

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

DOMINICAN REPUBLIC

**PROGRAM TO STRENGTHEN PUBLIC POLICY AND FISCAL MANAGEMENT IN
RESPONSE TO THE HEALTH AND ECONOMIC CRISIS CAUSED BY COVID-19
IN THE DOMINICAN REPUBLIC**

(DR-L1144)

LOAN PROPOSAL

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ABBREVIATIONS

AFD	Agence Française de Développement [French Development Agency]
BCRD	Banco Central de la República Dominicana [Central Bank of the Dominican Republic]
CABEI	Central American Bank for Economic Integration
CGR	Contraloría General de la República [Office of the Comptroller General of the Republic]
COVID-19	Coronavirus disease 2019
DEM	Development Effectiveness Matrix
DGA	Dirección General de Aduanas [Directorate General of Customs]
DGII	Dirección General de Impuestos Internos [Directorate General of Internal Revenue]
EAP	Economically active population
ECG	Evaluation Cooperation Group
ECLAC	Economic Commission for Latin America and the Caribbean
EOP	End-of-period
FASE	Fondo de Asistencia Solidaria al Empleado [Employee Solidarity Assistance Fund]
IDB	Inter-American Development Bank
IDOPPRIL	Instituto Dominicano de Protección y Prevención de Riesgos Laborales [Dominican Institute for Protection and Prevention of Labor Risks]
IMF	International Monetary Fund
IR-1	Impuesto sobre la renta de las personas físicas [individual income tax]
IR-2	Impuesto sobre la renta de las personas jurídicas [corporate income tax]
ITBIS	Impuesto sobre transferencias de bienes industrializados y servicios [tax on transfers of manufactured goods and services]
JICA	Japan International Cooperation Agency
LAC	Latin America and the Caribbean
MSMEs	Micro, small, and medium-sized enterprises
OVE	Office of Evaluation and Oversight
PBL	Policy-based loan
PBP	Programmatic policy-based loan
PCR	Project completion report
PPP	Public-private partnership
PROSOLI	Progresando con Solidaridad [Progressing with Solidarity]
RFI	Rapid Financing Instrument
RST	Régimen Simplificado de Tributación [Simplified Tax Regime]
SARS	Severe acute respiratory syndrome
SARS-CoV-2	Severe acute respiratory syndrome coronavirus 2
SDL	Special Development Lending
SENI	Sistema Eléctrico Nacional Interconectado [National Interconnected Electrical System]
SIUBEN	Sistema Único de Beneficiarios [Centralized Beneficiary System]
WHO	World Health Organization

PROJECT SUMMARY

DOMINICAN REPUBLIC PROGRAM TO STRENGTHEN PUBLIC POLICY AND FISCAL MANAGEMENT IN RESPONSE TO THE HEALTH AND ECONOMIC CRISIS CAUSED BY COVID-19 IN THE DOMINICAN REPUBLIC (DR-L1144)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility^(a)	
Dominican Republic			Amortization period:	20 years
Executing agency:			Disbursement period:	12 months
Ministry of Finance			Grace period:	5.5 years ^(b)
Source	Amount	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital)	US\$250 million	100%	Credit fee:	^(c)
Total IDB:	US\$250 million	100%	Inspection and supervision fee:	^(c)
			Weighted average life (WAL):	12.73 years
French Development Agency (AFD)^(d)	€200 million		Currency of approval:	U.S. dollars
Project at a Glance				
<p>Project objective/description: The general objective of the program is to contribute to strengthening the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and maintain liquidity for businesses during the health and economic crisis; and (iii) to promote economic and fiscal recovery during the post-pandemic period.</p> <p>The program is structured as a programmatic policy-based loan (PBP) and consists of two separate but technically linked operations whose policy actions aim to help the country adopt measures in the short term to tackle the main challenges faced by countries in their response to the health and economic crisis caused by COVID-19.</p>				
<p>Special contractual conditions precedent to the first and sole disbursement of the loan: The first and sole disbursement of the Bank loan proceeds will be subject to: (i) fulfillment of the policy reform conditions described in the Policy Matrix (Annex II) and the Policy Letter; and (ii) fulfillment of the other conditions established in the Loan Contract (see paragraph 3.4).</p>				
<p>Exceptions to Bank policies: Management is requesting approval from the Board of Executive Directors for a partial exception to the Public Utilities Policy set forth in document GN-2716-6 (see paragraph 3.5).</p>				
Strategic Alignment				
Challenges:^(e)	SI <input checked="" type="checkbox"/>	PI <input type="checkbox"/>	EI <input type="checkbox"/>	
Crosscutting themes:^(f)	GD <input type="checkbox"/>	CC <input type="checkbox"/>	IC <input checked="" type="checkbox"/>	

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions, subject in all cases to the final amortization date and the original weighted average life. The Bank will take market conditions as well as operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) The credit fee and the 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 applicable policies.

^(d) The parallel cofinancing is under a development policy loan from Agence Française de Développement [French Development Agency] (AFD) (see paragraph 1.22).

^(e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(f) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

1. Macroeconomic context

- 1.1 The health and economic crisis caused by the coronavirus disease 2019 (COVID-19) pandemic is deeply impacting all of the world's countries, which has led to a widespread decline in economic activity.^{1,2} The macroeconomic and social effects of this crisis are expected to be tremendous in Latin America and the Caribbean, and their magnitude will likely vary depending on the characteristics of each country.³ According to International Monetary Fund (IMF) projections,⁴ in Central America and Mexico, the slowdown in the U.S. economy will curb international trade, foreign direct investment, tourism flows, and remittances. In the Caribbean, the impact will primarily take the form of lower tourism demand due to travel restrictions. In the Dominican Republic, economic growth for 2020 is expected to be -1%.⁵ This is a steep decline from the 5% growth initially projected by the government.⁶
- 1.2 The downturn in both domestic and foreign economic activity in most countries of Latin America and the Caribbean is expected to drive down tax revenue. Combined with the anticipated increases in public spending to deal with the fallout from the crisis, this will likely result in considerably higher fiscal deficits. Moreover, the sharp depreciation in some countries' currencies will increase debt service payments and total debt in local currency, weakening fiscal sustainability. Currency depreciations and the potential shortage of some products due to value chain disruptions would also raise inflation in the region. If the crisis persists, the soundness of local banking systems could also be affected as a result of business bankruptcies, higher unemployment, and sudden stops in capital flows.
- 1.3 In the case of the Dominican Republic, the economy is forecast to experience a lower level of activity as a consequence of the pandemic; the intensity of the slowdown will depend on the duration of the lockdown measures adopted by the country and its main trading partners. In the external sector, the current account is expected to close the year with a deficit of 5.2% of GDP, mainly reflecting the decline in tourism and remittances. On the fiscal front, the nonfinancial public sector deficit will be more than twice as large as budgeted (2.2% of GDP), as emergency response measures pushed public expenditure up 1.2% of GDP, and annual tax revenue intake will contract 0.9 percentage points of GDP. This state of affairs will put more upward pressure on the public debt, which stood at 53.6% of GDP at year-end 2019.⁷ On the monetary front, despite the lower level of economic activity caused by the fall in consumption and investment, inflation is

¹ [Gopinath, G. \(2020\).](#)

² [McKibbin, W. and Fernando, R. 2020.](#)

³ IDB (2020).

⁴ [Werner, A. \(2020\).](#)

⁵ IMF (2020).

⁶ Ministry of Economy, Planning, and Development (MEPYD) (2019).

⁷ IMF Country Report 20/154. The consolidated debt figures differ from those reported by the Ministry of Finance as they incorporate accrued interest on BCRD bullet bonds (0.6% of GDP), securitized electricity sector arrears (1.6% of GDP), and methodological differences in the currency conversion.

expected to remain around 3% as a consequence of the stimulus policies adopted by the Central Bank of the Dominican Republic (BCRD) and lower oil prices. Table 1 summarizes the Dominican Republic's main economic indicators.

Table 1. Selected economic indicators

	2015	2016	2017	2018	2019	2020*
Real GDP growth (% change)	6.5	7.0	4.7	7.0	5.1	-1.0
Unemployment (% of EAP)	7.3	7.1	5.5	5.7	6.2	9.0
Inflation (EOP and %)	2.3	1.7	4.2	1.2	3.7	3.0
Total revenue (% GDP)	16.6	13.9	14.0	14.2	14.4	13.6
Tax revenue (% GDP)	12.8	12.9	13.0	13.0	13.3	12.5
Total expenditure (% GDP)	16.7	17.0	17.1	16.3	16.6	18.0
Primary expenditure (% GDP)	14.3	14.4	14.8	13.9	14.0	15.0
Public sector fiscal balance (% GDP)	-1.7	-4.1	-4.1	-3.5	-3.3	-6.0
Public sector debt (% GDP)	44.7	46.6	48.9	50.4	53.6	60.9
* Estimated data.						
Sources: IMF (2020), IMF Country Report 20/154, BCRD.						

2. The COVID-19 pandemic and the health crisis

- 1.4 The severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) that causes COVID-19 was detected in China in late 2019 and spread very quickly to the rest of the world. On 11 March 2020, the World Health Organization (WHO) declared the disease a pandemic. On 11 June 2020, there were close to 7.2 million confirmed infections and 413,372 COVID-19 deaths around the globe.⁸ While the spread of SARS-CoV-2 in Latin America and the Caribbean began later than in Asia and Europe, the number of cases in the region is also rising rapidly. As of 11 June 2020, 15 weeks after the first case was confirmed in the region, the number of confirmed infections in Latin America and the Caribbean is around 1,410,674, with a death toll of more than 69,369,⁹ figures that will quickly become obsolete. In the Dominican Republic, the figures on the same date were 20,808 confirmed cases and 550 deaths, respectively.¹⁰
- 1.5 COVID-19 is highly contagious, with the average number of cases reported in a country increasing by approximately 33% on a daily basis.¹¹ This high infection rate causes sudden spikes in cases that can decimate the capacity of healthcare systems because sick patients require specialized medical care. To prevent healthcare systems from collapsing, social distancing and isolation have become essential measures in the public health response, as they slow COVID-19

⁸ [World Health Organization](#) (2020).

⁹ [World Health Organization](#) (2020).

¹⁰ [World Health Organization](#) (2020).

¹¹ Financial Times (2020).

transmission¹² and postpone demand for medical services.^{13 14 15 16 17} Implementing these types of measures is especially important in Latin America and the Caribbean, considering that the majority of the region's countries are not prepared to deal with a pandemic.¹⁸

- 1.6 While social distancing and preventive isolation can reduce the speed with which COVID-19 is transmitted, these measures have not completely stopped the disease from spreading. Countries have therefore had to implement additional health measures. For example, in order to replicate relatively successful experiences such as that of the Republic of Korea, early health interventions are necessary to conduct mass testing of individuals in order to detect the virus and track possible cases of infection for subsequent isolation. These interventions have proven effective in ending health crises faster.^{19 20} In addition, healthcare services must be expanded to deliver care to infected individuals with severe symptoms. Both types of interventions require material and financial resources, which must be provided urgently and expeditiously.

3. Public policy and fiscal management challenges during health crises

- 1.7 Public policy and fiscal management play a central role in ensuring the availability and timely execution of resources. Good practices during crises highlight the importance of having institutions, policies, processes, and information systems that are flexible, efficient, reliable, and transparent and that encourage accountability.²¹ Nevertheless, in previous health crises, such as the outbreaks of Ebola and severe acute respiratory syndrome (SARS), fiscal management institutions and systems had weaknesses and became bottlenecks that reduced the public sector's response capacity in key areas.²² One of the greatest challenges is the lack of additional budgetary and financial resources to address the crisis, which may far exceed the capacity to redirect resources from budgets in execution. In the Dominican Republic, the absence of provisions for countercyclical spending and the rigidity of the public budget make it very difficult to meet the spending challenges in response to the pandemic without resorting to borrowing.
- 1.8 One of the areas where the introduction of changes in applicable regulations is vital for crisis response is in public procurement systems. The response of countries affected by the Pandemic H1N1/09 Virus (Influenza A) in 2009 underscored the need to guarantee that administrative processes facilitate, and do not impede, the flow of public resources to the health sector.²³ Immediate access

¹² Eichenbaum, M. S., Rebelo, S., and Trabandt, M. (2020).

¹³ [Hellewell, J., Abbott, S., Gimma, A., Bosse, N. I., Jarvis, C. I., and Russell, T. W.](#), et al.

¹⁴ [Day, T., Park, A., Madras, N., Gumel, A., and Wu, J.](#)

¹⁵ [Ferguson, N., Cummings, D., Fraser, C., Cajka, J. C., Cooley, P.C., and Burke, D.S.](#)

¹⁶ [Dénes, A. and Gumel, A.](#)

¹⁷ Imperial College (2020).

¹⁸ SCL (2020).

¹⁹ [Correia, S., Luck, S., and Verner, E.](#)

²⁰ [Prem, K., Liu, Y., and Russell, T. W.](#) et al.

²¹ World Bank Group (2019).

²² [Saxena, S. and Stone, M. \(2020\).](#)

²³ Hurst, D. and Shapre, S. 2017.

to resources during a crisis is crucial to saving lives. However, traditional public sector procurement processes, such as competitive bidding, can take at least 32 days to reach the bid opening stage in the Dominican Republic.²⁴ Some good practices to encourage speedier public procurement processes during a crisis include:²⁵ (i) introducing guidelines for the use of expedited procedures for emergency procurement;²⁶ (ii) identifying and introducing policies to unblock bottlenecks in the procurement system; and (iii) regulating the most appropriate procurement procedures for key purchases, including centralized procurement mechanisms.

- 1.9 A thorough analysis of goods and services critical for dealing with the health crisis is important²⁷ in order to introduce policies that prevent shortages in that regard. Supply chains must be analyzed, identifying reliable certified suppliers, authorized economic operators, and alternative supply mechanisms. In countries where critical goods are mostly imported, streamlined customs procedures should be introduced.²⁸ A reduction in tariffs and nontariff barriers may also be appropriate when importing such key goods²⁹ to decrease the cost of these products, thereby contributing to the management of the crisis.^{30 31} Emergency plans in key sectors are also important to guarantee continuity in the delivery of public services, such as electricity. The introduction of policies on logistics chains for key supplies and the implementation of emergency plans for basic public services have proven to be fundamental in any intervention in times of crisis, as they reduce critical delays and prevent valuable resources from being wasted.³²

4. The pandemic and its effects on household and business income

- 1.10 Social distancing measures, necessary during the health crisis to save lives, lead to a decrease in economic, labor, and recreational presence. This, in turn, significantly reduces economic activity, resulting in job losses and lower household income. Unlike in developed countries, which have consolidated social security systems, such systems in Latin America and the Caribbean are inadequate and deficient partly due to the high levels of informal labor. The informal sector in Latin America and the Caribbean is estimated to account for 53% of the workforce (some 140 million workers). This high degree of labor informality is heavily concentrated among poor and low-income households.³³ Informality in the Dominican Republic already exceeded the regional average before the crisis. According to household

²⁴ [Law 340-06 on Procurement and Contracting as amended by Law 449-06 and its Implementing Regulations 543-12.](#)

²⁵ The National Association of County and City Health Officials (2013).

²⁶ These types of procedures include the use of exceptional, faster procurement methods, such as simplified methods above certain thresholds and single-source selection.

²⁷ [Harmonized System Classification Reference for COVID-19 Medical Supplies](#), according to the World Customs Organization.

²⁸ [World Customs Organization guidelines for the clearance of goods in emergency situations.](#)

²⁹ Tariffs on medical equipment, supplies, and disinfectants in the region are well above the world average, ranging from 5% to 15%, while nontariff barriers affect 90% of these items.

³⁰ IDB/INT (2020).

³¹ World Bank Group (2014).

³² World Food Programme (2017).

³³ Salazar-Xirinachs, J. M., and Chacaltana, J. (2018).

survey data, 55% of workers were in the informal sector in 2019, and 59% did not make regular social security contributions for health insurance and pensions.³⁴ Because of shortcomings in social security programs in Latin America and the Caribbean, in order to sustain their incomes in the face of labor shocks, the region's households depend on social protection programs other than the social security programs typically available to formal workers only. In times of widespread crisis, existing social protection programs become overwhelmed, which is why governments tend to introduce new fiscal policies and/or social protection programs to meet the greater household support needs.

- 1.11 A policy that has proven effective in protecting household income during crises is to support the businesses where the individuals from those households work,³⁵ as a way of preventing widespread job losses and bankruptcies. While the economic crisis caused by COVID-19 is affecting most of the economy, some sectors are harder hit than others, including tourism, recreation, and food services, as a consequence of the powerful impact that social distancing and isolation measures have on them. The sharp fall in sales also creates liquidity problems for businesses, in many cases exacerbated by the destruction of the payment chain. These liquidity problems tend to affect micro, small, and medium-sized enterprises (MSMEs) more acutely given their more limited access to financing. In Latin America and the Caribbean, this liquidity problem may be more severe than in developed countries considering the high rates of informal business, which makes access to financing difficult. The latest available data indicate that over 10 million of the 11 million economic units in the region with at least one worker in addition to the employer are microenterprises and small businesses (with 50 or fewer employees). These businesses employ 47% of the region's workforce.³⁶ In the Dominican Republic there are 1.4 million MSMEs representing 98% of all businesses and employing around 48% of the employed population. About 90% of them are in the informal sector, mainly in the trade and services sectors.³⁷

5. Public policy and income protection

- 1.12 Public policy and fiscal management can play a crucial role in economic crises such as the one caused by COVID-19,³⁸ protecting household income during the social distancing period and supporting the survival of businesses to keep jobs safe. Proper fiscal policy design and implementation for these purposes during the current crisis presents significant challenges. In order to maximize intervention efficiency, the fiscal measures introduced must benefit those individuals and sectors that need it most, when they need it most.³⁹ At the regional level, with respect to the issue of selecting beneficiaries for both tax benefits and subsidies, targeting difficulties arise mainly due to the absence or lack of reliability of integrated systems containing information about individuals, owing to the fact that

³⁴ Figures draw on data from the Labor Force Survey, BCRD, and individuals making social security contributions according to the Superintendency of Pensions for 2019. See [BCRD Quarterly Labor Market Bulletin \(2019\)](#).

³⁵ International Labour Organization (2020).

³⁶ International Labour Organization (2015).

³⁷ Ministry of Industry and Trade (2015-2016).

³⁸ Storesletten, K., Telmer, C., and Yaron, A. (2001).

³⁹ Gaspar, V. and Mauro, P. (2020).

such systems generally contain partial, often outdated information, particularly in the case of individuals in informal labor situations.⁴⁰ This incomplete information leads to targeting errors, reducing efficiency in the use of public resources. To address this challenge, public policy design must focus on transparency in the use of these public resources, in order to increase accountability of executing agencies and reduce room for misuse.⁴¹

- 1.13 Fiscal policies that support households are also usually difficult to reverse, especially if the benefit duration is prolonged. This is because individuals begin to consider such benefits as acquired rights, which raises the political cost of withdrawing them. One of the main lessons of the fiscal policy response in Latin America and the Caribbean to the 2009 global financial crisis was that various programs introduced during the crisis to mitigate its effects ended up becoming permanent programs that were not reversed once the economic shock had subsided.⁴² This ended up eroding fiscal fundamentals in the medium term.⁴³ Thus, to encourage efficient use of public resources, time-bound provisions must be considered in the design of crisis household and business support policies from the outset⁴⁴ so that such policies do not become recurrent costs.

6. The economy and public finance during recovery from the pandemic

- 1.14 Although the global growth outlook remains highly uncertain, IMF projections⁴⁵ are for worldwide growth to slow by three percentage points of GDP in 2020, to 5.5% for Latin America and the Caribbean. The Economic Commission for Latin America and the Caribbean (ECLAC) projects that the region will see an increase in unemployment of 10 percentage points, together with a marked increase in poverty, with the ranks of the poor swelling by 35 million people, and 22.6 million falling into extreme poverty.⁴⁶ The Dominican Republic has stood out in the region for its sustained economic growth (5.1% of GDP in 2019) and reduction of its rates of moderate poverty and extreme poverty, which stood at 21% and 2.7%, respectively, in 2019.⁴⁷ However, the direct and indirect effects of COVID-19 will have a powerful impact on the economy. According to IMF estimates, the country's economic growth rate will be -1% in 2020.⁴⁸ A World Bank report predicts that declining tourism and remittances will cause the country's poverty rates to rise, affecting more than 30% of the population.^{49 50}
- 1.15 The economic crisis will take a heavy toll on countries' public finances, at both the national and the subnational level. The economic contraction will drive tax

⁴⁰ Izquierdo, Pessino, and Vuletin (2018).

⁴¹ Cecchini, S. and Madariaga, A. (2011).

⁴² IMF (2015).

⁴³ Between 2008 and 2019, public debt jumped from 40% of GDP to close to 60% of GDP for a typical country in the region.

⁴⁴ Gaspar, V. and Mauro, P. (2020).

⁴⁵ Organisation for Economic Cooperation and Development (2020).

⁴⁶ [ECLAC \(2020\)](#).

⁴⁷ MEPyD (2020).

⁴⁸ IMF (2020).

⁴⁹ World Bank (2020).

⁵⁰ Remittances represent one third of the income of the poorest households (World Bank, 2020).

collection down considerably in the near term, with no immediate recovery.⁵¹ The loss of revenue, combined with higher spending to contend with the health, economic, and social crisis, will put pressure on fiscal and public debt positions. Considering that the region entered the crisis in a weak fiscal position on average,⁵² many countries are expected to experience a high degree of fiscal vulnerability in the wake of the pandemic.⁵³

- 1.16 Given the severe impact of the COVID-19 health crisis on economic activity and public finances, the post-pandemic period will require support policies to rebuild the economy and restore fiscal performance. To encourage a return to growth with equity, comprehensive plans will have to be developed and implemented as an economic stimulus to support the most vulnerable households and businesses during the return to normal. These plans will have to take into account budgetary constraints so as not to jeopardize fiscal sustainability. In many cases, they will have to include structural reforms that invigorate the economy from the bottom up and improve countries' medium-term fiscal position. Lessons learned from the current pandemic will also have to be identified so that countries can design contingency plans for minimizing the associated human and nonhuman cost.
- 1.17 **Rationale.** The Bank's support is essential to build capacity for preparation, response, and later recovery from the health, economic, and social crisis caused by the pandemic. The first operation in the proposed programmatic series supports measures to facilitate the availability of resources to address the health crisis, promoting efficiency and transparency in their use. It also favors temporary measures to protect the income of vulnerable households during the crisis, such as temporary support via cash transfers through the "Quédete en Casa" [Stay Home] social assistance program, temporary subsidies for formal employment through the Employee Solidarity Assistance Fund (FASE), and measures to provide liquidity for businesses affected by the economic fallout of the pandemic. It also helps pave the way for the post-pandemic period by supporting the government's efforts to coordinate and monitor the crisis response and promoting the adoption of a plan for reopening the country.
- 1.18 In the second operation in the series, the program seeks to contribute through a robust agenda of public policy and fiscal management reforms and enhancements, geared toward getting back onto the path of equitable and fiscally sustainable economic growth. The substantive measures proposed include primarily the adoption of gradual transition plans for the "Quédete en Casa" and FASE temporary support transfers, which include specific targeting improvements to existing programs to protect the most vulnerable households and help people get back to work; adoption of a public expenditure management plan for the electricity sector; implementation of the tax on transfers of manufactured goods and services

⁵¹ During the 2008-2009 crisis, consumption tax fell close to 10% in a typical country of the region, and tax revenue dropped by as much as 3.5 points of GDP in some countries (IDB-Inter-American Centre of Tax Administrations, 2019).

⁵² When the region entered the 2008-2009 global financial crisis, the primary balance of a typical country was above 2.5% of GDP and the overall position was balanced. For 2019, the primary deficit was -0.3% and the overall deficit was above 2.5% (IMF, 2020).

⁵³ According to preliminary estimates by Andrian and Valencia (2020), the fiscal deficit could increase in the short term between 4 and 8 percentage points of GDP in response to the downturn in economic growth and the increase in emergency public spending.

(ITBIS) for digital services, and publication of an assessment of the current tax system; strategic planning for economic recovery and job creation; publication of a medium-term fiscal framework with curbs on current expenditure growth to more closely align the public budget with the requirements of fiscal equilibrium; implementing regulations for the Public-Private Partnerships Law⁵⁴ to strengthen the private sector contribution to the delivery of infrastructure and public services; development of regulations implementing the Amendment to the BCRD Recapitalization Law⁵⁵ to lower the quasifiscal deficit and its burden on the public finances; and creation of a State-owned Enterprises Office at the Ministry of Finance⁵⁶ to enhance the supervision and performance of such enterprises.

- 1.19 **The Bank's operational work and technical support in the country.** This operation complements the Bank's support for the Government of the Dominican Republic to strengthen its public finances under loan 4114/OC-DR, focused on consolidating tax administration and public budget planning and management; technical cooperation operation ATN/OC-16547-DR, aimed at building capacity at the Ministry of Finance to monitor and evaluate tax policy and lay the groundwork for implementation of the medium-term fiscal framework; and technical cooperation operations ATN/KR-17905-DR, ATN/OC-17036-RG, ATN/KR-16875-RG, ATN/KR-16172-RG, and ATN/KR-16851-RG, aimed at building capacity in the areas of tax administration, public procurement, public investment management, public-private partnership regulation and management, and supervision of State-owned enterprises. In the health sector, the Bank has been providing support under loan 2973/OC-DR, focused on expanding results-based financing in the first level of care and strengthening the Ministry of Health; and loan 3207/OC-DR, aimed at increasing the efficiency and effectiveness of health spending and improving the quality of health services for the most vulnerable population. In the social protection sector, the Bank financed loan 2733/OC-DR, which supported strengthening of the "Progresando con Solidaridad" [Progressing with Solidarity] (PROSOLI) conditional cash transfer program and targeting of the Centralized Beneficiary System (SIUBEN); and operation 2972/OC-DR, which, among other activities, financed the impact evaluation for that program. In employment, the Bank is supporting youth employability through technical education and vocational training aligned with the demands of the productive sector under loan 4692/OC-DR. In energy, the Bank is supporting the country through the second operation under programmatic policy-based loan 4649/OC-DR for the sustainability and efficiency of the power sector, and 4711/OC-DR, which is financing the expansion of electricity grids and reduction of technical losses in distribution.
- 1.20 This program is also consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996), as it forms part of the Bank's support to its borrowing member countries in the adoption of fiscal policies to mitigate the effects of the health crisis and alleviate economic impacts. The program coordinates efforts with various supports, such as:

⁵⁴ The Public-Private Partnerships Law was enacted on 7 February 2020.

⁵⁵ The proposed Amendment to the BCRD Recapitalization Law was sent to the Senate on 12 March 2020.

⁵⁶ The most immediate precursor of this measure is the delegation of authority to approve the budgets of nonfinancial State-owned enterprises to the Ministry of Finance under Decree 207-19 of 7 June 2019.

(i) immediate public health response; (ii) safety nets for vulnerable populations; and (iii) economic productivity and employment. The Government of the Dominican Republic has also requested a Special Development Lending (SDL) loan of US\$250 million from the Bank to finance pandemic-related expenditures. This loan accompanies the IMF Rapid Financing Instrument (RFI)⁵⁷ approved by the Dominican Republic on 29 April 2020. The SDL will support the government's commitment to implement fiscal adjustment measures from 2021 onward in line with the RFI letter of intent. This programmatic series will complement the SDL in the following ways: (i) in the short term, it supports the necessary health containment and economic relief measures that require financing from both the SDL and the first operation in the programmatic series; and (ii) in the medium term, the second operation in the series promotes measures that will support the viability of the government's commitments under the SDL,⁵⁸ as well as the IMF's technical recommendations on fiscal discipline and public debt sustainability in the RFI report.

- 1.21 **The Bank's experience in the region.** The IDB Group has supported the region through various types of crises (macroeconomic crises, health crises, and natural disasters) to mitigate their immediate effects and to design reforms for the recovery period. The Bank's support varies depending on the nature of the crisis to be addressed.⁵⁹ In the fiscal sphere, the Bank recently supported the Government of Ecuador in re-establishing macroeconomic stability, restoring fiscal sustainability, and safeguarding social spending in support of the vulnerable population through program 4771/OC-EC. Similarly, program 4656/OC-BA in Barbados supported the government in re-establishing macroeconomic stability and fostering a sustainable fiscal balance in the short and medium term, protecting social spending to safeguard the social progress made. Both projects were coordinated very closely with the IMF. The Bank has also provided support to countries in their reform processes to improve tax and customs policy and administration, public expenditure quality, and the strengthening of fiscal sustainability.⁶⁰ In the area of health, the Bank has experience in programs and initiatives aimed at the prevention and better control of various communicable diseases, including malaria, Zika, cholera, Pandemic H1N1/09 Virus (Influenza A), and other infectious diseases in Latin America and the Caribbean. Lastly, the Bank also has experience

⁵⁷ The IMF's RFI for the Dominican Republic is in the amount of US\$650 million, equivalent to 100% of its quota in special drawing rights. The RFI provides rapid, low-access financial assistance to member countries facing an urgent balance of payments need, without the need to have a full-fledged program in place. However, a member country requesting RFI assistance is required to cooperate with the IMF in efforts to solve its balance of payments issues and to describe the general economic policies it proposes to follow.

⁵⁸ Some of the triggers for the second operation in this programmatic series will support the following government commitments under the SDL: (i) gradual tightening of fiscal policies once the pandemic recedes to ensure that public debt-to-GDP ratios remain on a downward path (Components 3 and 4); (ii) strengthening of public financial management to ensure effective oversight over the entire public sector, including State-owned enterprises (Component 4); and (iii) adherence to best practices in procuring and awarding contracts related to the pandemic (Component 2).

⁵⁹ The first contingent financing instrument for natural disasters was the Contingent Credit Facility for Natural Disaster Emergencies. Examples include the Dominican Republic (DR-X1011), Honduras (HO-X1016), Ecuador (EC-X1014), and others (document RE-496-1).

⁶⁰ The most recent policy reform support programs include program 4552/OC-CO in Colombia, 4819/OC-CR in Costa Rica, and 4667/OC-PR in Paraguay.

in restoring basic service infrastructure in areas affected by earthquakes, both during the emergency and in the rebuilding phase.⁶¹

- 1.22 **Coordination with other donors.** This operation is in coordination with Agence Française de Développement [French Development Agency] (AFD),⁶² which has agreed on the content of the Policy Matrix and the Results Matrix. During preparation of the operation, the Bank coordinated with the Japan International Cooperation Agency (JICA), the Central American Bank for Economic Integration (CABEI), and the World Bank, jointly reviewing the content of the Policy Matrix with them.⁶³ During program execution, coordination with the other international agencies will be through ad hoc coordination groups and senior-management meetings. While preparing this operation, the Bank has also coordinated very closely with the IMF as part of preparation of the SDL loan (see paragraph 1.17). The Bank will share its program implementation progress with the rest of the donors and the IMF.
- 1.23 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and aligned with the development challenge of social inclusion and equality through measures to ensure the delivery essential health services and support to the most vulnerable households during the health and economic crisis. The program is also aligned with the crosscutting theme of institutional capacity and rule of law through the strengthening of fiscal policy and management to deal with the health, economic, and social crisis, and will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12).⁶⁴ The program is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996). It is also aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2) in the area of strengthening public sector management, and with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) in the areas of enhancing equity and supporting vulnerable populations. The program is also consistent with the Fiscal Policy and Management Sector Framework Document (document GN-2831-8),

⁶¹ In 2016, the Bank supported Ecuador in restoring infrastructure and basic services in earthquake-affected areas through various instruments (EC-X1014; 3751/OC-EC; 3906/OC-EC and ATN/JF-15752-EC). Other examples include support for Haiti in 2010 and for El Salvador following the 2001 earthquake.

⁶² The parallel cofinancing of €200 million is under the framework agreement signed between the Bank and AFD in October 2018, under the parallel cofinancing without services modality, which involves the signing of a specific cooperation agreement with the following operational implications: (i) coordinated design of a single policy matrix, setting out the conditions to be met; (ii) independent preparation of loan contracts between the financier and the Dominican Republic; and (iii) joint monitoring and supervision of execution and fulfillment of the Results Matrix indicators.

⁶³ CABEI, the World Bank, and JICA have expressed interest in providing parallel financing to the Government of the Dominican Republic, leveraging the Policy Matrix agreed upon between the government and the Bank for this operation. The Bank would thus be contributing to catalyze the coordination of donor efforts and facilitate the mobilization of additional financing to support the COVID-19 response in the Dominican Republic. Specifically, JICA is expected to use the same Policy Matrix and Results Matrix as AFD and the IDB, and CABEI and the World Bank are expected to use part of the same Policy Matrix. The AFD loan is slated for approval on 18 June 2020, and the World Bank loan, in early July. Processing of the CABEI and JICA operations is in the early stages of discussion at the time of preparation of this document (June 2020).

⁶⁴ See Annex I, Development Effectiveness Matrix – Summary.

which highlights the importance of institution-strengthening to improve public expenditure quality as well as fiscal equity and social inclusion; with the Health and Nutrition Sector Framework Document (document GN-2735-7), through support for the strengthening of service delivery as well as intersector coordination to achieve the expected outcomes; with the Social Protection and Poverty Sector Framework Document (document GN-2784-7), which highlights the importance of supporting vulnerable populations, particularly in the face of external shocks, through responsive social protection policies; with the Labor Sector Framework Document (document GN-2741-7), through the dimensions of success that the region's citizens have more, and more equitable, opportunities to access formal jobs with better wage expectations, and that workers are more productive and, consequently, obtain higher wages and more stable employment; with the Energy Sector Framework Document (document GN-2830-8), in the thematic area of energy governance, through the promotion of regulatory actions for continuity of service and support for the vulnerable population, adapted to mitigate the impact of the health emergency; and with the Integration and Trade Sector Framework Document (document GN-2715-8), in the area of trade facilitation, by improving customs operations to address the health and economic crisis.

B. Objectives, components, and cost

- 1.24 **Objective.** The general objective of the program is to contribute to strengthening the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and maintain liquidity for businesses during the health and economic crisis; and (iii) to promote economic and fiscal recovery during the post-pandemic period.
- 1.25 The program is structured as a programmatic policy-based loan (PBP) and consists of two separate but technically linked operations whose policy actions aim to help the country adopt measures in the short term to tackle the main challenges faced by countries in their response to the health and economic crisis caused by COVID-19 (see paragraphs 1.17 and 1.18).⁶⁵
- 1.26 The program is organized into the following components:
- 1.27 **Component 1. Macroeconomic stability.** The objective of this component is to ensure that a macroeconomic context consistent with the program objectives as set forth in the Policy Matrix and the Sector [Policy Letter](#) is maintained.
- 1.28 **Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19.** The objective of this component is to promote the availability and timely execution of financial and material resources to respond to the effects of the health crisis caused by COVID-19. To achieve this objective, the component supports the following

⁶⁵ Policy-based Loans: Guidelines for Preparation and Implementation (document CS-3633-2), Section II, Definition and Objective of Policy-Based Loans.

measures: (2.1) the Dominican Institute for Protection and Prevention of Labor Risks (IDOPPRIL) has been authorized to release and transfer resources from the labor risk insurance contributions on an exceptional basis to be used for the detection and treatment of COVID-19; (2.2) the use of emergency processes has been authorized for the procurement and contracting of goods, works, and services related to the emergency response; (2.3) a Citizen Oversight Commission has been created as an audit and accountability mechanism for resources associated with the management of procurement and contracting related to the COVID-19 emergency; (2.4) a coronavirus disease Contingency Plan has been approved under WHO guidelines including social distancing measures to mitigate the transmission of COVID-19; (2.5) an Emergency and Health Management Committee has been established to combat COVID-19 that will work on the development and supervision of strategies, policies, and measures to respond to the pandemic; (2.6) temporary suspension of the tax on transfers of manufactured goods and services (ITBIS) for medical supplies and equipment has been ordered and announced publicly; (2.7) temporary exemption from the payment of taxes on imports of medical supplies has been announced publicly; and (2.8) the measure giving priority in customs processing to the materials and supplies required for the health response, to guarantee that they reach the affected population in a timely manner, has been announced publicly.

- 1.29 The second operation in the programmatic series will continue to promote the efficient, orderly, and transparent allocation and execution of public funds, with a view to promoting economic and fiscal recovery. The following policy measures are planned: (2.1.a) information has been published on the labor risk insurance contribution resources transferred by IDOPPRIL to reimburse the invoices issued by the health risk administrators (ARS) for COVID-19 diagnostic and treatment services provided during the pandemic; (2.1.b) a mechanism has been created to guarantee COVID-19 treatment for affected citizens during the economic reactivation period established in the strategic plan for economic recovery mentioned in trigger 4.1; (2.2) a module has been launched on a government website that displays all procurement and contracting processes conducted for the COVID-19 health crisis response; (2.3) the report delivered to the Executive Branch by the COVID-19 Citizen Oversight Commission, once the period authorizing emergency procurement and contracting has ended, has been published with the commission's findings and recommendations for the improvement of procurement and contracting processes in the context of national emergencies or in response to future states of emergency; (2.4.a) a monitoring mechanism is in place to review impact in implementation of the Contingency Plan and take the necessary corrective action; (2.4.b) a protocol has been designed for border health management; (2.5) the plans proposed by the Emergency and Health Management Committee have been evaluated, to take the necessary corrective action; (2.6) the ITBIS has been reinstated for medical supplies and equipment; (2.7) the payment of taxes on imports of medical supplies has been reinstated; and (2.8) a guide has been prepared compiling the customs measures adopted during the state of emergency, the findings and lessons learned from their implementation, and a proposed action plan for preparing a contingency plan to address future health or natural disaster emergencies.

- 1.30 **Component 3. Strengthening public policy and fiscal management to respond to the economic crisis.** The objective of this component is to strengthen the countercyclical effect of public policy through the temporary introduction of measures to protect the income of vulnerable households, protect jobs, and increase liquidity for businesses during the health and economic crisis. To achieve this objective, the component supports the following measures: (3.1) the “Quédate en Casa” [Stay Home] program for low-income citizens has been created and implemented, to protect the income of vulnerable households and informal workers; (3.2) an Employee Solidarity Assistance Fund (FASE) has been created to provide temporary support to formal workers in the private sector through a temporary unconditional cash transfer, to counter the economic impact of the measures to stop the spread of COVID-19; (3.3) the electric power distribution companies that serve regulated users of the National Interconnected Electrical System (SENI) and off-grid systems have been authorized and instructed not to suspend electricity service for nonpayment; (3.4) temporary payment deadline extensions for the individual income tax (IR-1) and Simplified Tax Regime (RST) obligations for the 2019 fiscal period have been announced publicly; (3.5) temporary accommodations have been granted and announced publicly for businesses to comply with tax obligations under the tax on transfers of manufactured goods and services (ITBIS), corporate income tax (IR-2), income tax for individually owned businesses, asset tax for individually owned businesses, corporate asset tax, excise tax on fossil fuels and petroleum products, and the special levy on liquefied petroleum gas; and (3.6) exemption from payment of the first installment of the asset tax for microenterprises and small businesses in commercial operation has been ordered and announced publicly.
- 1.31 The second operation in the programmatic series will support policies to help align tax incentives with economic recovery. To achieve this objective, the following triggers have been included: (3.1.a) the social impacts of the “Quédate en Casa” program have been assessed, identifying the areas of greatest impact, as well as recommendations for providing social support to the families most vulnerable to COVID-19; (3.1.b) a gradual transition plan is in place for the “Quédate en Casa” program; (3.1.c) progress has been made on interagency coordination for widespread use and interoperability of the Centralized Beneficiary System (SIUBEN) as a source for targeting the government’s social programs and supports, to minimize beneficiary exclusion, maximize coverage of the poor; and improve criteria of cost efficiency, transparency, and trust; (3.2.a) information has been published on the use of resources allocated to FASE; (3.2.b) once the state of emergency is over, FASE ends the temporary cash transfers to the emergency response beneficiaries; (3.2.c) a plan to monitor the employment continuity of FASE beneficiary workers and a labor intermediation strategy to help those who lost their jobs get back to work have been presented; (3.3.a) continuity in revenue collection is guaranteed, and the lengths of payment agreements granted by the electric power distribution companies that serve regulated users of the SENI and off-grid systems are established for users to bring their payments current once the state of emergency ends; (3.3.b) the Ministry of Finance approves a management plan for public expenditure in the electricity sector, weighing whether to shift supply subsidies (to distribution companies) into demand subsidies (to users), and identifying actions to improve the operational efficiency of distribution companies; (3.4) the special measures related to the temporary payment deadline extensions

- for IR-1 and RST obligations amid the health crisis have been discontinued; (3.5.a) the temporary tax compliance accommodations for businesses in response to the health crisis have been discontinued; (3.5.b) the ITBIS for digital services has been implemented, in accordance with international standards, to increase tax revenue intake; (3.5.c) a study evaluating the current tax system has been published; and (3.6) collection of the asset tax has been reinstated.
- 1.32 **Component 4. Economic and fiscal strengthening for the post-pandemic period.** The objective of this component is to promote economic and fiscal recovery in the post-pandemic period. To achieve this objective, the first operation in the programmatic series will implement the following policy measures: (4.1) high-level commissions have been created to address economic, employment, and social issues with the goal of adopting measures and taking action in response to the economic and social fallout of the pandemic; and (4.2) a plan for the reopening the country's economy has been prepared and published.
- 1.33 The second operation in the programmatic series will promote economic recovery, job creation, strengthening of public finances, and fiscal sustainability through the following policy measures: (4.1) a strategic plan has been prepared for economic recovery, job creation and helping those who lost their jobs get back to work, and strengthening of workforce training; (4.2) progress has been made in the development of regulations implementing the Amendment to the BCRD Recapitalization Law (Law 167-07); (4.3) a medium-term fiscal framework with curbs on the growth of central government current expenditure has been published along with the budget, considering the new economic reality and the possibility of a new outbreak of the SARS-CoV-2 virus; (4.4) regulations have been issued implementing the Public-Private Partnerships Law (Law 47-20); and (4.5) a State-owned Enterprises Office has been created at the Ministry of Finance.
- C. Key results indicators**
- 1.34 The expected outcomes of the program actions are indicated in the Results Matrix. The outcome indicators are: (i) percentage of GDP allocated to the health sector budget; (ii) percentage of institutions that purchased COVID-19-related goods and services using emergency procedures and submitted itemized reports to the Office of the Comptroller General of the Republic; (iii) average purchase processing time for medical supplies; (iv) percentage of vulnerable households benefiting from temporary support via cash transfers related to the COVID-19 health crisis; (v) percentage of workers benefiting from temporary subsidies for formal employment; (vi) percentage of users benefiting from the deadline extension and payment plan introduced in response to the COVID-19 health emergency for the payment of electric power services; (vii) percentage of taxpayers applying for payment deadline extensions for the individual income tax (IR-1) introduced in response to the COVID-19 health crisis; (viii) percentage of taxpayers applying for payment deadline extensions for Simplified Tax Regime (RST) obligations introduced in response to the COVID-19 health crisis; (ix) percentage of taxpayers applying for payment deadline extensions for the corporate income tax (IR-2) introduced in response to the COVID-19 health crisis; (x) percentage of microenterprises and small businesses benefiting from the exemption from

payment of the first installment of the asset tax; and (xi) Monthly Index of Economic Activity.⁶⁶

- 1.35 **Economic analysis.** Based on the recommendations of the Office of Evaluation and Oversight (OVE) in its 2011 Evaluability Review of Bank Projects,⁶⁷ and the results of the Review of Good Practice Standards for the Evaluation of Policy-based Lending, prepared by the Evaluation Cooperation Group (ECG) comprised of the independent evaluation offices of multilateral development banks⁶⁸ as described in paragraph 1.3 of document GN-2489-5, Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non-Sovereign Guaranteed Operations, indicating, inter alia, that there is no need to include an analysis of efficiency in the use of financial resources,⁶⁹ it was decided not to perform an economic analysis for loans of this type, as reported to the Bank's Board of Executive Directors. Thus, this operation does not include an economic analysis and, consequently, the economic analysis is not considered for purposes of measuring the evaluability score in this program's DEM.
- 1.36 **Beneficiaries.** The direct beneficiaries of this first operation in the programmatic series are the citizens of the Dominican Republic, particularly those in the most vulnerable sectors, due to the positive social impacts identified for this program: (i) improvements in the delivery of public health services, through the implementation of policy measures to provide more resources to address the health emergency; and (ii) mitigation of health crisis impact on the well-being of citizens, particularly low-income populations, through policy measures that safeguard household income and business liquidity.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Financing instrument.** This operation has been structured as a programmatic policy-based loan (PBP) and is the first operation of a programmatic series consisting of two contractually independent but technically linked loans, in line with the guidelines for the preparation and implementation of programmatic policy-based loans set forth in document CS-3633-2. The programmatic modality was chosen because: (i) it promotes ongoing policy dialogue between the Bank and the country with the aim of providing continuous support during the pandemic and in the post-pandemic period; (ii) given the uncertainty regarding the length and severity of the crisis caused by the pandemic, this instrument leaves room for adaptation to evolving circumstances and monitoring of the program's scope; and (iii) it facilitates the development, fine-tuning, and implementation of economic and

⁶⁶ These indicators apply only to the first operation.

⁶⁷ Document RE-397-1: "Currently, Economic Analysis section is computed as the maximum between the CBA (cost benefit analysis) and the CEA (cost effectiveness analysis). Yet neither a CBA nor a CEA is applicable to PBLs (policy-based loans) and PBPs (programmatic policy-based loans)."

⁶⁸ ECG (2012).

⁶⁹ The Evaluation Cooperation Group calls for policy-based loans to be evaluated for relevance, effectiveness, and sustainability. Efficiency was not included as a criterion because policy-based loans are sized according to the country's financing gap, independent of project benefits.

fiscal recovery plans, with a view to resuming growth with equity and fiscal sustainability in the post-pandemic period.

- 2.2 **Dimensioning.** The cost of this operation will be US\$250 million, financed from the Bank's Ordinary Capital. Parallel cofinancing of €220 million is also expected from Agence Française de Développement [French Development Agency] (AFD). In both cases, the financing will be disbursed in one single tranche. The amount of this operation is justified by the public sector's financial needs and has no direct relationship to the costs associated with the program reforms, as provided in paragraph 3.27(b) of document CS-3633-2. The public sector's financing requirements for 2020 are estimated at US\$2.5 billion to US\$2.7 billion.⁷⁰ The financing of this operation represents approximately 10% of the total needs.⁷¹

B. Environmental and social safeguard risks

- 2.3 Based on guideline B.13 of the Environment and Safeguards Compliance Policy (Operational Policy OP-703), this program does not require ex ante classification of impacts. The operation supports the development of policies, standards, management tools, and other institutional strengthening actions, so no significant or direct adverse environmental and natural resource impacts are anticipated.

C. Fiduciary risks

- 2.4 No fiduciary risks associated with the operation have been identified. The proceeds of the operation will go directly to the National Treasury, to meet the financing needs of the Government of the Dominican Republic. The executing agency has the necessary financial management tools and supervision systems for such an arrangement. The resources will be disbursed, once the policy measures set forth in the Loan Contract are fulfilled.

D. Other key risks and issues

- 2.5 **Public management and governance risks.** Two medium-level risks have been identified in the public management and governance area. The first risk is that measures to shield household incomes may fail to reach the sectors hardest hit by the health crisis on a priority basis. If realized, this risk would limit the effectiveness of the relevant measures under Component 3 of the first operation in the program (see paragraph 1.30). Its likelihood of occurrence is low, however, since the government has been working for several years, with Bank support, to strengthen its SIUBEN targeting instruments (see paragraph 1.19) and has begun a process of complementarity with other databases to ensure effective targeting of the temporary support via cash transfers for the emergency. The second operation in the series also promotes consolidation of the interagency coordination necessary to ensure smooth interoperability between SIUBEN and other data sources, as a tool for ongoing, effective targeting of the government's social programs and supports (see paragraph 1.31).

⁷⁰ The country has also arranged an IMF Rapid Financing Instrument (RFI) for US\$650 million, which will be used to increase the BCRD's international reserves and guarantee macroeconomic stability.

⁷¹ In addition to these resources and €200 million in parallel cofinancing from AFD, the World Bank, CABEL, and JICA may provide an additional US\$250 million to US\$550 million in parallel cofinancing for this program. Such financing would be channeled through unrestricted loans.

- 2.6 The second risk is that a changeover of authorities after the upcoming presidential elections may produce a shift in policy priorities leading to delays in implementation of the reforms supported by the program. To mitigate this risk, ongoing dialogue between the Bank and the government during the transition period as well as once the new authorities take office is expected to contribute to the continuity of implementation of the measures and reforms promoted in response to the crisis.
- 2.7 **Development risk.** Even though all the policy conditions for the first operation are fulfilled, there is a medium risk that the pandemic may last longer than expected, delaying the economic recovery, and the government may lack the financial resources necessary to extend the program-supported measures to respond to the health and economic crisis. To mitigate this risk, the Bank will continue coordinating financial support to the country with other multilateral agencies (such as the IMF, the World Bank, and CABI) and bilateral agencies (such as AFD and JICA).
- 2.8 **Fiscal sustainability risk.** Given the severity of the health and economic crisis, the fiscal and debt position of the country is expected to worsen significantly, which will generate a medium fiscal sustainability risk. To mitigate this risk, the Bank, together with other international organizations, is providing technical assistance to prepare and monitor the implementation of post-pandemic economic and fiscal recovery plans that will help put the public finances back on a sustainable trajectory.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower.** The borrower will be the Dominican Republic, acting through the Ministry of Finance. The borrower will execute the program through the Ministry of Finance, supported by the Ministry of Health, the National Health Service, the Social Policy Coordination Cabinet (through the social safety net),⁷² the Ministry of Labor, the Superintendency of Electricity (SIE), and the Dominican State Electricity Corporation (CDEEE).
- 3.2 **Executing agency.** The executing agency will be the Ministry of Health, which will have technical responsibility for program execution and agrees to: (i) act, on its own or by means of a designee, as the official liaison with the Bank and submit reports and evidence of fulfillment of the operation's conditions, as well as any other report that the Bank requires, according to the agreed deadlines and terms; (ii) promote actions to achieve the policy objectives defined in the program; and (iii) collect, record, and submit to the Bank all data, indicators, and metrics that help the Government of the Dominican Republic and the Bank monitor, measure, and evaluate the program's results.
- 3.3 **Coordination mechanism.** Responsibility for carrying out the program measures lies with the Ministry of Finance, along with the Ministry of Health, the National Health Service, the Social Policy Coordination Cabinet, the Ministry of Labor, the

⁷² The social safety net consists of the Centralized Beneficiary System (SIUBEN), the "Progresando con Solidaridad" [Progressing with Solidarity] (PROSOLI) conditional cash transfer program, and the Social Subsidies Administrator (ADESS).

SIE, and the CDEEE. The Ministry of Finance will maintain fluid dialogue with all those institutions, which will help to coordinate implementation of the measures. Additionally, the involvement of most of these institutions in the High-level Commission for Coronavirus Prevention and Control, the Commission to Address Economic and Employment Issues, and/or the Commission to Address Social Issues will also contribute to smooth coordination among them.

- 3.4 **Special contractual conditions precedent to the first and sole disbursement of the loan.** The first and sole disbursement of the Bank loan proceeds will be subject to: (i) fulfillment of the policy reform conditions described in the Policy Matrix (Annex II) and the [Policy Letter](#); and (ii) fulfillment of the other conditions established in the Loan Contract.

- 3.5 **Partial exception to the Public Utilities Policy.** Policy measure 3.3 for the first operation under Component 3 (see paragraph 1.30) calls for deferred payment of electricity bills during the period of the COVID-19 emergency. Since deferring these payments interrupts the flow of revenue of the electricity service providers, entailing, at least temporarily, a risk to their financial sustainability, Management requests that the Board of Executive Directors approve a partial exception to the Public Utilities Policy (document GN-2716-6) on grounds of nonadherence the principle of financial sustainability established in said policy. This exception is justified, given the importance of supporting the country in the adoption of crisis measures to ensure the population's access to basic public services, with emphasis on the most affected groups, keeping possible costs down given the economic circumstances caused by COVID-19. The fiscal sustainability of these measures is an integral part of support under this proposal, and the measures should be temporary and take into account the criteria of efficiency, transparency, and financial viability.

B. Summary of arrangements for monitoring results

- 3.6 **Monitoring.** Program monitoring consists of verification of the agreed policy measures (see [monitoring and evaluation plan](#)). The executing agency and the Bank have agreed to monitor program execution in coordination with AFD through regular meetings to track the operation's results and anticipate and resolve technical difficulties related to the operation's execution. The Bank, in coordination with AFD, will monitor execution of the operation from the Country Office. The executing agency will submit to the Bank all information required for measuring fulfillment of program targets and will provide timely information on progress toward those targets.
- 3.7 **Evaluation.** The evaluation strategy will consist of: (i) a "before and after" analysis of the outcome and impact indicators included in the Results Matrix; (ii) a review of the intervention's theory of change; (iii) a literature review of evidence on the effectiveness of similar interventions in comparable contexts; and (iv) a qualitative evaluation that provides complementary information on how the achieved results can be attributed to the program. The evaluation's main questions will address whether the policies implemented helped achieve the program objectives (see [monitoring and evaluation plan](#)). Additionally, a program completion report will be prepared. The evaluation will be performed by the Bank in close coordination with AFD and the executing agency. Both the ex post evaluation and the program

completion report will be completed at the end of execution of the programmatic series.

IV. POLICY LETTER

- 4.1 The [Policy Letter](#) reiterates the national government's commitment to the objectives and actions envisaged in the program. Additionally, the Bank and the Government of the Dominican Republic agreed on a Policy Matrix that identifies the policy actions under this programmatic operation.

Development Effectiveness Matrix		
Summary		DR-L1144
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries receiving health services (#) -Beneficiaries of targeted anti-poverty programs (#) -Households with improved access to energy services (#) -Jobs supported (#) Countries with strengthened tax and expenditure policy and management (#)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		See p. 1.19 of the loan document
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.6
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		7.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		4.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		High
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		B.13
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, Internal Audit. Procurement: Information System, Price Comparison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
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	The Bank has provided technical assistance ATN/OC-16547-DR, ATN/KR-17905-DR, ATN/OC-17036-RG, ATN/KR-16875-RG, ATN/KR-16172-RG y ATN/KR-16851-RG) in the elaboration and implementation of the measures included in this operation.

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

Evaluability Assessment Note: The program is structured as a PBP. This is the first of two operations whose policy actions aim to strengthen the governmental management in the adoption of activities to respond to the main challenges generated by the health and economic crisis due to COVID-19. The operation DR-L1144 has a total amount of US\$450 million, consisting of US\$250 million as part of the Bank's operational response to the COVID-19 Pandemic, and a co-financing contribution of US\$200 million from the French Agency for Development. The general objective of the program is to contribute strengthening the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) to promote economic and fiscal recovery during the post-pandemic period.

The loan proposal presents a solid diagnosis of the problem, as well as a review of international evidence. The proposed solutions are an appropriate response to the problems identified in the proposal and its contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of outcomes and impacts. The outcome indicators are appropriately defined to measure the achievements of the project's specific objectives. The impact indicators reflect the contribution to the final health, society welfare and fiscal objectives of the operation. These indicators will measure that the capacity of intensive care beds (ICU) in hospitals is appropriate to face the health crisis (health), the curving impact of the crisis on the income poverty index due to governmental actions (population welfare) and whether the primary fiscal balance is restored after the crisis (fiscal).

The monitoring and evaluation plan proposes a reflective analysis of the outcome and impact indicators included in the result matrix, complemented by a review of the theory of change, an updated review of international evidence and qualitative studies. The monitoring and evaluation activities will be carried out by the Ministry of Finance in coordination with the Bank.

POLICY MATRIX

Objective: The general objective of the program is to contribute to strengthening the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and maintain liquidity for businesses during the health and economic crisis; and (iii) to promote economic and fiscal recovery during the post-pandemic period.

Components/ Policy objectives	Policy conditions Programmatic loan I	Status of fulfillment, conditions for programmatic loan I ¹	Triggers for programmatic loan II
Component 1. Macroeconomic stability			
Maintain a macroeconomic context consistent with the program objectives as set forth in the Policy Matrix and the Sector Policy Letter.	1.1 An economic context consistent with the program objectives and the guidelines established in the Sector Policy Letter is maintained.	Fulfilled	1.1. An economic context consistent with the program objectives and the guidelines established in the Sector Policy Letter is maintained.
Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19			
Promote the timely availability of public resources to respond to the health crisis caused by COVID-19.	2.1 The Dominican Institute for Protection and Prevention of Labor Risks (IDOPPRIL) has been authorized to release and transfer resources from the labor risk insurance contributions on an exceptional basis to be used for the detection and treatment of COVID-19.	Fulfilled (Q1 2020)	2.1.a Information has been published on the labor risk insurance contribution resources transferred by IDOPPRIL to reimburse the invoices issued by the health risk administrators (ARS) for COVID-19 diagnostic and treatment services provided during the pandemic. 2.1.b A mechanism has been created to guarantee COVID-19 treatment for affected citizens during the economic reactivation period established in the strategic plan for economic recovery mentioned in trigger 4.1.
Promote the timely execution of public resources to respond to the health crisis caused by COVID-19.	2.2 The use of emergency processes has been authorized for the procurement and contracting of goods, works, and services related to the emergency response.	Fulfilled (Q1 2020)	2.2 A module has been launched on a government website that displays all procurement and contracting processes conducted for the COVID-19 health crisis response.

¹ This information is merely indicative as of the date of this document. In accordance with document CS-3633-2, "Policy-based Loans: Guidelines for Preparation and Implementation," compliance with any specified disbursement conditions, including maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank when the borrower makes the corresponding disbursement request and will be reflected in a timely manner in the disbursement eligibility memorandum.

Components/ Policy objectives	Policy conditions Programmatic loan I	Status of fulfillment, conditions for programmatic loan I ¹	Triggers for programmatic loan II
	2.3 A Citizen Oversight Commission has been created as an audit and accountability mechanism for resources associated with the management of procurement and contracting related to the COVID-19 emergency.	Fulfilled (Q2 2020)	2.3 The report delivered to the Executive Branch by the COVID-19 Citizen Oversight Commission, once the period authorizing emergency procurement and contracting has ended, has been published with the commission's findings and recommendations for the improvement of procurement and contracting processes in the context of national emergencies or in response to future states of emergency.
	2.4 A coronavirus disease Contingency Plan has been approved under WHO guidelines including social distancing measures to mitigate the transmission of COVID-19.	Fulfilled (Q1 2020)	2.4.a A monitoring mechanism is in place to review impact in implementation of the Contingency Plan and take the necessary corrective action. 2.4.b A protocol has been designed for border health management.
	2.5 An Emergency and Health Management Committee has been established to combat COVID-19 that will work on the development and supervision of strategies, policies, and measures to respond to the pandemic.	Fulfilled (Q2 2020)	2.5 The plans proposed by the Emergency and Health Management Committee have been evaluated, to take the necessary corrective action.
	2.6 Temporary suspension of the tax on transfers of manufactured goods and services (ITBIS) for medical supplies and equipment has been ordered and announced publicly.	Fulfilled (Q2 2020)	2.6 The ITBIS has been reinstated for medical supplies and equipment.
	2.7 Temporary exemption from the payment of taxes on imports of medical supplies has been announced publicly.	Fulfilled (Q2 2020)	2.7 The payment of taxes on imports of medical supplies has been reinstated.
	2.8 The measure giving priority in customs processing to the materials and supplies required for the health response, to guarantee that they reach the affected population in a timely manner, has been announced publicly.	Fulfilled (Q1 2020)	2.8 A guide has been prepared compiling the customs measures adopted during the state of emergency, the findings and lessons learned from their implementation, and a proposed action plan for preparing a contingency plan to address future health or natural disaster emergencies.

Components/ Policy objectives	Policy conditions Programmatic loan I	Status of fulfillment, conditions for programmatic loan I ¹	Triggers for programmatic loan II
Component 3. Strengthening public policy and fiscal management to respond to the economic crisis			
Strengthen the countercyclical effect of public policy through the temporary introduction of measures to protect the income of vulnerable households during the health and economic crisis.	3.1 The “Quédate en Casa” [Stay Home] program for low-income citizens has been created and implemented, to protect the income of vulnerable households and informal workers.	Fulfilled (Q2 2020)	<p>3.1.a The social impacts of the “Quédate en Casa” program have been assessed, identifying the areas of greatest impact, as well as recommendations for providing social support to the families most vulnerable to COVID-19.</p> <p>3.1.b A gradual transition plan is in place for the “Quédate en Casa” program.</p> <p>3.1.c Progress has been made on interagency coordination for widespread use and interoperability of the Centralized Beneficiary System (SIUBEN) as a source for targeting the government's social programs and supports, to minimize beneficiary exclusion, maximize coverage of the poor; and improve criteria of cost efficiency, transparency, and trust.</p>
	3.2 An Employee Solidarity Assistance Fund (FASE) has been created to provide temporary support to formal workers in the private sector through a temporary unconditional cash transfer, to counter the economic impact of the measures to stop the spread of COVID-19	Fulfilled (Q2 2020)	<p>3.2.a Information has been published on the use of resources allocated to FASE.</p> <p>3.2.b Once the state of emergency is over, FASE ends the temporary cash transfers to the emergency response beneficiaries.</p> <p>3.2.c A plan to monitor the employment continuity of FASE beneficiary workers and a labor intermediation strategy to help those who lost their jobs get back to work have been presented.</p>
	3.3 The electric power distribution companies that serve regulated users of the National Interconnected Electrical System (SENI) and off-grid systems have been authorized and instructed not to suspend electricity service for nonpayment.	Fulfilled (Q1-Q2 2020)	<p>3.3.a Continuity in revenue collection is guaranteed, and the lengths of payment agreements granted by the electric power distribution companies that serve regulated users of the SENI and off-grid systems are established for users to bring their payments current once the state of emergency ends.</p> <p>3.3.b The Ministry of Finance approves a management plan for public expenditure in the electricity sector, weighing whether to shift supply subsidies (to distribution companies) into demand subsidies (to users), and identifying actions to improve the operational efficiency of distribution companies.</p>

Components/ Policy objectives	Policy conditions Programmatic loan I	Status of fulfillment, conditions for programmatic loan I ¹	Triggers for programmatic loan II
	3.4 Temporary payment deadline extensions for the individual income tax (IR-1) and Simplified Tax Regime (RST) obligations for the 2019 fiscal period have been announced publicly.	Fulfilled (Q1 2020)	3.4 The special measures related to the temporary payment deadline extensions for IR-1 and RST obligations amid the health crisis have been discontinued.
Strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to maintain liquidity for businesses during the health and economic crisis.	3.5 Temporary accommodations have been granted and announced publicly for businesses to comply with tax obligations under the tax on transfers of manufactured goods and services (ITBIS); corporate income tax (IR-2); income tax for individually owned businesses; asset tax for individually owned businesses; corporate asset tax; the excise tax on fossil fuels and petroleum products; and the special levy on liquefied petroleum gas.	Fulfilled (Q1-Q2 2020)	3.5.a The temporary tax compliance accommodations for businesses in response to the health crisis have been discontinued. 3.5.b The ITBIS for digital services has been implemented, in accordance with international standards, to increase tax revenue intake. 3.5.c A study evaluating the current tax system has been published.
	3.6 Exemption from payment of the first installment of the asset tax for microenterprises and small businesses in commercial operation has been ordered and announced publicly.	Fulfilled (Q2 2020)	3.6 Collection of the asset tax has been reinstated.
Component 4. Economic and fiscal strengthening for the post-pandemic period			
Promote economic and fiscal recovery during the post-pandemic period.	4.1 High-level commissions have been created to address economic, employment, and social issues with the goal of adopting measures and taking action in response to the economic and social fallout of the pandemic. 4.2 A plan for the reopening the country's economy has been prepared and published.	Fulfilled (Q1 2020) Fulfilled (Q2 2020)	4.1 A strategic plan has been prepared for economic recovery, job creation and helping those who lost their jobs get back to work, and strengthening of workforce training. 4.2 Progress has been made on the development of regulations implementing the Amendment to the BCRD Recapitalization Law (Law 167-07). 4.3 A medium-term fiscal framework with curbs on the growth of central government current expenditure has been published along with the budget, considering the new economic reality and the possibility of a new outbreak of the SARS-CoV-2 virus. 4.4 Regulations have been issued implementing the Public-Private Partnerships Law (Law 47-20). 4.5 A State-owned Enterprises Office has been created at the Ministry of Finance.

RESULTS MATRIX

Project objective:	The general objective of the program is to help strengthen the efficiency and effectiveness of public policy and fiscal management in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific objectives are: (i) to promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) to strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and maintain liquidity for businesses during the health and economic crisis; and (iv) to promote economic and fiscal recovery during the post-pandemic period.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Baseline year	Final target	Final year	Means of verification	Comments
Number of weeks during which the number of COVID-19 patients in intensive care units (ICUs) does not exceed 90% of the health system's total ICU capacity/total number of weeks	Weeks	100 (9 weeks) ¹	2020	100 (44 weeks) ²	2020	Report on bed availability produced by the National Health Service (SNS).	Occupancy of ICU beds prepared for COVID-19 patients is not expected exceed 90% in any week of 2020. According to the 2 June SNS report, 130 of the total 303 UCI beds prepared for COVID-19 patients are occupied. The number of UCI beds prepared is expected to increase with the measures to address the pandemic.
Year-on-year change in the percentage of households whose consumption is below the poverty line ³	Percentage points	+9 ⁴	2020	-1.9%	2022	Official Ministry of the Economy, Planning, and Development monetary poverty statistics bulletin.	This indicator assumes the Ongoing Labor Force Survey continues to be conducted.
NFPS primary balance	% GDP	-0.1 ⁵	2020	0.1	2022	IMF report	

¹ Between 1 January 2020 and 29 February 2020.

² Between 1 March 2020 and 31 December 2020.

³ Since 2016, poverty has been decreasing at an average of approximately 1.9 percentage points; this trend is likely to have continued had it not been for the COVID-19 outbreak, with poverty reaching approximately 19% in 2020.

⁴ This variation was calculated using the 2019 poverty data published by MEPyD (21%) and the World Bank projection for 2020 (30%), which will be replaced with the government's official data, when it becomes available.

⁵ IMF Rapid Financing Instrument (RFI) projection report (2020); this will be replaced by the official government data once available.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
SPECIFIC OBJECTIVE 1: Promote the timely availability of resources to respond to the health crisis caused by COVID-19						
Budget allocated to the health sector ⁶	% GDP	1.77	2019	2.13	Budget execution of central government, nonfinancial autonomous and decentralized agencies, and public social security institutions. January-December 2020 report	The last budget approved for 2020 by the Congress will be taken as the baseline. The target is the one set in the proposed supplemental budget sent to Congress by the executive branch on 13 June 2020.
Institutions that purchased COVID-19-related goods and services using emergency procedures and submitted itemized reports to the Office of the Comptroller General of the Republic (CGR)	%	0	2019	100	CGR	Pursuant to Decree 133-20 , fast-track procurement refers to the acquisition of essential goods and services to execute prevention initiatives, provide medical care, and build public health infrastructure, in response to COVID-19. The entities the decree authorizes to use this type of procedure are: Ministry of Health, National Health Service, Essential Medicines Program and logistical support centers, Ministry of Public Works and Communications, Ministry of Defense, Office of Public Works Supervising Engineers, Social Assistance Plan of the Presidency, State-run Low-cost Canteens, and the National Institute for Comprehensive Early Childhood Care.
Average procurement processing time for medical supplies	Days	22	2019	10	Public Procurement Department, Ministry of Finance	Based on the average number of days between publication and award of contract for medical supplies using ordinary procurement procedures published on the "Portal Transaccional" procurement platform between 2019 and 2020, prior to the state of emergency (baseline) and under COVID-19 processes (final target).

⁶ This [data](#) is based on the approved 2019 budget (RD\$79,079,106,749), which represents 1.77% of GDP.

Indicators	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
SPECIFIC OBJECTIVE 2: Strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis.						
Vulnerable households benefiting from temporary support via cash transfer related to the COVID-19 health crisis	Percentage	0	2019	70	Records of the Social Subsidies Administrator, PROSOLI, and SIUBEN.	Calculated based on the total number of households eligible for the “Quédate en Casa” program, as classified using the SIUBEN quality of life index 1 and 2. The total number of beneficiary households is estimated at 1,247,390.
Workers benefiting from temporary subsidies for formal employment	Percentage	0	2019	31	Administrative records of the Ministries of Finance and Labor	Calculated based on the latest data on formal workers in the survey published by the Central Bank and the administrative data on FASE program beneficiaries. The total number of beneficiaries is estimated at 650,000.
Users benefiting from the deadline extension and payment plan introduced in response to the COVID-19 health emergency for the payment of electric power services	Percentage	0	2019	20	CDEEE annual report	Calculated based on the number of registered users in the year and only considering those users receiving the benefits put in place. The total number of beneficiaries is estimated at 500,000.
Taxpayers benefiting from payment deadline extensions for the individual income tax (IR-1) introduced in response to the COVID-19 health crisis	Percentage	0	2019	70	Directorate General of Internal Revenue (DGII)	Calculated considering only individual (i.e. nonbusiness) taxpayers.
Taxpayers benefiting from payment deadline extensions for Simplified Tax Regime (RST) obligations introduced in response to the COVID-19 health crisis	Percentage	0	2019	30	DGII	Calculated considering only taxpayers included in the RST.
Taxpayers applying for payment deadline extensions for the corporate income tax (IR-2) introduced in response to the COVID-19 health crisis	Percentage	0	2019	60	DGII	Calculated considering only taxpayers that are legal entities.

Indicators	Unit of measure	Baseline	Baseline year	Final target (2020)	Means of verification	Comments
Microenterprises and small businesses benefiting from the exemption from payment of the first installment of the asset tax	Percentage	0	2019	40	DGII	Calculated considering only microenterprises and small businesses liable for this tax. Businesses with annual sales revenue of up to RD\$58,314,600 (DGII Notice 60-20) are considered microenterprises and small businesses.
SPECIFIC OBJECTIVE 3: Promote economic and fiscal recovery in the post-pandemic period						
Monthly Index of Economic Activity	Index (baseline April 2019 = 100)	70.2	April 2020	74.0*	BCRD	* The final target corresponds to the month of April 2021 and is calculated based on the average year-on-year change in the indicator for the month of April in the period 2015-2019.

OUTPUTS

Outputs	Unit of measure	Baseline	Baseline year	Final target (2020) ⁷	Means of verification
Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19					
Resolution of the Executive Board of the Dominican Institute for Protection and Prevention of Labor Risks (IDOPPRIL) authorizing exceptional use of occupational risk insurance premiums for the detection and treatment of COVID-19, issued	Resolution	0	2020	1	See means of verification matrix
Decrees authorizing the use of fast-track procedures for the procurement of goods, works, and related services in response to the emergency, issued	Decrees	0	2020	2	
Decree establishing a Public Oversight Committee as an audit and accountability mechanism for the resources associated with the management of procurement and contracting in response to the COVID-19 emergency, issued	Decree	0	2020	1	
Contingency plan to address the coronavirus disease, following World Health Organization guidelines, adopted	Plan	0	2020	1	
Decree creating an emergency and health management committee to combat COVID-19, issued	Decree	0	2020	1	
DGII notice of the temporary suspension of the application of the tax on manufactured goods and services (ITBIS) to medical supplies and equipment, issued.	Notice	0	2020	1	

⁷ Baseline at the start of the year, and targets as of December of each year.

Outputs	Unit of measure	Baseline	Baseline year	Final target (2020) ⁷	Means of verification
Statement by the Directorate General of Customs (DGA) informing the public of the temporary exemption from paying tax on medical supplies and equipment, issued	Statement	0	2020	1	See means of verification matrix
Statement by the DGA informing the public of prioritization of supplies required to address the health crisis in the customs service during the COVID-19 emergency, issued	Statement	0	2020	1	
Component 3. Strengthening public policy and fiscal management to respond to the economic crisis					
“Quédate en Casa” program transfers, completed ⁸	Transfers	0	2020	4	See means of verification matrix
Employee Solidarity Assistance Fund (FASE) to provide temporary support through unconditional cash transfers to formal private-sector workers to offset the economic impacts of the measures adopted to slow the spread of COVID-19, created	Fund	0	2020	1	
Resolutions of the Superintendency of Electricity (SIE) guaranteeing the continuity of electricity supplies to citizens during the state of emergency, adopted	Resolutions	0	2020	2	
DGII notices informing the public that temporary facilities have been granted for taxpayers to comply with certain tax obligations, issued	Notices	0	2020	3	See means of verification matrix
DGII notice informing the public of exemption from payment of the first installment of the tax on assets for microenterprises and small businesses engaged in commercial activities	Notice	0	2020	1	
Component 4. Economic and fiscal strengthening for the post-pandemic period					
High-level commissions to address economic, employment, and social matters so as to take measures to respond to the economic and social fallout of the pandemic, created	Commissions	0	2020	2	See means of verification matrix
Plan for reopening the country’s economy prepared and published	Plan	0	2020	1	

⁸ The transfers refer to the payment of monetary resources to beneficiary households through the “Quédate en Casa” temporary support program. These payments are made biweekly.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/20

Dominican Republic. Loan ____/OC-DR to the Dominican Republic
Program to Strengthen Public Policy and Fiscal Management in
Response to the Health and Economic Crisis Caused by
COVID-19 in the Dominican Republic

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 Program to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in the Dominican Republic. Such financing will be for the amount of up to US\$250,000,000 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 ____ 2020)