract division, lack of precision of technical specifications, evaluation criteria not clear, weak management of tender processes, budgetary restrictions resulting in no access to resources and the deterioration of infrastructure. The proposed mitigation actions include hiring specialists, personnel or services to support the operation, adequate planning and compromise by the counterpart.

RESULTS MATRIX

Project objective:	As was the case under the first CCLIP operation, the objectives of this second operation are to support the Ministry of Education (MINERD) in its efforts to improve performance and efficiency in elementary and secondary schools, to consolidate improvements in literacy and mathematics in the first cycle of basic education, and to expand school infrastructure. In the districts and schools targeted, the operation aims to: (i) alleviate classroom overcrowding; (ii) improve internal efficiency; (iii) increase actual instruction time; (iv) improve the school climate; and (v) improve performance in the first cycle of basic education. The program will directly benefit approximately 125,000 students.
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Outcomes	Baseline	Final target	Comments/Mean of verification
Improve 3rd and 4th grade learning in the areas of reading, writing, and mathematics in schools supported by the Centro Cultural Poveda, Pontificia Universidad Católica Madre y Maestra (PUCMM), and the Organization of Ibero-American States (OEI).	To be gathered in the last week of May 2012	Improvements registered in 3rd and 4th grade learning achievements in the areas of reading, writing, and mathematics in a sample of targeted schools, compared with a control group.	National 3rd and 4th grade tests will be administered in May 2012 using funds under the first CCLIP operation. Given that the baseline has not yet been established, it was agreed that a quantitative target for the increase would not be defined. Means of verification: Test result reports.
Increase the grade promotion rate in 1st and 3rd grade classes in basic education schools supported by the Centro Cultural Poveda, PUCMM, and the OEI. ¹	1st grade: 90% 3rd grade: 82%	1st grade: 94.5% 3rd grade: 86.1%	<ul style="list-style-type: none"> • The baseline refers to 2009-2010. It will be recalculated once the data for 2010-2011 becomes available. • The final target will be calculated based on indicators for the targeted schools, described in each indicator. • Estimated improvement of 5%. Although specific grades have been selected, a positive impact is expected in all grades. • ¹ Includes the average for all schools supported under the strategy. • ² Current baseline refers to the national average for urban public schools. It will be updated once the schools have been selected. • ³ Current baseline refers to the 20 schools offering the extended school day. It will be updated once the schools have been selected. • ^{4,5} Current baselines refer to the national average for basic education schools and urban public high schools. They will be updated based on information regarding new establishments and those within their area of influence.
Increase the grade promotion rate in 1st and 3rd grade classes in basic education schools with integrated shifts. ²	1st grade: 89% 3rd grade: 82%	1st grade: 93.5% 3rd grade: 84.0%	
Increase the grade promotion rate in 1st and 3rd grade classes in basic education schools offering the extended school day. ³	1st grade: 89% 3rd grade: 80%	1st grade: 93.5% 3rd grade: 84.0%	
Increase the grade promotion rate in 1st and 3rd grade classes in new schools. ⁴	1st grade: 89% 3rd grade: 82%	1st grade: 93.5% 3rd grade: 86.1%	
Increase the grade promotion rate in 9th and 10th grade classes in new high schools. ⁵	9th grade: 75% 10th grade: 78%	9th grade: 78.8% 10th grade: 81.9%	
			Means of verification: School management system.

Outcomes	Baseline	Final target	Comments/Mean of verification
Improve the school climate index in establishments offering the extended school day.	Data still to be gathered	To be determined, as a function of the baseline	Baseline survey to be carried out at the beginning of the process using the <i>Organizational Climate Index</i> or similar instrument. Given that the baseline has not yet been determined, it was agreed that a target would not be defined.
Improve the school climate index in establishments with integrated shifts.	Data still to be gathered	To be determined, as a function of the baseline	

	Baseline	Year 1	Year 2	Year 3	Final target	Means of verification/Comments
Component 1. Expansion and equipping of school infrastructure						
Subcomponent 1.1. Upgrading of schools for the extended school day and integration of shifts to improve school management						
Outcome indicators						
Students attending school facilities that have been upgraded to accommodate the extended school day**	0	7,600	9,500	9,500	26,600	School Management System, MINERD Comments: ** Upgrades will include minor repairs and the construction of kitchens, restrooms, and school cafeterias. ***Integrated shift management team means that each school has a principal, as well as assistant principals for each shift.
Students attending schools with an integrated shift management team***	0	3,800	7,600	7,600	19,000	
Increase the number of instruction hours in supported schools offering the extended school day.	2:31 (two hours, thirty-one minutes)				4:30 (four hours, thirty minutes)	The baseline refers to average instruction hours according to EDUCA-GALLUP (2008). The target will be verified by the MINERD at the end of 2012 based on a sample of schools.
Increase the number of instruction hours in schools with integrated shifts.	2:31 (two hours, thirty-one minutes)				3:20 (three hours, twenty minutes)	
Output indicators						
Number of school buildings upgraded for the extended school day	0	20	25	25	70	Project monitoring reports

	Baseline	Year 1	Year 2	Year 3	Final target	Means of verification/Comments
Education facilities with two or more shifts with an integrated management team.	0	10	20	20	50	Project monitoring reports
Subcomponent 1.2. Construction and equipping of basic education classrooms.						
Outcome indicators						
Students benefiting from new basic education classrooms.	0		4,620	7,700	12,320	School Management System, MINERD. Comments: The number of students enrolled in the morning and afternoon shifts in each center will be measured.
Reduce the number of students per class in the new basic education schools and their surrounding districts.	Basic: 41 students per class (2010)				Basic: 38 students per class	The indicator refers to urban public basic education schools. It will be updated once the schools to be built and their districts are confirmed.
Output indicators						
New basic education classrooms constructed and furnished.	0		66	110	176	Project monitoring reports Comments: Libraries and other similar facilities (i.e. not administrative offices) will be counted as classrooms for the purposes of this target. Two pre-school classroom annexes will also be included per school.
Subcomponent 1.3. Construction and equipping of secondary school classrooms						
Outcome indicators						
Students benefiting from new secondary school classrooms.	0		7,980	14,700	22,680	School Management System, MINERD. Comments: The number of students enrolled in the different shifts at each school will be measured.
High school students benefiting from new computer or science laboratories.	0		22,610	11,305	33,915	
Reduce the number of students per class in the new high schools and their surrounding districts.	Secondary: 45 students per class (2010)				Secondary: 40 students per class	The indicator refers to urban public high schools. It will be updated once the schools to be built and their districts are confirmed.
The number of students in public high schools attending the evening shift as a percentage of total high school students.	22%				18.5%	The indicator refers to the national average for urban public high schools. It will be updated once the schools to be built and their districts have been selected.

	Baseline	Year 1	Year 2	Year 3	Final target	Means of verification/Comments
Output indicators						
New secondary school classrooms constructed and furnished.	0		114	210	324	Project monitoring reports Comments: Libraries, laboratories, and other similar educational facilities (i.e. not administrative offices) will be counted as classrooms for the purposes of this target.
Secondary schools with new computer or science laboratories.	0		34	17	51	Project monitoring reports Comments: Depending on the size of the school, one or more laboratories may be provided. On average, two laboratories (one science, one computer) are expected to be provided.
Component 2. Improvement in the quality of basic education						
Output indicators						
Integrated service model for the improvement of reading, writing, and mathematics in the first four grades of elementary.		Developed				Project monitoring reports.
School monitoring system.		Developed	In use	In use	Developed and in use	Project monitoring reports.
Educational resource package provided to targeted schools.			1,500	1,500	3,000	Project monitoring reports.
Study of learning trends in schools targeted under the program.		Standardized test results	Standardized test results	Analysis of data and preparation of study		Project monitoring reports. Comments: The evaluation was designed and the baseline established under the first CCLIP operation. This second operation will finance future rounds of data collection and analysis.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Dominican Republic
Project number/Name:	DR-L1056 – Second Individual Loan to Support the 10-year Education Plan
Executing agency:	Ministry of Education of the Dominican Republic (MINERD)
Prepared by:	Carolina Escudero, Procurement Specialist (FMP/CDR); and Vinicio Rodriguez, Financial Management Specialist (FMP/CDR)

I. EXECUTIVE SUMMARY

- 1.1 This annex was prepared based on the last Public Expenditure and Financial Accountability assessment, which was published at the end of 2010. The assessment identified progress in a number of areas of the Government of the Dominican Republic's public financial management system, including accounting and budgeting. The financial supervision activities performed by the Bank's procurement and financial management specialists over the course of the first CCLIP operation were also used as inputs. It should be noted that a MAPS/OECD assessment of the public procurement system is also underway, while the Bank is in the process of developing activities to support and strengthen national financial management and procurement systems in coordination with government authorities and other international organizations.
- 1.2 In terms of financial management, the accounting, reporting, treasury, and budget functions under all current sovereign-guaranteed loan operations use the Executing Units for Externally-Financed Projects (UEPEX) module of the Integrated Financial Management System (SIGEF). The Office of the Comptroller General is the body responsible for internal control and audit, while the Audit Office is in charge of external audit and legislative scrutiny. Both bodies suffer from technical limitations in performing the functions assigned to them, and for this reason they are ineligible for the financial audit of Bank programs. Instead, the services of external audit firms eligible for Bank programs are used. In relation to the public procurement system, the Bank is providing technical assistance and support for the preparation of the MAPS/OECD assessment. Preliminary results indicate that the legal framework for the system is strong; however, there are significant hurdles to developing a system with international standards that would be suitable for use in Bank

operations.¹ The authorities are also finalizing a plan for improvement based on the findings of the assessment and have requested Bank support for the commencement of a number of short-term activities. These activities, in turn, could facilitate the adoption of a number of national subsystems in the execution of Bank-financed operations.²

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The program is the second one under the Conditional Credit Line (CCLIP) for the Program to Support the 10-year Education Plan (DR-X1004). It will be executed by the various central divisions of the Ministry of Education of the Dominican Republic (MINERD) with the support of the International Cooperation Office (OCI), responsible for the coordination of all MINERD programs executed with international financing, and the Administrative Division, which will be responsible for the execution of procurement processes under the program. The Bank considers the internal financial and procurement controls and procedures of the OCI and the Administrative Division to be satisfactory.
- 2.2 The OCI uses the UEPEX/SIGEF module for accounting, financial reporting, and budget monitoring. In relation to program procurement, the Purchases and Contracts Department (DCC) applies Bank procurement policies in the case of those contracts that are either partly or fully financed by the loan proceeds. It also uses the Bank's standard bidding documents in these cases, and, where necessary, publishes specific procurement notices in the leading print media and on the UNDB portal.

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 Based on the results of the institutional capacity assessment conducted during preparation of DR-L1032, as well as the results of the execution and fiduciary supervision of programs DR0125 and DR-L1032 and the updated MINERD financial management and procurement capacity assessment,³ the level of fiduciary risk associated with execution of the Program to Support the 10-year Education Plan is considered to be medium. This rating is consistent with levels of fiduciary risk and the mitigation activities included in the program's risk management matrix.⁴

¹ A priori, the following needs have been identified: amendment of the implementing regulations of the current procurement law; development and implementation of the Transactional Public Procurement Portal; strengthening of the capacity of public servants responsible for public procurement; and improvement of control mechanisms.

² Shopping method, individual consultant procurement methods, and the publication of specific procurement notices on the national procurement portal.

³ See [updated MINERD institutional capacity assessment](#), which in the case of fiduciary management analyzed the following bodies: OCI, the Financial Division, and the Administrative Division.

⁴ See [project risk management matrix](#).

- 3.2 Execution of the Program to Support the 10-year Education Plan could increase workload and overwhelm fiduciary management capacity. In order to preempt this situation, the OCI and Administrative Division will be reinforced with one financial specialist and two procurement specialists, respectively, with a view to maintaining satisfactory fiduciary execution once the second CCLIP operation is launched. In parallel, and based on agreements between the MINERD and the Bank under the first CCLIP operation, the OCI will continue to receive the support of the Administrative Division, through the DCC, for procurement processes. To this end, a number of activities to strengthen the DCC have been agreed upon, including a survey of workflows, timescales, and the assignment of responsibilities for procurement processes; a study of the profiles and workloads of department staff; and a process and responsibilities manual. The IDB fiduciary team will also organize workshops aimed at bringing the knowledge of the team in charge of fiduciary execution of the loan up to date.
- 3.3 In order to facilitate the planning and coordination of this second operation, DR-L1056, a survey will be carried out of the various procurement processes with a view to identifying opportunities for improvement. The results of this survey will be included in a manual of procurement procedures. As far as possible, efforts will be made to establish a single process for the procurement of works that will comply with both Bank policies and national legislation.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 With the aim of facilitating negotiation of the contract by the project team, and particularly the Legal Department, the agreements and requirements that should be included in the special provisions of the contract are set out below:
- a. **Conditions precedent to the first disbursement:** (i) an updated Operating Manual for the program.
 - b. **Audited financial statements:** Presentation of: (i) audited annual financial statements for the program within 120 days after the end of each fiscal year, and in the case of the final statements, within 120 days after the date of the last disbursement; and (ii) semiannual progress reports as of 30 June, within 60 days after that date. These financial reports will be prepared by an independent audit firm eligible for Bank-financed projects. The midterm reports make up part of the regular external audit contract and do not therefore require any additional funding.
 - c. **Exchange rate agreed upon with the executing agency for financial reporting:** The exchange rate to be applied will be the rate in effect on the date on which the Central Bank transfers the U.S. dollar disbursements to BANRESERVAS.
 - d. **Procurement policies:** Procurements will be governed by the policies set forth in documents GN-2349-9 and GN-2350-9.

- e. **Procurement planning:** Procurement planning and management will be conducted on an annual basis. The procurement plan prepared at the beginning of execution will cover an 18-month period. Over the course of loan execution, the executing agency and the Bank may agree to use the System for the Execution of Procurement Plans (SEPA).

V. AGREEMENTS AND REQUIREMENTS FOR THE EXECUTION OF PROCUREMENT PROCESSES

- 5.1 The fiduciary agreements and requirements for procurements describe in detail the rules governing execution of all procurement processes planned under the program.

1. Execution of procurement processes

- 5.2 The OCI, acting through the DCC (attached to the Administrative Division), will be responsible for carrying out procurement processes for the program, including selection, bidding, contracting, supervision, and receipt, in accordance with the Bank's procurement policies (documents GN-2349-9 and GN-2350-9) and the procurement plan for the operation. The latter will include details on: (i) contracts for the works, goods, and consulting services required to carry out the program; (ii) proposed methods for the procurement of goods and selection of consultants; and (iii) the procedures used by the Bank for the review of each of the procurement processes. For the planning of procurements, the executing agency will update the procurement plan annually, or as agreed upon with the Bank, using the SEPA both to plan and report on progress. Any modifications to the procurement plan will be submitted to the Bank for approval. The OCI/DCC will agree with the Bank on a procurement plan for the first 18 months of execution.
 - a. **Procurement of works, goods, and nonconsulting services.** Project-generated contracts for works, goods, and nonconsulting services⁵ subject to international competitive bidding (ICB) and national competitive bidding (NCB) will be executed using national bidding documents either agreed upon with the Bank or satisfactory to the Bank. Review of technical specifications for contracts during the preparation of the selection processes is the responsibility of the project sector specialist or team leader.
 - b. **Selection and contracting of consultants.** Contracts for consulting services generated under the project will be executed using the standard request for proposals issued by or agreed upon with the Bank. Review of the terms of reference for the contracting of consulting services is the responsibility of the project sector specialist or team leader.
 - Selection of individual consultants: At the discretion of the executing agency, the contracting of individual consultants may be conducted using

⁵ Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9), paragraph 1.1: The treatment of non-consulting services is similar to that of goods.

local or international advertising to create a shortlist of qualified candidates.

- **Training:** The identified training procedures will be carried out by individual consultants or consulting firms hired for this purpose using the procedures set out in the program policy for the contracting of consultants.
- c. **Recurrent expenditures.** Recurrent expenditures are the operational and maintenance expenditures required for project functioning in the execution phase. These will be financed under the project as part of the procurement plan, and carried out following the procedures agreed with the Bank. Recurrent expenditures also include the cost of consultants hired to assist the MINERD during execution of the operation. The salaries of active public servants and other regular MINERD operational expenditures are not included in the cost of the operation. In so far as these are required for the program, they should be prioritized within the institutional budget of the entity.
- d. **National Preference:** The application of national preference will not be considered for the procurement of goods envisaged under this operation.
- e. **Other:** The Operating Manual for the project will include details on program execution mechanisms and instruments, as well as fiduciary procedures.

2. Table of thresholds (US\$000)

Works			Goods			Consultancies	
International Competitive Bidding	National Competitive Bidding	Shopping	International Competitive Bidding	National Competitive Bidding	Shopping	International Advertising Consulting	Shortlist 100% National
More than US\$3,000	US\$250 - US\$3,000	Less than US\$250	More than US\$250	US\$50 - US\$250	Less than US\$50	US\$200 or more	Less than US\$200

3. Main procurements

- 5.3 The OCI will be responsible for preparing the procurement plan. The executing agency will provide assistance to ensure that the procedures are appropriate and consistent with Bank procurement policies, by issuing a binding opinion for consideration of the project team leader. The main procurements for this operation are listed below:

Activity	Procurement method	Estimated date	Estimated cost (US\$000)
Goods			
5,000 sets of resources and educational corners for the basic education program.	ICB	January 2013	5,500
170 sets of resources and educational corners for the extended school day program.	ICB	January 2015	2,040
Works			
Upgrading of infrastructure (kitchens, restrooms, and cafeterias) in 70 schools in groups of 20, 25, and 25 in 2013, 2014, and 2015, respectively, using individual contracts of up to US\$71,200	Shopping	January 2013, 2014, and 2015	4,984
Construction of 176 pre-school and basic education classrooms, in two lots of 66 and 110 classrooms in 2013 and 2014, respectively	ICB	September 2013 and 2014	12,320
Construction of 324 secondary education classrooms, in two lots of 114 and 210 in 2013 and 2014, respectively	ICB	September 2013 and 2014	22,680
Firms			
Evaluation of learning in the first cycle of basic education	QCBS	January 2013	1,500

* To view the 18-month procurement plan, click [here](#).

4. Procurement supervision

- 5.4 Based on the level of fiduciary risk identified for this project, contracts valued at up to 40% of the threshold will be subject to ex post review. Ex post reviews will be performed every six months in accordance with the supervision plan for the project. The reports will include at least one physical inspection visit for the procurements subject to ex post review.

Threshold for Ex Post Review (US\$000)

Works	Goods	Consulting Services
Less than US\$1,200	Less than US\$100	Less than US\$100
Ex post review	Ex post review	Ex post review

Regardless of the amount of the contract, any use of single-source selection for consulting firms or individual consultants and for the procurement of nonconsulting services, goods, or works will be subject to ex ante review by the Bank.

5. Special provisions

- 5.5 **Measures to reduce the likelihood of corruption:** The provisions of documents GN-2349-9 and GN-2350-9 will be observed with respect to prohibited practices (lists prepared by multilateral organizations of ineligible companies and individuals).
- 5.6 **Other special procedures:** The Bank may reduce or increase the percentage of the threshold value for ex post supervision, or, at its discretion, change the procurement supervision method. Any such changes will be based on execution experience, updated assessments of institutional capacity, or the results of fiduciary visits.

6. Records and files

- 5.7 The executing agency will be responsible for keeping the files and supporting documentation for procurement processes, along with their respective payment

vouchers. To this end, prior to the commencement of project execution, the executing agency will ready a suitable space for file storage.

VI. FINANCIAL MANAGEMENT

1. Programming and budget

- 6.1 The Basic Public Sector Budget Law (Law 423-06) defines the budget cycle as consisting of the following stages: formulation, debate and approval, execution, monitoring, and evaluation. The fiscal year corresponds to the calendar year. Budget formulation, execution, and reporting is based on a format that includes economic, institutional (administrative), functional (sub-functional), type of expenditure, and source of financing classifications. Budgetary control under the program will be carried out using the UEPEX/SIGEF system. The executing unit will be responsible for producing and analyzing budget reports and for requesting Bank modification of the budget (transfers) where assigned funds are insufficient for the execution of planned activities.

2. Accounting and information systems

- 6.2 Project accounts will be compiled on a cash basis, and International Accounting Standards and International Financial Reporting Standards will be applied. The official accounting system is the UEPEX/SIGEF module. The module generates the financial reports and forms necessary for disbursement requests, and it also facilitates monitoring of commitments and available balances under the project.

3. Disbursements and cash flow

- 6.3 Treasury functions are carried out through the National Treasury, which is attached to the Finance Ministry. The National Treasury actively uses the SIGEF for most operations; 99% of payments are processed electronically, as well as all bank reconciliation, the ordering and registration of payments, and the processing of disbursements. Of total investments under the second CCLIP operation (US\$65 million), 77% (US\$50 million) will be financed by the Bank, and 13% (US\$15 million) by counterpart funds. To this end, the OCI will continue to use the bank accounts established in the Central Bank and BANRESERVAS as part of the arrangements for the first operation.

4. Internal control and audit

- 6.4 The Comptroller General's Office (CGR) is the executive branch regulatory body for internal control. It is responsible for the internal control function, ensuring the appropriate collection, management, use, and investment of public funds, and authorizing payments. At present, the CGR does not perform any internal audits using a risk- or process-based methodology. However, the PCU and the Internal Audit Unit of the CGR are responsible for reviewing all payments or payment orders under the project.

5. External control and reports

- 6.5 The Audit Office is the external regulatory body for the control of public funds, administrative processes, and assets. However, institutional limitations mean that it is not eligible to perform the external audit of the program. As a result, this function will be carried out by an external audit firm eligible for Bank-financed programs. External audit reports and terms of reference will comply with the requirements and guidelines set out in the manual for financial reporting and external audit in Bank-financed operations.

6. Financial supervision plan

- 6.6 Based on the OCI's previous experience in executing the first CCLIP operation, as well as the supervision activities performed by the fiduciary team, the level of fiduciary/financial risk associated with this operation is considered to be MEDIUM. The supervision plan for the second CCLIP operation envisages financial management inspection visits, desk reviews, ex post reviews, and meetings with the external auditors for the program.

7. Execution mechanism

- 6.7 The OCI, as general coordinator for the program, is responsible for the execution of this second operation, as well as fulfillment of its objectives. From a fiduciary point of view, the general coordinator is responsible for maintaining communications with the Bank regarding all program-related activities, as well as reviewing and approving financial and administrative documents and reports, and approving disbursement requests.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/12

Dominican Republic. Loan ____/OC-DR to the Dominican Republic
Second Individual Loan to Support the 10-Year Education Plan

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Dominican Republic, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the second individual loan to support the 10-year education plan under the Conditional Credit Line for Investment Projects (CCLIP) for the Support of the 10-Year Education Plan, approved by Resolution DE-7/10 dated February 3, 2010. Such financing will be for the amount of up to US\$50,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on __ _____ 2012)