Office of Evaluation and Oversight

Independent Country Program Review

Dominican Republic 2021-2024

IDB | IDB Invest

Inter-American Development Bank, 2024
Office of Evaluation and Oversight
1350 New York Avenue, N.W.
Washington, D.C. 20577
www.iadb.org/evaluation

RE-599
October 2024

Independent Country Program Review

Dominican Republic 2021-2024

Office of Evaluation and Oversight

Contents

Acknowledgements vi
Abbreviations vi
Executive Summary viii
Introduction 01
Country Context 02
A. Macrofiscal context 03
B. Productive development 05
C. Social context 06
Relevance of the IDB Group Country Strategy 10
Relevance of the Country Program 18
Country Program Implementation 28
Country Program Contribution to the Objectives 34
A. Priority area 1: Public management and fiscal institutional structure 37
B. Priority area 2: Sustainable and inclusive productive reactivation 39
C. Priority area 3: Strengthening of human capital 41
Conclusions 44
References 48

Annex Complementary information
Response by IDB and IDB Invest Management

Acknowledgements

This document was prepared by: Pablo Fleiss, Team Leader; Damián Galinsky, Vladimir Nessler, and Ingrid Garay, under the supervision of Alejandro Soriano, Country Cluster Leader; and the direction of Marialisa Motta, OVE Director.

Abbreviations

CDC	Country Development Challenges document
CID	Country Department Central America, Haiti, Mexico, Panama, and the Dominican Republic
CPD	Country Program Document
ECLAC	Economic Commission for Latin America and the Caribbean
GDP	Gross domestic product
ICPR	Independent country program review
IDB Group	Inter-American Development Bank Group
IMF	International Monetary Fund
INAPA	Instituto Nacional de Aguas Potables y Alcantarillados (National Water and Sewerage Institute)
JICA	Japan International Cooperation Agency
LAC	Latin America and the Caribbean
MSMEs	Micro, small, and medium-sized enterprises
NSG	Non-sovereign guaranteed
OECD	Organisation for Economic Co-operation and Development
ONE	Oficina Nacional de Estadística (National Statistics Office)
OVE	Office of Evaluation and Oversight
PBL	Policy-based loan
ReTS	Evaluation Recommendation Tracking System

SDL	Special development lending
SMART	Specific, measurable, achievable, relevant, and time-bound
TFFP	Trade Finance Facilitation Program
WEF	World Economic Forum
XCPE	Extended country program evaluation

Executive Summary

Purpose. This independent country program review (ICPR) examines the country strategy and country program of the Inter-American Development Bank Group (IDB Group) with the Dominican Republic for the 2021 2024 period. The ICPR aims to provide relevant information to the Boards of the IDB Group to support their discussions for the next country strategy. In addition, the preparation process and findings for the ICPR should also provide Management with helpful input to improve the design of the next country strategy and contribute to the associated country program. The ICPR may also provide the government and other external actors with an independent perspective on the IDB Group's work in the country. The ICPR is based on a documentary review and a triangulation of information provided by IDB Group specialists and key counterparts in the country. The ICPR's methods, tools, and processes are based on the Independent Country Program Review. Implementation Guidelines (document RE-348-10).

Country context. The Dominican Republic is an upper-middle income economy with a majority-young population and high levels of immigration and emigration. Its economy had the region's second-highest growth rate over the past decade. This growth has not led to a significant improvement in fiscal accounts, which have maintained deficits for over a decade, but it has had a significant impact in a steady reduction of poverty and inequality. Despite considerable social improvements, the country continues to lag in areas related to human capital, with challenges related to quality and access in healthcare and education. Economic growth has been driven mainly by private investment in physical capital, with little contribution from aggregate productivity. The constraints on productive potential include low growth in export sectors, high costs of energy and transportation and logistics services, low investment in innovation, and limitations in productive financing. The country is also exposed to extreme weather events and significant losses due to climate change.

Country strategy objectives. The IDB Group Country Strategy with the Dominican Republic 2021 2024, approved in February 2022, identified three priority areas: improvement of public management and the institutional structure, sustainable and inclusive productive reactivation, and strengthening of human capital. The country strategy set eight strategic objectives and identified 20 expected results, with an additional expected result identified in the 2024 Country Program Document. The country strategy also called for addressing four crosscutting issues: gender and diversity; climate change adaptation; and digitalization, institutional capacity, and rule of law.

Relevance of the country strategy's objectives and design. The objectives of the country strategy were aligned with the country's development challenges and government priorities, particularly in the pillars of transparency, climate action, resilient infrastructure, energy transition, and sanitation and solid waste management. The vertical logic, which outlines how progress is to be made toward the objectives, was sound, as the expected results were generally more specific than, and adequately connected to, higher-level strategic objectives. In addition, this country strategy was more evaluable than the previous one, as data for most progress indicators could be updated. Weaknesses were identified in the strategic selectivity of the country strategy, i.e. in substantiating the feasibility of the IDB Group's contribution to the objectives for an unusually short country strategy period. Lastly, the country strategy identified three types of risk that may hinder program implementation and proposed specific measures to mitigate their impact on execution, but it did not identify significant risks related to the private sector, such as reputational and regulatory risks.

Country strategy strategic objectives
Priority area: public management
1. Increase the efficiency of the tax system
2. Increase the efficiency of public expenditure
3. Improve the quality of the civil service and enhance transparency in public management
Priority area: Productive sector support
4. Improve support services for the productive sector, with an emphasis on strengthening linkages, competitiveness, and resilience
Priority area: human capital
5. Improve human capital formation
6. Strengthen the social protection networks
7. Improve the efficiency, quality, and coverage of health services
8. Boost access to improved water and sewer services

Country program. The country program comprised 101 sovereign-guaranteed operations of the IDB and 22 non-sovereign guaranteed operations of IDB Invest, for a total of US$3.951 billion. The country program included 55 operations with an undisbursed balance of

US$1.359 billion at the start of the country strategy period. During the review period (February 2022 to June 2024), the Bank approved US$1.087 billion in nine sovereign-guaranteed loans and provided US$14 million in 41 grant operations. IDB Invest approved five senior loans for US$325 million and used six lines of credit under the Trade Finance Facilitation Program (TFFP) for US$1.083 billion. Nine of these operations mobilized US$1.156 billion in contributions from other financial institutions as well. IDB Invest also approved five advisory service operations for US$700,000 and two regional operations with beneficiaries in the Dominican Republic for US$82 million. Nearly two thirds of the country program was channeled through investment loans, and one third through policy-based loans (PBLs). Technical cooperation for operational support increased proportionately to support projects in execution. The IDB's strong coordination effort with other development entities resulted in US$511 million in cofinancing, which expanded the reach of the country program. The IDB Invest program through senior loans and TFFP lines of credit was substantially larger than in previous country strategy periods, where private window support had been quite meager in relation to the objectives. This, combined with greater public-private coordination (in energy, tourism, and other areas), increased IDB Invest's contribution to the IDB Group's value proposition.

Program alignment and integration of crosscutting issues. The program included operations to support all strategic objectives, but their feasibility of contributing was, from the outset, strong for only half of them. Country program alignment was strong in all objectives for the priority area related to human capital but weak in the areas related to public management and productive sector support, where the country program did not fully support all objectives. Weaknesses in alignment were due mainly to problems related to focus, as the country program only indirectly addressed some expected results through operations that primarily pursued other objectives. The crosscutting issues of gender and diversity, climate change, and institutional capacity were integrated into roughly two thirds of the program. Notably, all IDB loans (and the vast majority of technical cooperation operations) approved in the country strategy period mainstreamed these three issues. Digitalization, however, was less integrated and ended up functioning as a quasi-objective for which the expected results were not achieved.

Program implementation. The level of predictability in IDB country programming was similar to what the Office of Evaluation and Oversight (OVE) has observed in other countries. Most approved operations had been included in the programming exercises. IDB Invest's loan operations had a lower level of predictability. In addition, the IDB Group responded swiftly and effectively to the country's new priorities by approving new loans in the water and sanitation sector. Cancellations were marginal and did not adversely affect the country program's feasibility of contributing to the objectives. IDB disbursements fell short of the ambitious scenario outlined in the country strategy, while IDB Invest disbursements grew sharply. For preparation of investment loan operations, timelines were longer and expenditures greater than in the previous period, but they were still below IDB averages. For execution of investment loan operations, projects experienced delays due to the effects of the pandemic, staff turnover in executing agencies, and changing priorities under the new administration. In response, the IDB Group Country Office in the Dominican Republic took measures to fast-track disbursements. Lastly, most targets related to the increased use and strengthening of country systems were fulfilled.

Contribution to objectives. The country program made a medium contribution to four of the eight strategic objectives and a low contribution to the remaining four. In the area of public management, the country program made a medium contribution to one strategic objective and a low contribution to two. In the area of productive sector support, the program made a medium contribution to the sole strategic objective. In the area of human capital, the country program made a medium contribution to two strategic objectives and a low contribution to the remaining two. The country program's contributions were stronger when the program dimension *matched* the ambitiousness of the objectives (e.g., support for micro, small, and medium-sized enterprises (MSMEs) or improvements in water and sanitation) or when the program supported objectives that were *consistent* with long-term government policies, such as increasing tax collection, improving roadways, boosting renewable energies, or administering COVID 19 vaccinations. Low contributions from the country program to some objectives were associated with three main factors: weak program alignment to objectives (19% of loans were weakly aligned), newness (38% of loans had been recently approved), and delays in execution (13% of loans experienced delays in disbursement).

In the priority area of public management, the country program's greatest contribution was to *increased tax collection*, where program investment loans and technical cooperation led to progress in strengthening tax administration, particularly in control and audit systems, as well as in technological infrastructure and management software. In terms of *increasing the efficiency of the tax system*, while PBL policy conditions aimed at *reducing the fiscal burden associated with the electricity sector* (which accounted for over 1% of GDP), actual results fell far short of the proposed targets. In particular, the financial deficit in the cost of supplying electricity and the cost of service delivery grew larger rather than smaller. Contributions to the other objectives in the area of public management were low because they were not feasible, as operations were only indirectly focused on these objectives or did not have enough time to show contributions.

In the priority area of productive sector support, the country program made its greatest contribution to the sole strategic objective in the expected results related to *financing for MSMEs, road conditions, renewable energy, and sustainable management of production*. For *MSME financing*, IDB Invest financed two financial institutions to increase lending to MSMEs, one of which achieved significant operational growth. For *road conditions*, the main contribution was the upgrade and/or rehabilitation of 237 kilometers of roadways and the maintenance of 270 kilometers of roadways, which were achieved through two loans. For *renewable energy*, the country program's contribution focused on generation through greater installed capacity, enhanced regulatory capacity to promote renewable energy, and private generation projects carried out with support from IDB Invest. Lastly, for *increase in number of productive areas managed in a sustainable, climate-resilient manner*, the adoption of agroforestry technologies was promoted to boost the income of small farmers.

In the priority area of human capital, the country program's main contribution was in *increased immunity against COVID-19*, through the procurement and administration of vaccinations totaling 41% of the doses administered in the country as of December 2022, which benefited some 3.6 million people through a contingent loan. In addition, the water supply was expanded or improved for more than 90,000 households (resulting in a 3.6-percentage-point increase in water service coverage in areas served by INAPA, the National Water and Sewerage Institute). However, despite a high degree of alignment, the contribution to other objectives in this priority area was low because of delays in execution, low feasibility of contribution from operations from the time they were designed, and the relative newness of operations in the country program.

01

Introduction

1.1 This independent country program review (ICPR) evaluates the strategy and program of the Inter-American Development Bank Group (IDB Group) with the Dominican Republic for the 2021 2024 period.[1] ICPRs are independent reviews of the most recent IDB Group country strategy and the corresponding country program. In accordance with the OVE Country Product Protocol (document RE-348-8), ICPRs are focused on accountability. Accordingly, rather than provide recommendations, they draw conclusions to inform the Board of Executive Directors' discussions on the next country strategy and to enable Management to take these conclusions into account, as it sees fit, in designing and executing the next country strategy and country program.

1.2 This ICPR is based on a documentary review and a triangulation of information with IDB Group specialists and key external informants. The methods, tools, and processes employed in preparing this ICPR are based on the Independent Country Program Review Implementation Guidelines ("ICPR guidelines") (document RE-348-10). The ICPR is based on a systematic review of documentary information on operations in the program, as well as inputs from the team leaders of all such operations, staff members at the IDB Group Country Office in the Dominican Republic, and external counterparts.

1.3 This ICPR consists of seven sections. Section I is this introduction. Section II summarizes the country context, using the diagnostic assessments prepared by the IDB Group—particularly the Country Development Challenges (CDC) document—and other entities. Section III assesses the country strategy's relevance in view of the selectivity of the proposed objectives and the quality of design. Section IV assesses the country program's relevance in terms of the feasibility of contribution from the program's operations. Section V examines the country program's implementation by reporting on program execution and performance (including time frames, costs, and use of country systems). Section VI assesses the country program's contribution to the objectives, identifying factors associated with greater or lesser contributions. Lastly, Section VII summarizes the conclusions of the ICPR.

1 In accordance with the OVE Country Product Protocol (document RE-348-8), the review period runs from 23 February 2022 (date of country strategy approval) to 30 June 2024 (OVE-designated end date of the ICPR coverage period, near the end of the country strategy period). However, to be consistent with the title of the 2021-2024 EBP document approved by the Board, OVE will refer to this review period as the "2021-2024 period" hereafter.

02

Country Context

2.1 The Dominican Republic has an upper-middle income economy, a majority-young population, and high levels of migration activity. The country occupies the central and eastern portions of Hispaniola, the island it shares with Haiti. It has a population of approximately 10.7 million, 61% of whom are under age 35 (National Statistics Office (ONE) 2021). Its economy is the largest in Central America and the Caribbean, with a gross domestic product (GDP) per capita of US$11,250 (Annex I), and has been classified by the World Bank as an upper-middle income economy since 2010. The Dominican economy has traditionally been based on the production of commodities, particularly agricultural goods, such as sugar and rice. Currently, however, 60% of its GDP comes from the service sector, led by tourism, which directly accounts for 5.7% of GDP and indirectly for 16% (IDB 2020).[2] Some 600,000 immigrants, most of them Haitian, live in the country (UNDP 2022), while nearly 3 million Dominicans live abroad (INDEX 2024).[3] Remittances from the latter constitute a significant portion of many families' income and account for roughly 9% of GDP (World Bank 2024).

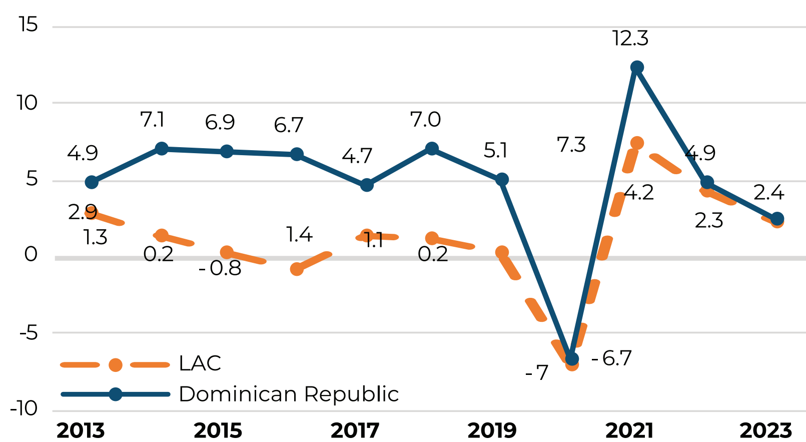
A. Macrofiscal context

2.2 The Dominican economy had the region's second highest growth rate over the past decade. Between 2013 and 2023,[4] GDP averaged 4.9% annual growth, with growth each year exceeding the Latin American and Caribbean average (Figure 2.1). Only Guyana grew at a faster pace in the region. Although the economy declined during the pandemic on a magnitude similar to the regional average, the recovery was quicker, particularly in 2021.

Figure 2.1

Annual GDP growth (%)

Source: International Monetary Fund, 2024.



2 The second most visited country in the region, after Mexico (International Labour Organization 2024).

3 Latest data for 2019, prior to a worsening of the migration crisis from Haiti that would have significantly increased this figure.

4 This period corresponds to the three most recent country strategies, with the exception of 2024, for which data are not yet final.

2.3 This growth, however, has not led to a significant improvement in the fiscal accounts, which have posted sustained deficits for over a decade due to low fiscal pressure, high tax expenses, and inefficiencies in public expenditure. Fiscal consolidation efforts have been carried out since 2013, but significant challenges remain and were exacerbated during the pandemic, bringing the deficit to 7.9% of GDP in 2020.[5] The fiscal accounts have recovered since 2021, but the deficit has remained above prepandemic levels, averaging 3.1% between 2021 and 2023, compared to an average of 2.4% between 2014 and 2019 (Annex I). Challenges to be addressed include low fiscal pressure (14% of GDP, compared to an average of 21% in Latin America and the Caribbean), high evasion rates of the value-added tax (44%, compared to 30% in Latin America and the Caribbean), and high tax expenses totaling 4.5% of GDP, compared to 3.1% across Latin America and the Caribbean (Organisation for Economic Co-operation and Development (OECD) 2024). There are inefficiencies in public expenditure as well, particularly due to targeting problems in social protection programs, as well as energy subsidies. Dominican social programs have rates of leakage (47%) and undercoverage (53%) that exceed those of other countries of the region (Carrasco et al. 2016).[6] Subsidies to the electricity sector constitute a significant fiscal burden and finance the residential rate and operational inefficiencies in distribution. Government-owned distribution utilities operate under a rate structure that does not reflect their costs, thus necessitating a fiscal contribution in excess of 1% of GDP (International Monetary Fund (IMF) 2020).

2.4 The Dominican Republic is exposed to extreme weather events that cause heavy economic losses. The country's location in what is known as "hurricane alley" poses significant challenges in terms of adaptation to climate change. Weather events cause direct damage estimated at 0.7% of GDP per year, and the toll is as high as 1.5% of GDP if costs associated with economic disruption are factored in (Central Bank of the Dominican Republic 2021). Amid this vulnerability, the country faces challenges in governance of disaster risk management, due to gaps in interagency coordination and in collecting and managing data on climate risks (World Bank 2023).

5 These efforts include implementation of a fiscal consolidation program in 2013 and approval of the Fiscal Responsibility Act in 2023.

6 The term "leakage" is understood as services social programs provide to people who are not part of the target group, while "undercoverage" refers to the population that should be receiving the benefit but are not.

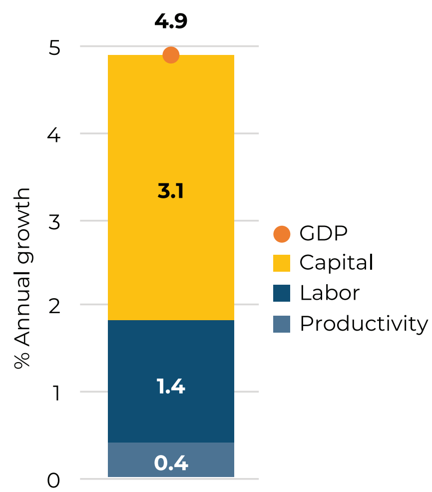
B. Productive development

2.5 Economic growth has been driven by investment in physical capital, with little contribution from aggregate productivity. According to OVE calculations, total factor productivity accounts for only 0.4 of a percentage point of GDP growth, which averaged 4.9% from 2013 to 2023 (Figure 2.2). More than 3 percentage points of this growth is attributable to the accumulation of physical capital, driven by investment rates that rose from 20% to 25% of GDP over that period, with private investment playing a particularly prominent role. These figures are consistent with the analysis put forward in the CDC (IDB 2020).[7]

Figure 2.2

Growth in factors of production and productivity

Source: OVE, based on own calculations..



2.6 Expanding productive opportunities is one of the country's biggest development challenges. Using a variety of methodologies, the CDC identified four main factors that constrain the country's productive potential: (i) low growth in export-oriented productive sectors; (ii) high costs of energy and of transportation and logistics services; (iii) low levels of investment in innovation and technological development, as well as deficiencies in technical vocational training; and (iv) constraints on productive financing. The IMF's analyses coincide with this assessment, noting infrastructure gaps, high logistical costs, and shortcomings in innovation and the supply of human capital. Below is a brief description of how each of these factors affects the country's productive potential.

- **Export sector.** Exports are concentrated in a small number of markets, with a limited supply of products of generally low complexity. The export sector is poorly coordinated with the local economy and scarcely participates in global value chains. Tourism is heavily concentrated in the "sun and sand" segment.

7 The methodology for calculating growth for reporting purposes is described in Annex XIII.

- **Transportation, logistics, and energy.** Due to poor road connectivity and limited competition in freight transportation, operating costs are higher and transportation times are longer.[8] This hurts competitiveness in the productive sector and raw materials exports (minerals, such as gold and iron; and agricultural products, such as sugar and bananas), which accounted for 36.5% of the US$12.4 billion in exports in 2022. Total investment needs through 2030 for expansion and maintenance of transportation infrastructure, with the aim of fulfilling the Sustainable Development Goals, are estimated at more than US$10 billion, or 9.5% of GDP (IDB 2021). In addition, the productive sector must contend with an electricity service that is difficult to access, of low quality (with frequent outages), and costly.

- **Innovation and technical training.** Information technology usage and access is low, which widens the innovation gap. Dominican businesses invest little in research and development (R&D), and innovations have a low adoption rate, even as the government has strengthened the institutional framework for the innovation system.[9] Telecommunications infrastructure lags behind the Latin American and Caribbean average,[10] and deficiencies in technical vocational training result in labor skills gaps.

- **Financing.** While the Dominican banking system is sound, it has low levels of financial innovation and inclusion (IDB 2024). The supply of credit to the private sector is half the average of Latin American and Caribbean countries.[11] Loans to MSMEs tend to have shorter terms and relatively high costs due to high intermediation margins and higher associated risk (Superintendency of Banks 2023). As a result, 60% of businesses have difficulties accessing productive financing from banks and instead resort to self-funding, to their suppliers, or, more recently, to the fintech sector (IDB 2020).

C. Social context

2.7 Declining rates of poverty and inequality have been a steady trend in the Dominican Republic over the past decade, interrupted only by the pandemic. Prior to the pandemic,

8 The overland freight cost for a 40-foot container (US$4.75 per kilometer) is three times higher than the Meso-American average (US$1.21–US$1.85 per kilometer) (IDB 2022).

9 The public sector spends only 0.01% of GDP on R&D, and only 6% of businesses invest in R&D (IDB 2020).

10 Only a third of households have Internet access, compared to 52% in Central America and 66% in Latin America and the Caribbean. A 10% increase in broadband penetration in Latin American and Caribbean countries corresponds to an estimated 1.6% increase in GDP (International Telecommunication Union 2021).

11 This figure is 28% of GDP, compared to 57% in Latin America and the Caribbean (World Bank 2024). These rates are even farther below those of countries with well-developed financial systems, such as Chile (82%) and Brazil (68%).

poverty had fallen significantly as a result of economic growth, rising real wages, and active policies, from 39.6% in 2013 to 25.8% in 2019.[12] Extreme poverty also fell, from 9.3% in 2013 to 2.9% in 2019, but the pandemic partly reversed this progress, as poverty rose to 30.7% and extreme poverty hit 4.1% in 2021. These rates resumed their downward trend after the pandemic and were at 23% and 3.2%, respectively, in 2023. Poverty reduction helped to lessen regional inequality. The poverty rate among rural residents, who make up about 20% of the total population, was only 8 percentage points higher than the urban poverty rate in 2023. This stands in contrast to most countries in Latin America and the Caribbean, where rural poverty is far higher than urban poverty. In addition, income inequality, as measured by the Gini index, fell from 0.48 in 2013 to 0.38 in 2023 (ONE 2023).

2.8 Despite significant social progress, the country continues to lag behind in human capital, with challenges related to quality and access in healthcare and education. In education, the quality of mathematics, reading, and science teaching is below where it should be in view of the country's income and expenditure levels (OECD 2022).[13] The country also faces challenges in workforce skills.[14] In 2019, more than half of employers reported moderate or high levels of difficulty in finding new employees who met the requirements of the job description (Amargós 2019). In the health sector, despite improved coverage and access to basic health services, child and maternal mortality remain above regional averages (OECD 2023). In addition, the Dominican people shoulder a high percentage of total healthcare expenditure—43%, compared to 32% across Latin America and the Caribbean—due to deficient quality in the public sector.

2.9 Access to basic services has improved, but problems persist in coverage of sewer and urban waste management, as well as in quality of water and electricity supply. In 2022, 89% of the population had access to water service (73% in rural areas and 92% in urban areas), up from the 75% coverage rate in 2013, but still below the regional average of 96% (Center for Distributive, Labor, and Social Studies (CEDLAS) 2022). In terms of quality, half of all households report intermittent service; two thirds use systems for day-to-day water storage; and 89% of urban residents (and

12 Poverty reduction resulting from fiscal policy was more modest than from increases in real wages since 2013 (United Nations Development Programme 2021). In 2022, the country's social subsidy programs had 1.6 million beneficiaries, equivalent to 0.5% of GDP; the largest of these programs was Aliméntate (70% of total) (ONE 2022).

13 All told, 92% of students do not meet the minimum standard in mathematics, which is above the Latin American and Caribbean average of 75% and far above the 31% average in developing countries. Moreover, 77% of students do not meet the minimum standard in science; and 75% in reading.

14 The Dominican Republic ranked 91st out of 141 countries in workers' skills, 79th in ease of finding qualified employees, and 111th in digital skills among the active population (World Economic Forum (WEF) 2019).

68% of rural residents) resort to bottled water (World Bank 2021). Sewerage service coverage (23% of households) is well below the regional average (57%) and is only at 2% in rural areas. As for urban solid waste management, no suitable final disposal site existed at the start of the period. By contrast, electricity coverage is nearly universal but has quality problems related to outages, high losses, and challenges for its economic sustainability.[15]

2.10 The Dominican Republic still has significant gender inequalities. The country ranks low in Latin America and the Caribbean, placing 18th out of 21 countries on the Global Gender Gap Index. Women's workforce participation is 24.7 percentage points below that of men, and women earn 8.5% less than men, on average, for similar work. As for political representation, in 2022 women held only 28% of all seats in the Dominican Congress and local government (compared to 32% across Latin America and the Caribbean) and only 6% of ministerial posts (WEF 2023). Moreover, the country has the region's fourth highest rate of femicide, at 2.9 female homicide victims per 100,000 women (Economic Commission for Latin America and the Caribbean (ECLAC) 2023).

15 The electricity generation matrix is 84% dependent on fossil fuels (Latin American Energy Organization 2022).

03

Relevance of the IDB Group Country Strategy

3.1 This section examines the country strategy's relevance with respect to selectivity and design quality. The selectivity analysis looks at whether the objectives are consistent with country and institutional needs and priorities, whether the arguments for selecting the objectives are sound, and whether the feasibility of contributing to the objectives is strong. The analysis of design quality looked at the vertical logic of the results matrix (the logical linkage between levels of objectives), the inclusion of effective and measurable indicators to monitor progress, and risk management, including mitigation measures to ensure that operations contribute to the objectives.

3.2 The country strategy identified three priority areas: (i) public management and fiscal institutional structure; (ii) sustainable and inclusive productive reactivation; and (iii) strengthening of human capital. The Dominican Republic was among the countries whose country strategies were approved during the pandemic, with an emphasis on supporting policies and programs to address the impacts of the emergency and promote social, productive, and institutional progress.[16] In each priority area, the country strategy set strategic objectives (eight in all) and, for each objective, identified expected results (20 in all) (Table 3.1). These strategic objectives and the corresponding expected results are collectively referred to here as the *objectives* of the country strategy. Subsequently, the 2024 Country Program Document (CPD) revised the expected results with a twofold purpose:[17] first, to reflect the new priority level accorded to climate change in the Dominican Republic; and second, to better align the country program to the country strategy's objectives. Specifically, expected result 4.4 was revised to focus on the resilience of the transportation network, and a new expected result related to *productive areas managed in a sustainable, climate-resilient manner* was added (expected result 4.7). With these changes, the country strategy now included 21 expected results.

16 The IDB Group approved the last prepandemic country strategy in December 2019 (Mexico). No country strategies were approved in 2020 and early 2021; those set to expire during this period were extended. The first postpandemic country strategy was approved in June 2021 (Argentina), and country strategies with 10 of the 26 borrowing member countries, including the Dominican Republic, were approved within the following nine months.

17 The revisions to the expected results are consistent with the Country Strategy Guidelines (document GN-2468-9). The Dominican Republic was one of the first countries (along with three others) in the IDB to update the results matrix of its country strategy, in line with OVE recommendations and best practices of other multilateral institutions.

Table 3.1. Priority areas, strategic objectives, and expected results of the 2021 2024 country strategy

Strategic objectives	Expected results
Priority area: Public management and fiscal institutional structure ("public management")	
1. Increase the efficiency of the tax system	1.1. Increased tax collection due to administrative and policy measures
	1.2. Reduced tax expenses
2. Increase the efficiency of public expenditure	2.1. Better targeting of public expenditure
	2.2. Reduced fiscal burden associated with the electricity sector
3. Improve the quality of the civil service and enhance transparency in public management	3.1. Improved human resource management in the civil service
	3.2. Increase in number of women filling managerial positions in the executive cabinet
	3.3. Increased transparency in public resource management
	3.4. Increase in number of digitally transformed public services
Priority area: Sustainable and inclusive productive reactivation ("productive sector support")	
4. Improve support services for the productive sector, with an emphasis on strengthening linkages, competitiveness, and resilience	4.1. Increased linkage of export activities to national production and the local economy
	4.2. Increased financing facilities for MSMEs
	4.3. Improved quality of transportation and logistics infrastructure
	4.4. Improved road conditions (revised in the 2024 CPD to "*increased climate resilience of the transportation network*")
	4.5. Increased energy generation from renewable sources and improved quality of supply
	4.6. Improved and upgraded digital connectivity infrastructure and creation of digital capabilities
	4.7. Increase in number of productive areas managed in a sustainable, climate-resilient manner (*included in the 2024 CPD*)
Priority area: Strengthening of human capital ("human capital")	
5. Improve human capital formation	5.1. Improved educational options to support youth integration into the labor market
6. Strengthen the social protection networks	6.1. Increase in number of household beneficiaries of the conditional cash transfer programs
7. Improve the efficiency, quality, and coverage of health services	7.1. Reduced maternal mortality
	7.2. First level of care strengthened
	7.3. Increased immunity against COVID 19
8. Boost access to improved water and sewer services	8.1. Improved delivery of water, sewer, and solid waste management services for the vulnerable population

Source: EIDB Group Country Strategy with the Dominican Republic 2021 2024 (document GN-3084).

3.3 The objectives of the country strategy were aligned with the country's development challenges and government priorities. All strategic objectives were aligned with the diagnostic assessment presented in the CDC.[18] They were also aligned with the Multiyear National Public Sector Plan, which addressed a broader range of areas of intervention and included as many as 33 prioritized policies.[19] In the area of *public management*, the thematic emphasis was subject to the country's need to balance the fiscal accounts while more effectively targeting social programs and reducing electricity subsidies, as well as its need to modernize public administration and make it more transparent. In the area of *productive sector support*, the country strategy's objective was aimed at overcoming structural bottlenecks that constrain the country's potential as a producer and exporter, such as high costs of transportation, logistics, and energy; gaps in infrastructure and technological investment; and limited access of MSMEs to financing. In the area of *human capital*, the country strategy addressed the government's limited capacity to provide quality services in education, healthcare, and water and sanitation, as well as efficient social protection programs, which creates gaps in access to these basic services and deficiencies in human capital.

3.4 The country strategy's objectives reflected the IDB institutional strategy in effect at the time and were consistent with the IDB Invest action plans. The IDB Institutional Strategy in effect at the time the country strategy was approved (Vision 2025) included the strengthening of value chains, promotion of the digital economy, support for MSMEs to narrow financing gaps, and prioritization of gender and climate-change response. All of these considerations were factored into the country strategy's objectives. As it pertains to IDB Invest, the country strategy was also consistent with the MSME action plans, financial intermediaries, and small and island countries.[20]

3.5 The country strategy's vertical logic was sound, with few exceptions. The vertical logic in a country strategy outlines the anticipated theory of change, i.e., how progress is to be made toward the objectives.

18 Before preparing a country strategy, the IDB Group prepares the CDC, which diagnoses development challenges, identifies obstacles to growth, and puts forward proposals to address these obstacles.

19 The overarching strategic instrument is the National Development Strategy, which was approved pursuant to Law 1 12 (Annex II) and sets long-term objectives (30 years). The Multiyear National Public Sector Plan has a medium-term horizon (four years); it specifies and organizes the public sector's contribution toward fulfillment of the National Development Strategy over the medium term (Ministry of Economy, Planning, and Development 2021).

20 The action plan for small and island countries, in addition to setting a financing target of 10% of total financial commitments for borrowing countries classified as small and island developing States (a category that includes the Dominican Republic), called for promoting advisory services in order to attract new operations to IDB Invest, process small operations more efficiently, and develop knowledge products that are valued by the private sector.

In a country strategy, a well-defined vertical logic means that the co levels (expected results, strategic objectives, and priority areas) each contribute sequentially to the next-higher level. Progress in expected results should contribute to the corresponding strategic objectives, and progress in strategic objectives should contribute to the priority areas. This country strategy, for the most part, identified expected results that were more specific than the strategic objectives to which they were linked, and the linkage between them was sound. These are strengths in the country strategy design. Two weaknesses were identified in the vertical logic: one case of overlapping expected results (duplication), which was resolved in 2024 with the revisions to the CPD; and one expected result that was broader than the objective (inverted logic).[21]

3.6 The country strategy set relevant and relatively well-defined objectives but had some weaknesses in its explanation of how the IDB Group would contribute to the objectives for the period. In the Extended Country Program Evaluation (XCPE) 2013-2020 (document RE-566), OVE recommended focusing the country strategy on key challenges on which the IDB Group has amassed experience and is able to provide continuity toward their resolution.[22] The country strategy for 2021-2024 featured relative continuity from the objectives of the 2017-2020 country strategy (document GN-2908), and Management made an effort to emphasize the need to focus the strategy (see Box 3.1 for a comparison of the two strategies). The evolving development needs, the government's objectives, and lessons learned from the previous period were discussed in preparing this country strategy, but OVE states in the Evaluation Recommendation Tracking System (ReTS) that there is no evidence that the IDB Group's experience and capacity in selecting objectives has been taken into account in the prioritization process.[23] Moreover, some objectives, such as the one related to *women filling managerial positions in the executive cabinet* (expected result 3.2), were included with no explanation of how they were to be achieved. The country also faced significant challenges, such as transportation sector reform, on which the IDB Group was already

21 The expected result for *quality of transportation and logistics infrastructure* (4.2) had some duplication with the expected result related to *road conditions* (4.4) as the concept of road conditions overlaps with that of quality of transportation infrastructure. This weakness was resolved in the 2024 CPD by revising expected result 4 to *climate resilience of the transportation network*. Meanwhile, *reduced maternal mortality* was an expected result (7.1) under *improve the efficiency, quality, and coverage of health services* (strategic objective 7). This is inverse logic: maternal mortality can be reduced by improving the coverage and quality of health services.

22 The XCPE issued four recommendations related to strategic selectivity, knowledge products, IDB Invest participation, and country strategy evaluability (Annex IV). These recommendations remain relevant, and each is discussed in the paragraphs that address these matters.

23 After the country strategy was approved, loan proposals have included an annex on the Bank's value-added, pursuant to an OVE recommendation.

working and were not included as expected results.[24] Nor was any substantiation provided regarding the feasibility of contributing to all proposed objectives, given the limited number of operations in the portfolio at the start of the period and the short coverage period of the country strategy.[25] In practice, this meant that some objectives did not receive the necessary operational support. Lastly, while the country strategy called for close coordination with other cooperation entities in infrastructure and social protection, areas of intervention were not explicitly separated in view of their respective comparative advantages (see Annex VII).

3.7 The country strategy identified three types of risk that could hinder program implementation and proposed specific measures to mitigate their impact on execution, but it did not identify significant risks related to IDB Invest operations. The country strategy identified macroeconomic, execution, and natural disaster and climate change risks. Macroeconomic risks were included because, if they were to materialize, they could impact the government's priorities and the completion of activities, and the proposed mitigation measures included monitoring indicators through macroeconomic safeguard mechanisms and coordination with other agencies to ensure synergies between programs. The risk that the pace of portfolio execution might not be maintained was also identified. Factors identified as being associated with this risk included a prolongation of the pandemic, difficulties in implementing a new risk management framework and expanded IDB procurement policies on operations, the complex nature of the country's contract registration process, and delays in parliamentary ratification of operations. Appropriate mitigation measures were proposed for these factors, including dialogue with the authorities, training for execution units, and control procedures. Lastly, risks associated with natural disasters that may impact programming priorities were also identified. Mechanisms and instruments were designed to address such events, and prevention and mitigation were considered in project design and preparation. An example is the "blue spot analysis" methodology, developed by the Bank to identify and prioritize investments and policies that can help make the transportation network more resilient. Despite significant operations with the private sector to contribute to the objectives, the country strategy identified no specific risks to IDB Invest, such as integrity, reputational, or regulatory risks.

24 The country strategy focused on addressing transportation infrastructure through an expected result, but this expected result makes no reference to regulatory matters in the sector, for which reforms supported by IDB loans were under development.

25 Between 2013 and 2023, the Bank's Board of Executive Directors approved 41 reimbursable sovereign- guaranteed operations for the Dominican Republic (an average of 3.7 operations per year), in line with the IDB average (3.8) but below the numbers for Uruguay, Ecuador, Paraguay, and Panama (65, 63, 50, and 49 operations, respectively).

Box 3.1. Comparison of objectives of country strategies for 2017-2020 and 2021- 2024

The objectives of the 2021 2024 country strategy were focused on three priority areas that showed relative continuity from the 2017 2020 country strategy. This continuity in strategic priorities is notable since the incoming administration at the start of the country strategy period differed in its orientation and priorities from the previous one, which had governed for the previous 12 years. This shows that the IDB Group focused on structural challenges, which is to be commended. Beyond this continuity in priority areas, some changes in focus did occur at the level of strategic objectives and expected results.

In the area of *public management*, the focus on the efficiency of the tax system, which was a government priority, was maintained. The *fiscal burden associated with the electricity sector* was de-emphasized, as the new country strategy identifies this as an expected result rather than a strategic objective. This change improves the vertical logic of the country strategy, since *fiscal burden associated with the electricity sector* is more specific than *efficiency of public expenditure* and, therefore, is properly designated as an expected result. *Quality of the civil service and transparency* was incorporated as a new strategic objective, in line with the government's priority of achieving an efficient, transparent, results-oriented public administration at the service of citizens.

In the area of *productive sector support,* the two previous strategic objectives were de-emphasized and are now expected results. This lowered the number of strategic objectives (from 10 to 8) but raised the number of expected results (from 17 to 21). The expected results under this sole strategic objective were associated with constraints on the country's productive potential: weak linkage of the export sector with the local economy, constraints on productive finance, and high costs of transportation, logistics, and energy. Although deficiencies in technical vocational training are among the constraints on the productive sector, the objective of *increase quality employment* was eliminated. These deficiencies are addressed in the third priority area of the country strategy, which includes actions to align workforce capacities to the needs of the productive sector. Agricultural adaptation to climate change was not initially included as an objective of the new country strategy, but, in line with the heightened priority accorded to this topic in the government and the IDB Group, the CPD reincorporated it under the expected result related to *productive areas managed in a sustainable, climate-resilient manner*.

The third priority area shifted focus from *access to basic services to strengthening of human capital,* in line with the need to increase the supply of human capital. At the objectives level, the focus on education and healthcare was maintained. The health-related strategic objective that was overly broad in the previous country strategy was made more specific by *explicitly* incorporating the efficiency, quality, and coverage of health services. The focus on access to water services—formerly an expected result, now a strategic objective—increased. OVE had noted the country's need related to this objective, for which the IDB already had a portfolio (document RE-566). Meanwhile, the pandemic revealed a need for stronger social protection systems, so the 2017 2020 country strategy reincorporated a focus on *social protection*, which was not in the 2017 2020 country strategy but had been included the 2013 2016 country strategy. Also, the new country strategy eliminated the objective *stimulate early childhood development*; a US$200 million loan for this objective had been approved in 2016 but was never ratified and was canceled in 2019.

Lastly, the 2021 2024 country strategy was an improvement over the previous country strategy in terms of having well-defined objectives, thus increasing the feasibility that the IDB Group can contribute to them. Some objectives, however, were still overly broad, such as the strategic objectives of improving the quality of civil service (strategic objective 3) or improving human capital formation (strategic objective 5).

Source: OVE, based on the 2017-2020 and 2021-2024 country strategies (documents GN-2908 and GN-3084).

3.8 The country strategy was more evaluable than the previous one. At the close of this ICPR period, data have been updated for 25 of the 27 indicators included in the country strategy approved in 2022 (93% of the total; all progress indicators except one have data through 2022-2024).[26] This constitutes significant progress from the previous country strategy, for which 60% of the progress lacked updated data prior to the pandemic. In addition, 22 of the 27 indicators had baselines as of 2019 2020, which gave reason to expect effective monitoring from the outset. In line with a recommendation from the 2013-2020 XCPE, which called for improving evaluability, the Bank's Country Office has developed pilot initiatives with a focus on self-evaluation, results, and effectiveness of operations. OVE found that, with few exceptions, the progress indicators were specific, measurable, achievable, relevant, and time-bound (SMART).[27]

26 The 2024 CPD made two changes in progress indicators: "secondary roads in good condition" was replaced with "improved roads and highways designed with climate-resilient features," and "land area devoted to agroforestry" was added as an indicator under the new expected result of *productive areas managed in a sustainable, climate-resilient manner* (4.7). Both indicators have been updated.

27 According to the Development Effectiveness Matrix, 100% of the progress indicators were SMART. In two instances, OVE found that the indicator reflected only a minor part of the expected result, thus limiting its relevance. The first such instance is the expected result of *improved human resource management in the civil service* (3.1), for which the indicator—total number of central government employees/total population—refers only to quantity, not quality. The second instance is the expected result related to *productive linkages* (4.1), which includes "spending by international visitors over total exports (%)" as an indicator. Lastly, an increase in the indicator *ministry portfolios in a presidential term or administration of a prime minster filled by women*, for the expected result *increase in the number of women filling managerial positions in the executive cabinet* (3.2), was unachievable through country program actions because it depended on political decision-making.

04

Relevance of the Country Program

4.1 This section examines the relevance of the country program on the basis of its ex ante alignment and operational design. The section first describes the operations included in the country program and analyzes the type and blend of instruments approved by the IDB and IDB Invest to support the country strategy's objectives. It then assesses the feasibility of contribution, which determines the country program's degree of alignment (strong or weak) to the objectives of the country strategy. This three-step analysis proceeds in hierarchical order: first at the operation level, then at the expected result level, and lastly at the strategic objective level.[28] The section concludes by discussing the incorporation into the country program of the crosscutting issues identified in the country strategy.

4.2 The program consisted of 101 sovereign-guaranteed operations of the IDB and 22 non-sovereign guaranteed operations of IDB Invest, for a total of US$3.951 billion. The country program included 55 operations with an undisbursed balance at the start of the period (also known as *legacy operations*). Of these, 17 were IDB loans with US$1.152 billion in undisbursed funds; 34 were grant operations for US$14.4 million; and four were IDB Invest loans (including two regional loans) totaling US$193 million.[29] During the short review period, the IDB approved nine loans for US$1.087 billion, which is 14% more than expected in view of country strategy financing for comparable years.[30] Forty-one grant operations totaling US$14 million were also approved. IDB Invest, meanwhile, approved five senior loans for US$325 million.[31] IDB Invest also used six short-terms lines of credit and guarantees under the Trade Finance Facilitation Program

28 In accordance with the ICPR guidelines (document RE-348-10), alignment is first analyzed at the operation level, based on the degree of logical connection and the feasibility of making progress in the expected result, taking into account its design and assuming that operations will be implemented as expected. Then, the analysis at the expected result level is based on the ratings of all operations aligned with each expected result. Lastly, the analysis at the strategic objective level is based on the ratings for the expected results under each strategic objective.

29 Regional loans finance businesses and their operational subsidiaries that operate in more than one country in the region. The country program includes operations that can clearly be identified as country-specific and were approved under a regional or multicounty framework. IDB Invest has two other regional operations that include the Dominican Republic as a target country, but the two legacy operations and the other two operations approved during the period are those that have had noticeable activity in the country thus far.

30 In accordance with the OVE Country Product Protocol (document RE-348-8), the review period runs from 23 February 2022 to 30 June 2024. The financing framework for the country strategy is compared to the 2022-2023 period (US$600 million and US$350 million, respectively). Since the IDB Group typically approves more projects in the second half of the year, the comparison is based on full years.

31 One of these five operations was complemented by a letter of credit, and another by quasi-equity mezzanine financing.

(TFFP) for US$1.083 billion, and it approved five advisory service operations for US$700,000 and two regional loans for US$82 million (Table 4.1 and Annex V).[32]

Table 4.1. Country program with the Dominican Republic, 23 February 2022 to 30 June 2024

	Number of operations			US$		
	Legacy	Approved	Total	Legacy	Approved	Total
Total	**55**	**68**	**123**	**1,358,900,000**	**2,592,100,000**	**3.951,0**
IDB	**51**	**50**	**101**	**1,166,000,000**	**1,101,500,000**	**2,267.4**
Loans	17	9	26	1,151,600,000	1,087,200,000	2,238.8
Investment	16	7	23	901,600,000	587,200,000	1,488.8
PBLs	1	2	3	250,000,000	500,000,000	750.0
Grants	34	41	75	14,400,000	14,300,000	28.7
Investment	3	1	4	7,200,000	800,000	8.0
Technical cooperation	31	40	71	7,200,000	13,500,000	20.7
IDB Invest	**4**	**18**	**22**	**193,000,000**	**1,490,600,000**	**1,683.6**
Senior loans	2	5	7	23,000,000	325,000,000	348.0
TFFP lines of credit (loans and guarantees)		6	6		1,082,900,000	1,082,900,000
Advisory services		5	5		700,000	700,000
Regional loans	2	2	4	170,000,000	82,000,000	252,000,000

Source: OVE, based on IDB Group systems.
Note: Amounts for legacy operations reflected undisbursed balances as of 23 February 2022. Approved operations are from the country strategy period.

4.3 The IDB country program combined policy-based loans (PBLs) and investment loans, in line with the government's priorities. Nearly two thirds of the country program was channeled through investment loans; one third, through PBLs.[33] The country strategy's objectives in energy, transportation, and climate action called for continued reforms that were supported by programmatic series of PBLs to provide liquid financing to the country in exchange for institutional reforms in these sectors. Two of the three PBLs in the country program helped to complete reform programs in transportation and energy, and the other PBL ushered in a new set of reforms aimed at adapting the country's economy to climate change and decarbonizing it.

---

32 In accordance with the ICPR guidelines, the country program also includes operations for which Management has formally submitted or should have submitted an Expanded Supervision Report to OVE at any time during the review period. Two such operations were identified, both of them fully disbursed between 2012 and 2019, prior to the review period.

33 The Bank has three categories of reimbursable financing: investment loans, PBLs, and special development lending (SDL) (see Public Sector Financing: Lending Instruments). An emergency SDL operation for macroeconomic and fiscal sustainability (US$250 million) was approved in 2020, but it was disbursed prior to this country strategy period and is not part of the country program.

Two of the PBLs included policy conditions with a high degree of depth, making it feasible that these programs will contribute to the objectives by creating long-term structural changes, while the other PBL only included conditions of medium or low depth (see Annex XIV).[34] As for investment loan operations, in addition to the legacy portfolio, the new approvals focused on the country's priorities related to resilient infrastructure, sanitation and solid waste management, employment, and transparency. Four of the seven loans approved in this period were global multiple-works operations.[35] Priority was given to this modality because it offers greater flexibility and adaptability amid changing circumstances and priorities, such as what the country program faced in the wake of the pandemic.

4.4 There was an increase in technical cooperation for operational support compared to previous country strategies, given the need to streamline execution without reducing the space for technical cooperation for client support. Technical cooperation operations for operational support are linked to loan operations and contribute to their preparation or implementation, while technical cooperation operations for client support are used to pursue lines of work that give rise to new projects and provide general support to counterparts. Client support helps to position the IDB with value-added products, which is particularly meaningful in a country with fluid access to external financing. The country program included 71 technical cooperation operations, 32 of them for operational support (US$11.4 million) and 39 for client support (US$12.8 million), accounting for 0.8% of the country program amount and more than two thirds of the number of operations (Annex XII). While technical cooperation for operational support made up only 13% of the technical cooperation operations approved in the 2013 2016 country strategy period and 39% of those approved in the 2017-2020 period, they totaled 50% in this latest country strategy period. This increase reflected the need to streamline execution

34 OVE uses its methodology (2015) to assess whether the policy conditions in the project results matrix can bring about structural changes. A high degree of depth exists if the policy condition includes elements that are critical to completing a reform process. A policy condition is of medium depth if it has an immediate impact and a significant effect, but not necessarily a lasting one. Low-depth policy conditions do not bring about any meaningful changes, though they can serve as stepping stones for reforms. The transportation-related PBL (DR-L1140/2021) had 17 low-depth and 25 medium-depth policy conditions. The energy-related PBL (DR-L1146/2022) had 11 low-depth, 18 medium-depth, and 7 high- depth policy conditions. The PBL for climate action (DR-L1162/2023) had 7 low-depth, 7 medium-depth, and 6 high-depth policy conditions (see Annex XIV).

35 Global multiple works operations finance groups of similar works that are physically independent of one another and whose feasibility does not depend on the execution of any given number of the works projects. Not all subprojects to be financed by the loan are known by the time the IDB approves the loan. Borrowers should specify a representative sample of subprojects before the loan is approved. While the project is being executed, individual investments are financed in accordance with the eligibility criteria specified in the loan proposal.

to address the country strategy's objectives. It did not come at the expense of technical cooperation operations for client support, for which annual approvals remained similar to those of the past, in terms of both amount and number of operations. Only six technical cooperation operations were executed by local execution units; the remainder were executed by the Bank. The counterparts welcomed the Bank's taking over the execution of these operations and assuming the associated transactional costs, as this streamlines implementation and alleviates the execution units' workload. Lastly, OVE recommended in the 2013-2020 XCPE that the role of knowledge products be boosted. In the ReTS, however, the action plan for addressing this recommendation is shown as not fully implemented, as there is no evidence that the technical assistance plan has the components needed to resolve the country's key challenges.[36]

4.5 IDB Invest increased its contribution to the IDB Group's value proposition. IDB Invest's country program in this period was substantially larger than in previous country strategy periods, where support for the private sector was quite meager in relation to the objectives.[37] Only six projects for US$142 million were approved from 2017 to 2021, while five loans for US$325 million were approved between 2022 and June 2024. This increase was aimed to help the productive sector overcome some of its constraints, specifically for the objectives related to *financing for MSMEs* (expected result 4.2) and *renewable energy* (expected result 4.5), for which financing came primarily from this window. IDB Invest mobilized US$1.156 billion in nine operations, provided by financial institutions (most of them private), with US$479 million of this amount mobilized through A/B loans and cofinancing and US$677 million through credit protections.[38] These operations were complemented by five

36 Also, according to the ReTS, nor has any technical cooperation program been identified as helping to assess whether the work completed thus far effectively responds to the country's priorities, as well as to plan a knowledge agenda geared toward policy development.

37 The XCPE recommended recovering IDB Invest's participation in supporting a majority of the priority areas identified in the country strategy. The action plan for following this recommendation—which includes strengthening public-private coordination by the IDB Group to boost IDB Invest's catalyzing role to support strategic objectives, as well as strengthening IDB Invest's additionality proposition to address the needs of the country's private sector—is being implemented to a substantial degree.

38 Under an A/B loan structure, the A loan is financed by IDB Invest, and the B loan is financed by investors through the sale of participations. There is a single loan contract where IDB Invest is the main lender and administrator, and IDB Invest shares the risk with the other participants. IDB Invest's financing may be accompanied by cofinancing. Unlike an A/B bond where IDB Invest is the only lender of record, each investor in a cofinancing arrangement is a lender to a borrower. Unfunded credit protection is a credit guarantee to cover a portion of an operation financed by IDB Invest. In this case, the mobilized amount corresponds to the amount covered by the credit protection (OVE, 2024, document RE-585-1).

advisory service operations,[39] which provide technical assistance to the businesses used to provide nonfinancial additionality to support MSMEs and for crosscutting issues of gender and climate change. Meanwhile, two thirds of IDB Invest's financing was channeled through the TFFP (see Box 4.1). Most of the financing through these lines of credit was used to guarantee import transactions for large companies, which is consistent with the objective of boosting the competitiveness of the productive sector.

Box 4.1. Trade Finance Facilitation Program (TFFP)

The TFFP aims to promote international trade. In effect since 2005, the TFFP provides short-term guarantees and loans, as well as technical advisory services, to banks in Latin America and the Caribbean to help them access global financial markets for foreign trade. The underlying operations are used to expand and diversify the financing available to export and import companies, support their internationalization, and ensure their liquidity in times of volatility and uncertainty. It also is used as a mobilization instrument and a gateway to IDB Invest for new clients.

During the evaluation period, lines of credit with Dominican banks, with US$1.083 billion in total approvals, were used. The program's expansion was one of IDB Invest's tools for responding to the pandemic (Dominican Republic XCPE, document RE-566). In terms of products, loans totaled US$127 million, while the remainder consisted of US$956 million in blended approvals of short-term loans to banks and guarantees to finance foreign trade operations. These operations were used mainly to support the postpandemic economic recovery in order to stimulate commercial banks' import and export operations amid challenging circumstances..

Source: OVE, based on Analitika (IDB Invest) and interviews.

4.6 The IDB and IDB Invest increased their coordination efforts to support the strategy's objectives. According to Bank staff and project team leaders, the IDB Country Office played an active role in promoting and facilitating the exchange of information and coordination between the IDB Group's public and private windows. Examples of this coordination include: (i) joint efforts to promote the transition of the energy matrix, which the IDB supported through a PBL, while IDB Invest financed projects for electricity generation from renewable sources; (ii) support for the development of electromobility, for which the IDB is promoting the creation of this market and IDB Invest has supported the growth of the country's leading developer of electric vehicle charging stations; (iii) support for the development of enhanced tourism offerings, with the IDB financing the rehabilitation of the Colonial City of Santo Domingo and the cleanup of coastal tourist cities, while IDB

39 OVE only includes advisory service operations that were approved during the country strategy period. According to Management data, 66% of long-term operations between 2021 and 2024 received some form of technical assistance. They include the advisory service operation for the first Financing Code for Women Entrepreneurs (WeCode) in Latin America and the Caribbean, a pilot initiative that will allow financial intermediaries to provide greater support and financing to women-led businesses.

Invest has provided financing for a hotel project with sustainability components and the development of local value chains; (iv) joint efforts to develop IDB Invest's capabilities in local currency, which entails dialogue with the Central Bank and the Securities Market Superintendency, with the expectation that this new tool will boost support for the private sector; (v) the promotion of dialogue for prioritizing projects and initiatives to be pursued through concession contracts or public-private partnership models.

4.7 Strong coordination efforts with other development entities helped to attract US$511 million in cofinancing, which expanded the program's reach with a view toward the objectives. Five of the nine loans approved by the IDB in this period, plus two legacy operations, had cofinancing from three local development agencies and a managed fund.[40] The programming prioritized cofinanced projects. Coordination with other development agencies from cooperating countries occurred in project design, approval, and execution, as the IDB coordinated with other cooperation entities to present unified proposals to Parliament with the aim of facilitating ratification. Since late 2022, coordination and collaboration has increased between the technical teams of international cooperation entities supporting the country in climate change mitigation and adaptation, as some 240 interactions focusing on the country's climate agenda were held between active cooperation entities. The IDB Group has also supported the government in coordinating proposals to gain access to concessional climate funds, such as the open windows and programs of the Climate Investment Fund.

4.8 The program included operations supporting all strategic objectives, but the ex ante feasibility of progress was strong only for half of them. Alignment to the objectives was analyzed on a hierarchical basis, first at the expected result level and then at the strategic objective level. The country program covered all expected results and was strongly aligned to 16 of the 21 (green dots in Table 4.2). For these 16 expected results, progress was feasible from an ex ante standpoint, meaning that progress could be made in these expected results if operations were implemented as planned. At the strategic objective level, though some operations did support all strategic objectives, the program was strongly aligned to just half of them (highlighted in green in Table 4.2). For the other four strategic objectives, at least one expected result identified as necessary for progress in the strategic objective was weakly aligned. According to the ICPR guidelines, alignment to a strategic objective is deemed strong when alignment is strong with all expected results under the

40 The Korea Infrastructure Development Co-financing Facility cofinanced two projects for US$110 million. The *Agence française de développement* cofinanced two projects for US$300 million. One project was cofinanced by the Spanish Agency for International Development Cooperation and the Japan International Cooperation Agency (JICA) for US$20 million and US$45 million, respectively. JICA also cofinanced another project for US$36 million.

strategic objective. Alignment was strong for all objectives related to the priority area of *human capital*. The area of *productive sector support* had the largest aligned program, including the entirety of the IDB Invest program. As a result of strong support from the program, six of the seven expected results had a strong alignment score, while only one had weak alignment. Only a very small part of the country program was not aligned with any objective.[41]

Table 4.2. Country program alignment for each objective of the 2021 2024 country strategy

Alignment to strategic objective (Strong / Weak)	Alignment to expected result (● Strong ● Weak)		Legacy portfolio [a]			Approvals 2022-2024			Total
			SG	NSG	Grant [b]	SG	NSG	Grant [b]	
Public management									
1. Efficiency of the tax system	●●	#	1	-	2	-	-	2	**5**
		US$M	33.6	-	0.6	-	-	0.4	**34.6**
2. Efficiency of public expenditure	●●	#	6	-	3	2	-	7	**18**
		US$M	589.1	-	0.7	360	-	1.9	**952**
3. Quality of the civil service and transparency in public management	●●●●	#	2	-	3	1	-	2	**8**
		US$M	63.6	-	0.3	60	-	0.5	**124.4**
Productive sector support									
4. Support services for the productive sector, with an emphasis on strengthening linkages, competitiveness, and resilience	●●●●●●●	#	8	4	13	5	18	18	**66**
		US$M	844.5	193.0	2.2	805.0	1.490,6	6.6	**3,341.8**
Human capital									
5. Human capital formation	●	#	3	-	5	1	-	2	**11**
		US$M	177.8	-	0.7	38	-	0.4	**216.9**
6. Social protection networks	●	#	1	-	1	-	-	1	**3**
		US$M	100	-	0.4	-	-	0.2	**100.6**
7. Improve the efficiency, quality, and coverage of health services	●●●	#	3	-	1	-	-	4	**9**
		US$M	32.8	-	0.3	-	-	1.2	**34.3**
8. Boost access to improved water and sewer services	●	#	1	-	1	2	-	4	**8**
		US$M	1.7	-	1.9	184.2	-	2.5	**190.3**
Total [c]		**#**	**17**	**4**	**34**	**9**	**18**	**41**	**123**
		US$M	**1,151.6**	**193**	**14.4**	**1,087.2**	**1.490,6**	**14.3**	**3,951**

Source: OVE, using IDB and IDB Invest data. Notes: Operations were counted more than once if they were aligned with more than one strategic objective. [a] Amounts of the legacy portfolio reflect undisbursed balances as of 23 February 2022. [b] “Grant” includes all grant operations. [c] Totals include unaligned operations and do not take duplications into account. Each dot in the second column for each strategic objective represents an expected result, in the order listed in Table 3.1 (e.g., the two dots in the second column for strategic objective 1 represent expected results 1.1 and 1.2, respectively).

41 Twelve approved grant operations for US$10 million, four Group C and D country action plans for US$1.9 million, and a technical cooperation operation for US$200,000 to provide emergency assistance after Hurricane Fiona.

4.9 Alignment weaknesses were mainly due to focus-related problems, as the country program supported some expected results indirectly through operations aimed at other objectives. The expected result of *reduced tax expenses* (1.2) only had weak alignment with two technical cooperation operations that were complementary to a project aimed at *increased tax collection* (expected result 1.1). Prior to the review period, the government had developed, with IDB support, a proposal to reform tax expenses, but the discussion was postponed due to a lack of political consensus. Meanwhile, the expected results related *to targeting of public expenditure, women in the executive cabinet, and digitally transformed public services* (expected results 2.1, 3.2, and 3.4) had weakly aligned operations, as their focus was on other objectives, such as strengthening the social protection networks and improving public sector management. Lastly, the IDB prepared a project related to *productive linkages* (expected result 4.1), but this project is now on hold awaiting further decisions by the government. As a result, only weak alignment could be achieved on operations where such linkages were among the development objectives but were not the main component, and thus the impact on the objectives was limited.

4.10 The country program effectively integrated most of the crosscutting issues identified in the country strategy. The country strategy called for mainstreaming gender and diversity, climate change adaptation, and institutional capacity and rule of law, with an emphasis on transparency and digitalization. *Gender and diversity* (including components with a focus on disability), *climate change*, and *institutional capacity* were integrated into more than 60% of the country program. Notably, all IDB loans (and the vast majority of technical cooperation operations) approved in the country strategy period mainstreamed these three issues. In line with the country strategy, this mainstreaming was uneven across priority areas. *Institutional capacity* was strongly integrated into the area of *public management; climate change*, into the area of *productive sector support*; and *gender and diversity*, into the area of human capital (see Annex VIII).[42] Digitalization, however, was integrated into only 12% of these operations. Although operations were aligned to two objectives (*digitally transformed public services and digital connectivity infrastructure*), this issue functioned in practice more as a quasi-objective and was not mainstreamed as had been planned in view of its importance in the wake of the pandemic.

42 Institutional capacity and rule of law was integrated into 84% of operations in *public management* (and 67% of the total country program). In *productive sector support*, 73% of the operations integrated climate change adaptation (63% of the country program). Gender and diversity was integrated into 71% of the operations in *human capital* (and 60% of the country program). In addition, one project specifically addressed gender considerations (DR-L1080/2018, Ciudad Mujer).

05

Country Program Implementation

5.1 This section examines country program implementation in terms of the predictability of programming, execution and performance, and progress in country systems. The execution analysis looks at the strength of annual programming in anticipating new operations, the pace of disbursements, and operations' execution time frames and expenditures. These items are compared against the projections in the country strategy, previous periods, and comparable countries. The section then identifies the main reasons behind delays in country program execution and the actions that Management has taken to resolve execution problems, and it examines improvements to, and usage of, country systems in view of the expectations outlined in the country strategy.

5.2 The IDB country program's predictability was in line with the programs with other countries, while the predictability of IDB Invest loans was limited. Of the nine IDB loans identified in the CPDs, six (67%, including both PBLs) were approved (see Annex VIII).[43] This is consistent with the percentages in other countries for which OVE has reported such data in the past year.[44] These six loans were in sectors where the Bank already had a long-term agenda that was aligned with country priorities. Meanwhile, three investment loan operations approved in this period were not included in the CPDs. Two of these three projects, which were related to *water and sanitation* (strategic objective 8), responded swiftly to new country priorities set forth in the Water Pact.[45] The technical cooperation program had a higher degree of predictability, partly because half of the technical cooperation operations were for operational support. Of the 29 grant operations included in the CPDs, 82% were approved. IDB Invest approved two of the four loans included in the CPDs, in addition to three loans that had not been included in the annual programming.[46] Two of these loans were for renewable

43 The IDB Group prepares an annual CPD identifying the operations to be approved in the upcoming calendar year. Of the three operations not approved, investment loan operation DR-L1153 (included in the 2022 and 2023 CPDs) impacted the feasibility of making progress in the expected result related to *linkages* (4.1). This investment loan operation aimed to strengthen the participation of local businesses in global value chains and increase employment. The other two investment loan operations were not *a priori* strongly aligned with any objective identified in the country strategy.

44 The average among the five countries for which OVE has published an XCPE or ICPR in the past 12 months (Argentina, Barbados, Brazil, Costa Rica, and Paraguay) is 70%.

45 The institutional adjustments needed to carry out projects were made after the close of the CPD and included delegating the La Duquesa landfill closure operation to the Ministry of Environment and Natural Resources and the strengthening of the Water Pact.

46 For one of the two IDB Invest loans included in the CPDs and not approved, the client did not move forward with the proposal; the other is awaiting strategic discussions on the IDB Group's participation in the sector. Although the Country Strategy Guidelines (document GN-2468-9) state that IDB Invest is an integral part of the annual programming exercise, Management has said that, due to the nature of the business, the CPD does not always provide an informative prediction of activity or alignment of sovereign-guaranteed operations (IDB 2024, document GN-3207).

energy projects that featured coordination between public sector reforms and private financing. The other project dealt was focused on financing for women-led small and medium-sized enterprises. Only 0.2% of the country program amount was canceled, which did not substantially affect the feasibility of the country program progress toward the objectives.[47]

5.3 IDB disbursements fell short of the ambitious scenario outlined in the strategy, although disbursements were reactivated through investment loans. IDB disbursements totaled US$627 million, of which US$377 million was disbursed through investment loans and US$250 million through a PBL approved in 2021 (see Figure 5.1). This performance was significantly below the scenario outlined in the country strategy, which envisaged US$1.454 billion in disbursements between 2022 and 2024. This amount included US$900 million in PBLs, which was ambitious in view of the short country strategy period, the existence of only one legacy PBL, and timelines for parliamentary ratification. As a result, some objectives did not receive the support needed to ensure that a contribution was feasible. Disbursements were also down from the previous country strategy. Average annual disbursements fell from US$426 million in the 2017-2020 period to US$292 million in 2022-2023.[48] Disbursements on investment loan operations, meanwhile, increased and were in line with projections from the programming exercises.

5.4 IDB Invest disbursements grew sharply to support the post-pandemic recovery and the objectives in the area of productive sector support (strategic objective 4). IDB Invest disbursements totaled US$1.22 billion (see Figure 5.2). Financing through the TFFP played a prominent role, accounting for 89% of total disbursements from IDB Invest. Loan disbursements, though a smaller share of total disbursements, grew sharply in line with the increase in approvals. A total of US$137 million was disbursed between 2022 and June 2024 (compared to US$19 million between 2017 and 2021) to support objectives in the priority area of productive sector support.

---

47 The investment loan operation for improved technical vocational training (DR-L1127/2018) reaches the end of its execution period this year with disbursements totaling 1% of the approved US$70 million. Though not a cancellation, this does adversely affect the feasibility of progress in *human capital formation* (strategic objective 5).

48 The high figure for the previous country strategy period reflects the disbursement of PBLs in three of the four years, plus the emergency loan approved during the pandemic.

Figure 5.1 (left)

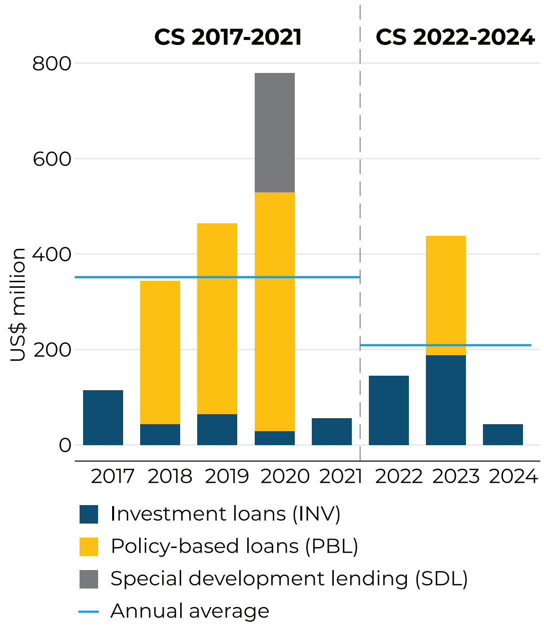
IDB disbursements

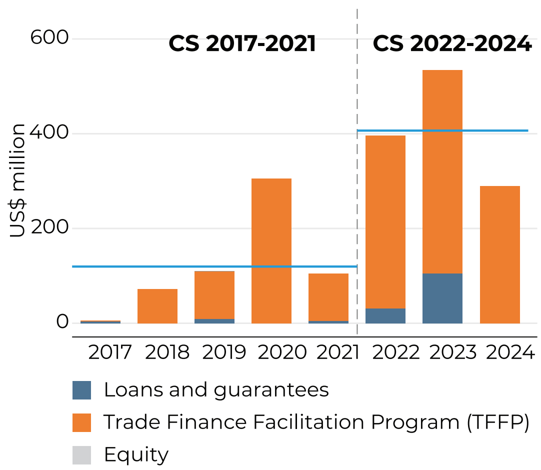
Source: OVE, using IDB and IDB Invest data as of 30 June 2024.

Figure 5.2 (right)

IDB Invest disbursements

Source: OVE, using IDB and IDB Invest data as of 30 June 2024.





5.5 Preparation times and costs for investment loan operations increased from the previous period, but remain below IDB averages. The preparation time for investment loan operations increased from 11 to 14 months, mainly because the time between registration and approval of project profiles increased as a result of the pandemic (Annex IX). These time frames are in line with the average of 13 months for the subregion of Central America, Dominican Republic, Haiti, Mexico, and Panama (CID), and they are below the IDB average of 17 months. Investment loan preparation costs rose from US$4,563 per US$1 million in 2017-2021 to US$4,811 in 2022 2024. These costs were 72% of the CID and IDB averages.[49]

5.6 The loans experienced delays in execution due to design adjustments spurred by the pandemic, staff turnover in execution units, and changing priorities under the new administration. In the Dominican Republic, the average time between a loan's approval and its first disbursement is 21 months, which is above the Bank average (16 months). Signing and parliamentary ratification take up two thirds of this time. The Country Office is working to reduce these times, and nearly three quarters of new approvals received parliamentary approval in less than 10 months. Once past this phase, delays in execution were caused by three main factors, according to progress monitoring reports

49 As for the two PBLs approved in this period, DR-L1140/2022 had a preparation time of 37 months (well above the IDB average of 12 months), while DR-L1162/2023 had a preparation time of 11 months. The average expenditures for these PBLs (US$820 per US$1 million) were in line with the IDB's average PBL preparation cost (US$859 per $1 million).

and interviews with team leaders.[50] First, the pandemic drove up costs, which spurred adjustments in project design. Forty-four percent of loans had budget problems due to pandemic-related cost overruns. Second, the change in administration resulted in staff turnover in most execution units, which entailed a learning curve on Bank processes and procedures; 38% of the loans had execution problems related to executing agency capacity or staff turnover. Third, 31% of the loans had execution problems related to the administration's changing priorities. The Country Office in the Dominican Republic has taken measures to fast-track disbursements and promote results (Box 5.1).

Box 5.1. Measures to fast-track disbursements and promote results

In the past two years, the Country Office has taken measures to fast-track disbursements and ensure that the country program can fulfill the objectives within the specified time frames. These measures include grouping processes to make procurement plans more efficient; moving up prequalification phases during legislative ratification; hiring consultants to directly support execution units that have highly complex processes planned; and adopting good international practices in works contracts.

The County Office is also developing pilot initiatives with a focus on self-evaluation, results, and effectiveness of operations. The pilot initiative for self-evaluation of progress on the country strategy was focused on country program alignment to objectives, and it looked at sector trends in terms of approvals and concentration of the active portfolio, while helping to make changes in the country strategy results matrix in the 2024 CPD. In addition, the portfolio review process was expanded to include a focus on products critical to the fulfillment of programs' development objectives. Lastly, pilot initiatives related to effectiveness on three operations were carried out, in line with the recommendation in the 2013-2020 XCPE to improve evaluability. These pilot initiatives verified theories of change, collected results indicators, and developed action plans to compensate for the potential lack of evidence during execution.

5.7 Most targets related to the increased use and strengthening of country systems were fulfilled. Improved country systems facilitate program execution and thereby increase their feasibility of making progress. The country strategy called for continued support to the country in strengthening the government control function and fiduciary systems, as well as in enhancing environmental and social governance systems. On the nonfiduciary front, support was provided to develop capacities for compliance with the Bank's new Environmental and Social Policy Framework, given the country's exposure to climate risks and potential social conflicts. To monitor progress in the use and strengthening of country systems, the country strategy included 10 indicators, seven of which fulfilled their targets (Annex III). Four of these fulfilled targets pertained to maintaining the use of subsystems (budget, treasury single account, shopping, and reporting) in

50 Progress monitoring reports are used by project teams to report on an operation's progress from approval to closure. They include an explanation of circumstances that may adversely or favorably affect project performance and effectiveness.

100% of the active portfolio. The other three fulfilled targets were related to the use of the treasury single account on IDB financed projects and the implementation of action plans to strengthen country systems. However, *use of the shopping subsystem did not significantly increase*, despite the government's interest and multiple attempts to promote its use. Nor was progress made in training users for the *strengthening of the regulatory and procedural framework of the Office of the Comptroller General,* although training events are slated for 2024.

06

Country Program Contribution to the Objectives

6.1 This section discusses the contribution of the IDB Group country program to the objectives of the country strategy. This analysis covers all operations in the country program and is based on internal and external sources, including analyses of databases, progress reports, project completion reports, and interviews.[51] The analysis proceeds in sequential and hierarchical order, from operations to expected results, and then from expected results to strategic objectives, pursuant to the methodology outlined in the ICPR guidelines (Box 6.1). The section first summarizes the country program's contribution to the strategic objectives and expected results, and it details the main determining factors of the contribution, i.e., the common factors that explain greater or lesser contributions from the country program.[52] The country program's contribution to each strategic objective is then analyzed, with a subsection devoted to each priority area.

Box 6.1. Analyzing the contribution

To assess the country program's contribution to the objectives of the country strategy, the evidence that can be verified through available information sources is used. The analysis takes into account outputs from operations in progress, but its focus is on results-level reporting. A three-step process was used:

(1) **At the operation level:** The contribution of each operation is analyzed, and a contribution rating of high, medium, or low is assigned, depending on whether (and to what percentage) the original indicator targets were fulfilled. A low contribution may be due to weaknesses in alignment, an operation that is too new, delays in execution, or a lack of evidence of contribution even when progress in execution has been made.

(2) **At the expected result level:** The contribution ratings of all operations aligned with each expected result are used to rate the expected result, taking into account only those operations that have contributed or for which a contribution could be reasonably expected. In other words, operations that were weakly aligned or too new are excluded so as not to lower the assessment of the contribution at this level.

(3) **At the strategic objective level:** Based on the contribution ratings of the expected results under each strategic objective, a rating is assigned to the strategic objective.

Source: ICPR implementation Guidelines (document RE-348-10).

6.2 The program made a medium contribution to half of the objectives and a low contribution to the other half. After assessing the contribution of each operation in the program and aggregating them on the basis of the country program's

51 The analysis provided in this section is a general summary of the detailed analysis included in the annex. While the paragraphs of the main document present conclusions and examples, the annex provides details on the analysis specific to each operation.

52 The factors that explain the country program's contributions to the objectives include: (i) a match between the objectives' ambitiousness and the program's size; (ii) consistency with government policies; (iii) the country program's degree of alignment; (iv) age of the portfolio; (v) progress or delays in execution; and (vi) availability of evidence of contribution. In general, given the execution time frames, the contribution to investment loans' objectives is primarily the result of older operations.

objectives, Table 6.1 shows the main findings of this analysis. In the priority area of public management, the country program made a medium contribution to one strategic objective (where one expected result had a high contribution and the other a low contribution) and a low contribution to two strategic objectives, for which all associated expected results had low contributions. In the priority area of productive sector support, the program made a medium contribution to the sole strategic objective, in view of medium contributions to four of the seven expected results and low contributions to the other three. In the area of human capital, the country program made a medium contribution to two strategic objectives and a low contribution to the other two, for which the only expected results associated with each strategic objective also had low contributions.

Table 6.1. Country program contribution to strategic objectives and expected results

Strategic objectives	Contribution	Expected results
Public management		
1. Efficiency of the tax system	Medium	🟢🔴
2. Efficiency of public spending	Low	🔴🔴
3. Quality of the civil service and transparency in public management	Low	🔴🔴🔴🔴
Productive sector support		
4. Support services for the productive sector, with an emphasis on strengthening linkages, competitiveness, and resilience	Medium	🔴🟡🔴🟡🟡🔴🟡
Capital humano		
5. Human capital formation	Low	🔴
6. Social protection networks	Low	🔴
7. Efficiency, quality, and coverage of health services	Medium	🔴🔴🟢
8. Access to improved water and sewer services	Medium	🟡

Source: OVE, based on the detailed analysis in Annex VI.
Notes: Expected results with a 🟢 = high contribution; 🟡 = medium contribution; and 🔴 = low contribution. Only operations that have made a demonstrated contribution, or which could be reasonable expected to make a contribution, are factored into the contribution ratings. Each dot in the third column for each strategic objective represents an expected result, in the same order in which they appear in Table 3.1 (e.g., the two dots in the third column for strategic objective 1 represent expected results 1.1 and 1.2, respectively).

6.3 The program achieved stronger contributions when the objectives' level of ambition *matched* or when they were *consistent* with government policies. In general, given the execution periods, the contribution to the objectives of investment loan operations is based primarily on legacy operations. The country program achieved medium contributions when: (i) there was a *match* between the scope of the objective and the dimension of the country program that supported it, as was the case with *water and sanitation* (expected result 8.1) or *financing for MSMEs* (expected result 4.2); or (ii) there was consistency with government policies, as was the case with *increased tax collection* (expected result 1.1), *improved road conditions* (expected result 4.4), *renewable energy sources* (expected result 4.5), resilient production (expected result 4.7), and *vaccination against COVID 19* (expected result 7.3).

6.4 A low contribution from the program to the objectives was associated with three main factors: low feasibility of contribution, newness of operations, and delays in execution. Six loans (19% of all loans in the country program were weakly aligned operations, meaning they had a low feasibility of contributing to the objectives. Meanwhile, 12 loans (38%) were new and had not been under way long enough to expect results by the close of this ICPR period.[53] For both groups of loans, significant contributions could not be reasonably expected, and therefore these operations were not factored into the contribution rating at the expected results level. Moreover, four loans (13%) made no contribution, despite having been approved some time earlier, because of delays in execution. Lastly, two loans (6%) reported no evidence of progress toward the objectives, despite having attained some degree of execution. After analyzing the determining factors for greater or lesser contributions, the program's contributions to the objectives for each priority area are summarized below (a detailed analysis at the operation level may be found in Annex VI).

A. Priority area 1: Public management and fiscal institutional structure

6.5 The program made a medium contribution to *increasing the efficiency of the tax system* (strategic objective 1), as only one of the two expected results had high-contributing operations. The program made a high contribution to increased tax collection (expected result 1.1) thanks to the main component of a legacy program aimed at strengthening the Internal Revenue Bureau (DR-L1117/2017). This investment loan operation faced challenges in implementation, in particular the pandemic and turnover among authorities in the execution unit, which led to an 18-month extension. The program, supported by three technical cooperation operations, fulfilled most of its targets and contributed to an increase in tax collection as a percentage of GDP, from 13.3%

53 Operations that have been in execution for less than half of their expected duration and had disbursements of less than 50% of their original amount. The contribution of operations in this group will be analyzed on a case-by-case basis, but since this contribution is not expected, its absence does not lower the contribution rating at the expected result level (ICPR guidelines, document RE-348-10).

in 2019 to 14.2% in 2023.[54] Progress was made, particularly in the control and audit systems of the tax administration, through a new organizational structure, training plans, and audit models, as well as the strengthening of technological infrastructure and the implementation and modernization of management software (document management, databases, human resource management, etc.). However, the country system, with only two weakly aligned technical cooperation operations, did not contribute to the objective of *reduced tax expenses* (expected result 1.2).

6.6 The program's contribution to *increasing the efficiency of public expenditure* (strategic objective 2) was low, due to a lack of focus in operations aligned with the *targeting of public expenditure* (expected result 2.1) and because the targets of operations related to the *fiscal burden associated with the electricity sector* (expected result 2.2) were not fulfilled. The country program did not contribute significantly to better targeting of public expenditure (expected result 2.1) because the operations primarily pursued other objectives. For example, investment loan operation DR-L1069/2014 sought to extend a results-based approach to financing in the health sector (and therefore might have had an indirect impact on improved targeting of public expenditure); and investment loan operation DR-L1152, while including targeting activities such as consolidating the beneficiary identification system for social programs, is primarily focused on supporting families through conditional cash transfers. Conversely, the country program was strongly aligned with the objective of a *reduced fiscal burden associated with the electricity sector* (expected result 2.2), through a PBL to conclude a three-part programmatic series for sustainability and efficiency in the power sector (DR-L1146/2021).[55] While the policy conditions were fulfilled and the operation was fully disbursed, the actual results fell far short of the targets. In particular, the financial deficit in the cost of supplying electricity and the cost of service delivery grew larger rather than smaller.[56] Two other investment loan operations sought to reduce the fiscal burden through energy efficiency in public lighting (DR-L1122/2019) and reduced electricity losses in distribution (DR-L1128/2018), but no substantial disbursements were made on them.[57] Lastly, the PBL for

54 The program had a smaller component related to cash flow management, on which progress was not particularly satisfactory, and part of the project has been canceled.

55 In addition, the feasibility of making progress in expected result 2.1 is lower because the operation sought to increase the coverage of the targeted subsidy (Bonoluz) from 36.2% (2019 baseline) to 63% in 2023. The actual coverage—25.5% in 2022 (latest available data)—was below the baseline.

56 The financial deficit in the cost of supplying electricity increased from 38.3% in 2020 to 45.3% to 2022 (latest available data), above the targets of 34% (2021) and 20% (2023). The annual cost of frequency regulation (service delivery) rose from US$2.71 per megawatt-hour (MWh) in 2020 to US$4.84/MWh in 2022, above the targets of US$3.06/MWh (2021) and US$2.75/MWh (2023).

57 Operation DR-L1122/2019, ratified in November 2022, had made no disbursements as of March 2024. Operation DR-L1128/2018, ratified in March 2021, was only 20% disbursed as of March 2024.

climate action (DR-L1162/2023) helped to integrate more stringent climate requirements into public management and expenditure through a green public procurement policy, an expenditure classifier for the Budget Law, and rules on the design and evaluation of public investment projects to incorporate climate resilience standards. The policy conditions have been fulfilled, and the operation is awaiting legislative ratification for disbursement; however, there is no evidence yet that these measures have contributed to a *reduced fiscal burden associated with the electricity sector*.

6.7 The program made a low contribution to *improving the quality of the civil service and enhancing transparency in public management* (strategic objective 3) due to a lack of projects on which contributions could be expected by the time this report was prepared. The main aligned operation was an investment loan to strengthen civil service management (DR-L1142/2021), aimed at supporting the Ministry of Public Administration through activities to optimize the digital architecture and information systems of the civil service, as well as to strengthen the ministry's digital skills and human resource management. Despite progress in diagnostic assessments with support from technical cooperation operations, the program became eligible in late 2022 and began to be executed in the first half of 2023, and it is projected to be 5% disbursed in its first year. In line with these projections, only 6% of the loan had been disbursed by June 2024, and no results were expected in the short term. Another strongly aligned investment loan operation, aimed at supporting the transparency and integrity agenda (DR L1150/2022), was ratified in September 2023 and recently began to be disbursed (3.2%, projected to be 8.7% disbursed in its first year), and therefore no contribution was reported. Lastly, as described in Section III, the country program was weakly aligned to the objectives of *women filling managerial positions in the executive cabinet* (expected result 3.2) and *digitally transformed public services* (expected result 3.4), as no operation was feasibly going to contribute to these objectives and, therefore, the contributions could not be expected to be high.

B. Priority area 2: Sustainable and inclusive productive reactivation

6.8 The program made a medium contribution to *improving support services for the productive sector* (strategic objective 4). This rating is based on the medium contribution made to four of the seven expected results under this strategic objective.

- *Financing for MSMEs* (expected result 4.2): IDB Invest carried out two projects that financed financial intermediaries to increase credit to businesses in this segment. In one operation, the beneficiary bank has a special focus on MSMEs and achieved significant institutional growth, far exceeding the targets. The other loan was approved in late 2023 and has not yet yielded evidence of contribution. Part of the TFFP supported foreign trade operations for MSMEs, with 44% of all underlying operations consisting of import financing guarantees for amounts under US$50,000.[58] In addition, an investment loan operation to promote credit through Banco Agrícola de la República Dominicana (DR-L1157/2023) aimed to increase public financing to rural MSMEs for investment in, and adoption of, climate technologies, but this operation has not yet been ratified.

- *Climate resilience of the transportation network* (expected result 4.4): The main contribution was the construction of 90 kilometers (km), the rehabilitation of 147 km, and the maintenance of 270 km of roads through the investment loan operations for sustainable agroforestry development (DR-L1135/2018) and the Port of Manzanillo (DR-L1141/2021). However, three aligned projects did not contribute to this objective. The investment loan operation for road infrastructure rehabilitation and maintenance (DR-L1151/2022) is still new, and therefore progress was not expected in this period. Two PBLs (DR-L1140/2022 and DR-L1162/2023) made no contribution, as the policy actions included in the results matrix were not directly focused on network resilience.

- *Renewable energies and quality of supply* (expected result 4.5): The country program made higher contributions to boosting renewable generation. The PBL for power sector sustainability and efficiency (DR-L1146/2021) fulfilled the policy conditions but had mixed results. Capacity for renewable energy generation had exceeded the target by 11% in 2022, but distribution companies' electricity losses declined only slightly, from 33.1% to 32.4%, and remain above the target of 23.1% for 2022. Meanwhile, the results matrix of the climate action PBL (DR-L1162/2023) included policy conditions, now fulfilled, aimed at strengthening regulatory capacity to promote decarbonization of the energy mix.[59] However, the investment loan operation to expand electricity networks and reduce electricity losses in distribution

58 Not all operations for less than US$50,000 are necessarily associated with MSMEs, but a detailed analysis of underlying operations shows that many businesses that benefit from guarantees for small amounts are MSMEs. IDB Invest recently implemented a system for identifying MSMEs in underlying operations. The lack of a framework of clear results and specific targets for MSMEs in the program, which have grown substantially in recent years, makes it difficult to analyze its contribution to the objectives.

59 In PBLs, the policy conditions included in the results matrix have to be fulfilled before disbursements can be made. Fulfillment of these conditions determines the project's contribution, as disbursements are used for budgetary support. This particular PBL is awaiting legislative ratification and, despite having fulfilled the policy conditions, is not yet eligible for disbursement.

systems (DR-L1128/2018)[60] and three IDB Invest projects for renewable energy generation have not yet yielded evidence of contributing to this expected result.

- *Productive areas managed in a sustainable, climate-resilient manner* (expected result 4.7): The investment loan operation for sustainable agroforestry development (DR-L1134/2018) made medium progress through the adoption of agroforestry technologies. The pandemic lowered the feasibility of achieving all projected results because, with results-based disbursements, planting was adversely affected and certain expenditures that were expected from the government as the counterpart were diverted due to the COVID-19 emergency.

6.9 The program made a low contribution to three expected results for strategic objective 4: *productive linkages, logistics, and digital connectivity*. The country program's low contribution to these three expected results was due to a lack of program focus on the objectives, delays in execution, and the relative newness of the portfolio. For *productive linkages* (expected result 4.1), the programmed investment loan operation has not yet been approved, as it awaits decisions from the newly elected administration. No project in the country program had a primary focus on this expected result. The projects to promote tourism through the revitalization of the Colonial City of Santo Domingo (DR-L1084/2016) and development of a sustainable tourism resort (13807-01/2022) included actions to help local providers successfully join value chains. For logistics (expected result 4.3), the Port of Manzanillo project is still too new to show evidence of contribution, while the other projects aligned with this objective were focused on *roads* (expected result 4.4). For *digital connectivity* (expected result 4.7), the project to improve connectivity (DR-L1147/2021) became eligible in April 2022, but its contribution has been low due to delays in contract award processes. It was only 18% disbursed as of June 2024, compared to a projected 28% in the first two years, and 120,000 of the projected 450,000 planned decoders have been installed.

C. Priority area 3: Strengthening of human capital

6.10 The program made a low contribution to *improving human capital formation* (strategic objective 5) because disbursements of the two main aligned loans were limited due to execution delays in one loan operation and the newness of the other loan operation. While

60 The project was 20% disbursed by late June 2024. When it became eligible in August 2021, it was expected to be 97% disbursed within the first three years. The project was set back by the pandemic, experienced delays in ratification, and had problems in land acquisition due to rising costs.

the country program was strongly aligned to all objectives in this area, its contribution to strategic objective 5 (and its sole expected result) was low because disbursements on the two main operations were very limited. These operations aimed to enhance the supply, coverage, and quality of technical vocational education, as well as training to improve the employability of young people. Investment loan operation DR-L1127/2018 was ratified in July 2021 and was slated for execution over three years, meaning that it should have been fully executed by June 2024. At that time, however, it had been only 1% disbursed—a significant delay—primarily due to a lack of operational capacity and rising costs of school construction. Meanwhile, investment loan operation DR-L1155/2022 is too new to have yielded a contribution. Also, the programs for Santo Domingo (DR-L1084/2016) and Ciudad Mujer (DR-L1080/2018) included components aimed at enhancing educational options and training in tourism and for women, but they had made no progress in the components aligned to this objective, as these components were scheduled for execution starting in the latter half of 2024. Lastly, two technical cooperation client support operations operations strengthened capacities at the Ministry of Education through training and development of new procedures (DR-T1155/2017) and studies on skills gaps in young people, which have been helpful in guiding discussion on the sector's needs (DR-T1187/2019).

6.11 The program made a low contribution to *strengthening the social protection networks* (strategic objective 6) due to the newness of the portfolio and a lack of evidence on the use of some outputs. The country program was strongly aligned with the strategic objective (and its sole expected result), but the contribution was low due to the newness of the portfolio. The main operation (DR-L1152/2021), ratified in March 2023, is being executed on time and is 24% disbursed; therefore, no contributions are expected just yet. An operational support techncial cooperation operation for this investment loan (DR-T1227/2021) made strides in diagnostic assessments, tools, and training for the Supérate program and the beneficiary identification system (SIUBEN) to lay the groundwork for improvements,[61] but there is no evidence on their use. Meanwhile, no disbursements had been made on another technical cooperation operation for operational support (DR-T1245/2022).

6.12 The program made a medium contribution to *improving the efficiency, quality, and coverage of health services* (strategic objective 7) due to a high contribution to *immunity against COVID-19* (expected result 7.3). The country program's main contribution

61 These include: (a) development of per capita income models for targeting of households for monetary poverty, now in use; (b) a SIUBEN interoperability services manual, for the circuit of care; (c) an interagency agreement of the cross-sector council on care for implementation of a pilot initiative; and (d) process evaluation and organizational-functional structure.

was to *immunity against COVID-19* (expected result 7.3), thanks to the procurement and administration of vaccines totaling 41% of the doses administered in the country through December 2022, which benefited at least 3.6 million people through a contingent credit facility loan operation (DR-L1149/2021).[62] However, the country program's contributions to the other two expected results on *maternal mortality* (expected result 7.1) and the *first level of care* (expected result 7.2) were low. The Ciudad Mujer program (DR-L1080/2018) experienced significant delays and had reported no contribution as of June 2024.[63] While the investment loan operation to support health sector management (DR-L1069/2014) had achieved some progress after significant delays, no evidence has been reported since 2019 on results related to the *first level of care* (expected result 7.2).[64]

6.13 The program made a medium contribution to *boosting access to improved water and sewer services* (strategic objective 8), mainly due to improved water service. The country program's main contribution to this objective resulted from the legacy investment loan operation for INAPA in water and sanitation (DR-L1041/2010), which reached operational closure in late 2022 after a six-year extension. This extension stemmed from implementation problems (mainly in rural areas), such as a lack of capacity in execution units, procurement problems, and pandemic-related delays. The program increased water service coverage by 3.6% in areas served by INAPA (88% of program targets) and sanitation coverage by 1.03% (39% of targets). The program thus helped to expand or enhance water service coverage for 91,586 households and sanitation coverage for 7,103 households.[65] Two other investment loan operations sought to increase sanitation coverage in tourist cities (DR-L1158/2022) and improve solid waste management in Santo Domingo (DR-L1156/2022), but these are relatively new projects that only recently became eligible and, as such, have not yet shown evidence of contributing to the objective identified in the country strategy.[66]

62 The objective of this loan was to increase the availability and efficiency of financing to cover extraordinary public expenditures related to the health emergency.

63 This was due to delays in attaining eligibility, turnover among authorities, and problems in procurement processes. The works for the centers commenced in 2022, and therefore the planned services have not yet been provided. The centers are expected to begin operating in late 2024.

64 Progress was achieved on some outputs, such as 226 primary care units equipped and 415 health units trained, and improvements were made in such outcomes as care times and number of establishments with authorized to provide healthcare. However, the program did not fulfill all targets due to delays in eligibility, changing priorities as a result of the pandemic, turnover among authorities, and problems in information systems.

65 This includes water services for 80,418 urban households and 11,438 rural households and sanitation services for 3,882 urban households and 3,221 rural households. In addition, a larger-than-projected number of users were added to the INAPA registry, and improvements in bill collection efficiency and water quality also exceeded projections.

66 The associated technical cooperation for operational support achieved their expected outputs, mainly consisting of prefeasibility studies and training events (DR-T1242/2022 and DR-T1268/2023).

07

Conclusions

7.1 The Dominican Republic had the region's second fastest-growing economy over the past 10 years, but significant development challenges persist. Economic growth has had a significant impact on reducing poverty and inequality. Challenges remain, however, in fiscal accounts and public management, constraints on productive potential, deficiencies in human capital, gaps in access to education and healthcare, and adaptation to climate change.

7.2 The strategy was well designed in terms of alignment, vertical logic, and evaluability, but it has room for improvement in strategic selectivity and the identification of risks related to the private sector. The objectives of the country strategy were aligned with the government's priorities and the country's development challenges. The country strategy's vertical logic was sound, as it generally identified expected results that were more specific than, and adequately linked to, the higher-level strategic objectives. In line with OVE recommendations, the results matrices were updated to improve the program's alignment to the objectives. The country strategy also increased the evaluability of the results framework, making it possible to monitor most of the progress indicators. However, there is no strong evidence that the prioritization of objectives in the country strategy was based on the IDB Group's experience, comparative advantages, and capacity for technical contribution in order to resolve the development challenges. In addition, the country strategy identified multiple objectives to be addressed during the short country strategy period, but it did not specify how the program was to address them. Lastly, the country strategy did not identify any risks related to the private sector, such as reputational or regulatory risks.

7.3 The country program included operations for all strategic objectives, but progress was feasible for only half of them. The strategic objectives related to fiscal management were weakly aligned, as some expected results had one program that only indirectly contributed to some objectives through operations aimed at other objectives. For the sole strategic objective in the priority area of productive sector support, six of the seven expected results were strongly aligned, and thus the program did not fully support the vertical logic outlined in the country strategy. In the priority area of human capital, alignment was strong for all strategic objectives, which were supported by the legacy portfolio, the IDB Group's cumulative experience, and the confluence of government priorities.

7.4 The country program had an increased share of investment loans, technical cooperation for operational support, IDB Invest loans, cofinancing, and mobilization. While approximately three quarters of IDB approvals in the previous country strategy were for PBLs and emergency loans, investment loan operations accounted for nearly two thirds of the approvals under this country strategy. These investment loan operations primarily used the flexible multiple-works modality to adapt to changing circumstances and priorities. Support through PBLs decreased from previous periods, but two programmatic series were completed, a positive development in a country where many such series have been truncated. In two of the three PBLs in the country program, the depth of reforms was consistent with the ambitiousness of the objectives and the creation of structural changes. Coordination with other development entities was strong at all stages of the operations, resulting in more than US$500 million in cofinancing. As for technical cooperation, in comparison to previous country strategy periods, this period saw an increased share of technical cooperation for operational support aimed at supporting projects in execution, and this did not reduce the space for the IDB to add value through knowledge products. The technical cooperation operations were welcomed by the counterparts, particularly since they were executed by the IDB, which generally reduces the workload of execution units. Lastly, IDB Invest increased its contribution to the IDB Group's value proposition, thanks to a significant increase in approvals and disbursements in senior loans and the TFFP. In addition, US$1.156 billion in contributions from other financing institutions were mobilized. Public-private coordination increased in areas such as energy and tourism.

7.5 The program made a medium contribution to half of the objectives and a low contribution to the other half, with notable successes in *tax collection and vaccination against COVID-19*. The factors associated with higher contributions were a match between the ambitiousness of the objective and the country strategy dimension supporting the objective (as with the objectives of *water and sanitation, financing for MSMEs*, and *renewable energy*) and *consistency* with government policies (as with the objectives related to *tax collection, vaccination, roads,* and *climate-resilient production*). Conversely, lower contributions to the program were associated with operations that, as designed, had a low *feasibility* of making progress toward the objectives (weak alignment); operations that had not been *under way* long enough to expect results by the close of the review period for this ICPR, and operations with *execution* challenges. On this latter point, at the start of this period some loans were still experiencing significant delays in disbursements due to the pandemic, staff turnover in execution units, and changing priorities under the new administration. The Bank's Country Office has sought to fast-track disbursements and promote results through a number of initiatives and through increased technical cooperation for operational support, but it is still too soon to expect contributions to the objectives.

References

Amargós, Oscar. 2019. *Estudio de detección de necesidades de capacitación y demanda laboral.* Office of the Vice President of the Dominican Republic. Integrated Social Protection and Promotion Project.

Carrasco, H., E. García, S. Parodi, and M. Vásquez. 2016. *¿Cómo se distribuyen los recursos públicos en República Dominicana?*

Center for Distributive, Labor, and Social Studies (CEDLAS) and World Bank. 2022. Socio-Economic Database for Latin America and the Caribbean.

Central Bank of the Dominican Republic. 2021. Financial stability report 2021.

Economic Commission for Latin America and the Caribbean. 2023. Gender Equality Observatory for Latin America and the Caribbean.

García-Zeballos, Antonio; Ricardo Martinezgarza, and Enrique Iglesias. 2020. *Metas y desafíos para la transformación digital en República Dominicana.*

Gómez Sabaini, Juan Carlos; and Dalmiro Morán. 2020. *Estrategias para abordar la evasión tributaria en América Latina y el Caribe.* Economic Commission for Latin America and the Caribbean.

Institute of Dominicans Abroad (INDEX, 2024). *Informe del Registro Sociodemográfico de los Dominicanos residentes en el exterior 2023.*

Inter-American Development Bank and Ministry of Economy, Planning, and Development. 2020. Dominican Republic National Infrastructure Plan 2020 2030.

Inter-American Development Bank. 2020. Dominican Republic Country Development Challenges.

—. 2021. The Infrastructure Gap in Latin America and the Caribbean.

—. 2021. *Diagnóstico institucional del servicio civil: República Dominicana.*

—. 2022. Loan proposal for the Program to Support Mobility, Overland Transportation, and Road Safety in the Dominican Republic II.

—. 2024. Country Development Challenges (draft).

International Labour Organization. 2024. UN Tourism Data Dashboard. UN Tourism.

International Monetary Fund. 2020. IMF Country Report No. 20/154: Dominican Republic.

—. 2024. World Economic Outlook database. April 2024.

Kaza, Silpa, Lisa C. Yao, Perinaz Bhada-Tata, and Frank Van Woerden. 2018. *What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050.* World Bank.

Latin American Energy Organization. 2022. *Panorama energético de America Latina y el Caribe 2022.*

Latinobarómetro. 2021. Report 2021. Corporación Latinobarómetro.

Ministry of Economy, Planning, and Development 2021. *Plan nacional plurianual del sector* *público 2021-2024*.

Ministry of Finance. 2021. *Gasto Tributario en República Dominicana. Ministerio de Hacienda de la República Dominicana*.

National Statistics Office. *Nota de Información Demográfica*.

—. 2022. Transparency portal.

—. 2023. Bulletin of Official Statistics on Monetary Poverty in the Dominican Republic.

Office of Evaluation and Oversight. 2024. Stocktaking of Private Finance Mobilization at the IDB Group.

Organisation for Economic Co-operation and Development. 2023. Multi-dimensional Review of the Dominican Republic.

—. 2022. PISA 2022 Results: Factsheets – Dominican Republic.

—. 2024. Revenue Statistics on Latin America and the Caribbean.

Superintendency of Banks. 2023. *Informe sobre financiamiento a las mipymes en la banca dominicana*.

United Nations Development Programme. 2021. *Políticas de protección social y laboral en la República Dominicana*.

—. 2022. *La migración en la República Dominicana: contexto, retos y oportunidades*.

United Nations. 2022. UN E-Government Survey.

World Bank. 2021. *República Dominicana, el país del agua embotellada*.

—. 2023. Human Capital Country Brief: Dominican Republic.

—. 2024. Freely accessible data.

World Economic Forum. 2019. The Global Competitiveness Report 2019.

—. 2023. Global Gender Gap Report.

Office of Evaluation and Oversight — OVE

Established in 1999 as an independent evaluation office, OVE evaluates the performance and development effectiveness of the activities of the Inter-American Development Bank Group (IDB Group). These evaluations seek to strengthen the IDB Group through learning, accountability and transparency.

OVE evaluations are disclosed to the public in accordance with IDB Group policies to share lessons learned with the region and the development community at large.

iadb.org/evaluation

linkedin.com/showcase/idb-ove

@BID_evaluacion