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Report No. 49871 - DO

PROJECT PAPER  
ON A  
PROPOSED ADDITIONAL FINANCING (LOAN)  
IN THE AMOUNT OF US\$10.0 MILLION  
TO THE  
DOMINICAN REPUBLIC  
FOR A  
SOCIAL PROTECTION INVESTMENT PROJECT

August 18, 2009

Human Development Sector Management Unit  
Caribbean Country Management Unit  
Latin America and the Caribbean Regional Office

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective August 6, 2009)

Currency Unit = Dominican Peso  
1.00 Dominican Pesos = US\$0.03  
US\$1.00 United States Dollar = 35.95 Dominican Peso

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
CCT	Conditional Cash Transfer
CPS	Country Partnership Strategy
DPL	Development Policy Loan
DR	Dominican Republic
FFF	Food, fuel and financial crises
IADB	Inter-American Development Bank
PASS	Performance and Accountability of Social Sectors
PIU	Project Implementation Unit
SEEPyD	Secretaria de Economía, Planificación y Desarrollo
SIUBEN	Sistema Único de Beneficiarios
UNDP	United Nations Development Programme

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**DOMINICAN REPUBLIC**  
**Additional Financing for Social Protection Investment Project (Loan 7481-DR)**

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**DOMINICAN REPUBLIC**  
**Additional Financing for Social Protection Investment Project (Loan 7481 -DO)**

**PROJECT PAPER DATA SHEET**

Date: August 18, 2009 Country: Dominican Republic Project Name: Social Protection Investment Project ID: P116369	Team Leader: Carine Clert Sector Director/Manager: Evangeline Javier/Helena Ribe Country Director: Yvonne Tsikata Environmental Category: C				
Borrower: Dominican Republic Responsible agency: Social Cabinet Edificio San Rafael Av. Leopoldo Navarro Dominican Republic Tel: 809-534-2105 Fax: 809-534-4848 Technical Coordinator: Susana Gamez <a href="mailto:susaagam@gmail.com">susaagam@gmail.com</a>					
Revised estimated disbursements (Bank FY/US\$m)					
FY	2010	2011	2012	2013	2014
Annual	2	3	3	1.5	0.5
Cumulative	2	5	8	9.5	10
Current closing date: June 30, 2012 Revised closing date: December 31st, 2013					
Does the restructured or scaled-up project require any exceptions from Bank policies? Have these been approved by Bank management? Is approval for any policy exception sought from the Board?		<input type="radio"/> Yes <input checked="" type="radio"/> No <input type="radio"/> Yes <input checked="" type="radio"/> No <input type="radio"/> Yes <input checked="" type="radio"/> No			
Revised project development objectives/outcomes <i>[If applicable]</i> The Project's Development Objective to improve the coverage, targeting, and effectiveness of the Borrower's social protection programs would remain unchanged. Key Performance indicators of Component Two have been added to reflect the expected increase of Development Impact linked to the Additional Financing.					
Does the scaled-up or restructured project trigger any new safeguard policies? NO					
For Additional Financing					
<input checked="" type="checkbox"/> Loan <input type="checkbox"/> Credit <input type="checkbox"/> Grant For Loans/Credits/Grants: Total Bank financing (US\$m.): 10 million Proposed terms: IBRD Flexible Loan with fixed spread payable in 20.5 years (including the 13.5 years grace period) and with a customized repayment schedule.					
Financing Plan (US\$m.)					
Source	Local	Foreign	Total		
Borrower			0.72		
IBRD/IDA			10		
Total			10.72		



## **I. Introduction**

1. This Project Paper seeks the approval of the Executive Directors to provide an additional loan in an amount of US\$10 million to the Dominican Republic for the Social Protection Investment Project (Loan 7481-DR). This proposed Additional Financing (AF) has been prepared in accordance with OP 13.20, Paragraph 1 (c), which permits additional financing under investment projects to finance "modified project activities included as part of project restructuring when the original loan amount is insufficient to cover such activities."

2. The proposed AF would help finance the costs associated with a scaling-up of existing project activities, the introduction of complementary activities, and the need to fill a financing gap. The complementary activities are now a key element in the Government's social protection programs, specifically the institutional restructuring of the Conditional Cash Transfers Program (CCT) *Solidaridad*. These complementary activities are fully consistent with the original development objectives of the Social Protection Investment Project (the Project) and are expected to increase the Project's impact. The AF would also finance the funding gap for two ongoing activities: (a) the contracting of paralegal staff to assist poor Dominican households to obtain their national identity documents; and (b) the updating of the targeting instrument SIUBEN.

3. In order to allow for full implementation of the ongoing and new project activities, the Loan's Closing Date would be extended by eighteen months, from the current closing date of June 30, 2012 to December 31, 2013.

4. The proposed AF has been prepared in close collaboration with the Inter-American Development Bank (IADB), which just delivered a proposed US\$70 million multi-phase investment loan to support the redesigned CCT *Solidaridad* Program. The World Bank and the IADB have agreed to support this Program jointly. Complementing the initial support to be provided under this proposed AF, the Bank would also support broader reforms to the *Solidaridad* Program and its articulation with health and education sectors under a proposed new Programmatic DPL, the Performance and Accountability of Social Sectors (PASS), also planned for delivery in fiscal year 2010.

## **II. Background and Rationale for Additional Financing**

5. The US\$19.4 million loan for the Social Protection Investment Project was approved on August 2, 2007. The Project's Development Objective is to improve the coverage, targeting, and effectiveness of the Borrower's social protection programs, through the provision of legal identity documents to poor Dominicans, institutional strengthening of targeting mechanisms, and increased monitoring and evaluation of social programs. Following a long delay in effectiveness, due mostly to delays in Congressional approval of the loan linked to the national electoral period, the loan became effective on December 19, 2008. Despite this effectiveness delay, project implementation has started well and is accelerating. Progress toward achievement of the Project's Development Objectives is satisfactory. Because of the long delay in effectiveness,

disbursements total only US\$0.5 million as of August 12<sup>th</sup>, 2009. Implementation Progress, which had been rated Marginally Unsatisfactory due to this delay in effectiveness, has now been upgraded to Marginally Satisfactory because of indications that implementation is improving following effectiveness.

6. **The rationale for the proposed AF is based on three factors. First, the international environment and the internal conditions in the Dominican Republic (DR) have changed considerably since loan approval in 2007.** These changes affect the target population that the Project intended to address and have increased poverty and unemployment which enhance the role of the *Solidaridad* Program. Moreover, the Bank is now being asked to support the institutional restructuring and strengthening of *Solidaridad*, an important vehicle for protecting the poor in the crisis environment. Although the strengthening of the CCT is not currently financed by the Project, it would be consistent with the Project's objectives. In this context, a restructuring of the Project, along with the provision of the AF to cover the expanded financial requirements, would ensure that the Project responds to current realities and needs.

7. The food, fuel and financial (FFF) crises have already increased poverty and unemployment in the DR, and it is likely that the situation may deteriorate further. Data from the *Secretaría de Economía, Planificación y Desarrollo* (SEEPyD) shows that moderate poverty increased 2.6 percentage points (from 35.2 percent to 37.8 percent) between April and October 2008, possibly owing to the decline in remittances. However, extreme poverty remained stable during that same period at around 11 percent, and the SEEPyD attributes this to the buffer effect of the transfers of *Solidaridad*. The Government increased the food component amount of this Program last summer to ameliorate the effects of the increase in food prices. This shows that the Government can effectively use the CCT to provide an income protection floor to maintain consumption levels and preserve the human capital of the poor, through households' investments in education, health and nutrition, which is a significant improvement since the 2003 crisis when the Program was not in place. Created in 2005 under the leadership of the Social Cabinet, *Solidaridad* now covers about two million people in extreme poverty. There is a Government consensus that it is a key element in the Government's strategy to mitigate the social impact of the crisis and that it needs to be strengthened to play an even more effective role.

8. The Government is not solely concerned with maintaining and expanding the level of transfers. Recently, it has also shown a commitment to improving the overall impact of the CCT program by restructuring it into a full-fledged CCT Program focused on the promotion of human capital. Until early 2009, there was poor coordination between the Program, the Ministry of Education and the Ministry of Health, both at national and local levels. As a result, it was extremely difficult for *Solidaridad* staff to systematically verify the compliance of households with their responsibilities and link this verification process to the payment of transfers. Therefore, the Program was essentially working as an unconditional cash transfer program.

9. Major changes in the design of *Solidaridad* Program can now be observed, as the Government has started its redesign. This February, it published a decree that distinguishes the program of conditional cash transfers from other, non-conditional transfers (e.g., gas subsidies). It also created an Inter-sectoral Committee which brings together *Solidaridad* and the Health and

Education Ministries. This Committee has started to estimate supply-side gaps and identify performance indicators linked to sectoral strategies. It has reached an agreement on the redesigned program's co-responsibilities and ways to verify compliance. In order to systematize progress, the Government has been working on a new manual of operations that is expected to help increase the effectiveness of the Program. The Government has also set out to deconcentrate the Program, which is currently very centralized. This deconcentration process, which is to be financed by the IADB investment loan, will help reduce administrative costs and improve the speed and quality of service.

10. Currently the most pressing challenge is to ensure the implementation of the new rules of operation. Human resources and organizational day-to-day arrangements need to be aligned with the new operational procedures, both at central and local levels. The redesigned CCT should also be based on a fully developed results framework shared by the three social sectors (Social Cabinet, Health, and Education). This results framework should be accompanied by an integral system of monitoring and evaluation for the CCT, including process and impact evaluation tools that will be used to continuously improve the quality and the credibility of the program. The targeting instrument *Sistema Único de Beneficiarios* (SIUBEN) also needs to be updated with a new census to reduce errors of exclusion and inclusion. Finally, the reform momentum also provides the opportunity to enhance transparency, participation and accountability in the program as part of the institutional revamping.

11. This new context provides the rationale for the Government's request for this AF. Until early 2009, the Government had originally planned to implement the CCT without external financing and mainly benefitted from some technical assistance from UNDP. The Bank had only been asked to support improvements in the targeting of the Program through the strengthening of SIUBEN, under the current Project. Due to the crisis and the new social policy priority to reform the program, the Government has now asked the Bank to technically support and finance the strengthening of the CCT as quickly as possible, in close collaboration with the IADB. The latter will co-finance the Program's institutional strengthening with the Bank and concentrate on the financing of transfers and the Program's deconcentration.

12. **Second, the Project needs additional funding to complete two sets of activities that were initially envisaged and that are considered essential for the accomplishment of the Project's objectives.** These activities are: (a) the contracting of temporary paralegal staff to assist poor Dominican households to obtain their national identity documents; and (b) the updating of the targeting instrument SIUBEN.

13. *Regarding the contracting of temporary paralegal staff*, the Government under-estimated the monthly wages of 630 paralegal staff and 110 supervisors contracted to assist poor Dominican households with collecting the necessary documents to establish citizenship and complete their process of application to the National Registry Service. At the time of the Project's preparation in 2006, the Government estimated those monthly wages to be US\$210 for paralegal staff and US\$290 for their supervisors. Since the Project started implementation, the Government carried out a market analysis for similar activities and found that monthly wages should be about US\$280 for paralegal staff and US\$390 for their supervisors, in order to attract

the necessary pool of people with appropriate skills. The Government has asked the Bank to cover the resulting financing gap through this proposed AF, for a total amount of US\$1.3 million. This would allow the Project to achieve its stated objective of “improving the coverage of the Borrower’s social protection program, through the provision of legal identity documents to poor Dominicans.” The Project has identified approximately 400,000 undocumented poor Dominicans who are excluded from social services and economic opportunities (CCT *Solidaridad* Program, education, subsidized health insurance, ownership rights, banking privileges).<sup>1</sup>

14. *Regarding the updating of the SIUBEN*, several factors, including the FFF crises, have impacted financing requirements of the Project to meet its stated Development Objective of “improving the targeting of the Borrower’s social protection programs.” During preparation of the Project, US\$3.0 million had been budgeted to finance the implementation of a new household census to support the SIUBEN (the last household census was carried out in 2005). The Government has now requested that an additional US\$4.0 million in financing be provided for this activity because the contributions originally assumed from Government and UNDP are no longer available due to the impact of the FFF crises on Government’s resource availability. Also, the original cost of the census, which was based on the 2005 census’ parameters, has increased due to the effects of the FFF crises on poverty numbers, as the number of households now considered for the census is 50 percent higher than in 2005.

15. **Third, the AF would not only ensure the accomplishment of the Project’s Development Objectives (see outcomes section), but it would also be the most suitable instrument to respond to the Government’s request for rapid assistance.** The activities proposed in Section III below are a natural continuation of what is being supported under the current project. In addition, they are within the Project’s overarching objective of strengthening the coverage, targeting and effectiveness of social protection services in the DR. Finally, the proposed AF is needed now so as to allow a proper dimensioning of critical activities. The Social Cabinet is reluctant to proceed with the bidding process of the SIUBEN census (with a broad geographic scope) without the certainty of having full financing for its implementation, a problem that would be solved with the proposed AF.

### **III. Proposed Changes**

16. The Project’s original Development Objective to improve the coverage, targeting, and effectiveness of the Borrower’s social protection programs would remain unchanged. The implementation arrangements, as described in the Loan Agreement and the Project Appraisal Document, would also remain unchanged. To allow full implementation of the additional activities, the Loan’s Closing Date would be extended by eighteen months, from June 30<sup>th</sup> 2012

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<sup>1</sup> These individuals are not considered part of the population of legal and illegal Haitians residing in the country, but rather are poor Dominicans who never obtained their birth certificates or let their old identity cards expire.

to December 31<sup>st</sup>, 2013. The proposed AF would affect both Component 1 and 2, as described below. Annex 3 summarizes the distribution of total Bank financing for the Project and the AF.

17. **Component 1. Provision of National Identity Documents.** The proposed AF would affect Component 1, denominated “Provision of National Identity Documents,” by providing additional funding (US\$1.3 million) to subcomponent 1B, denominated “Targeted Legal Aid Campaigns”. As described in the Original Loan Agreement, this targeted assistance includes “the contracting of paralegal staff for the Borrower’s Social Cabinet and the provision of training, equipment, office furniture, the printing of guides and personal data forms, and transportation costs in support of such staff.” The AF would cover for higher than initially estimated costs for the originally planned activity of contracting paralegal staff and their supervisors. As explained in Section II, the Government had initially estimated the monthly wages of these staff to be US\$210 for paralegal staff and US\$290 for their supervisors. Since the Project started implementation early this year, the Government carried out a rigorous market analysis for similar activities and found that to attract the necessary pool of people with the appropriate skills, monthly wages should be about US\$280 for paralegal staff and US\$390 for their supervisors. During Project preparation, US\$5.71 million had been budgeted for subcomponent 1B. The AF would increase this amount by US\$1.3 million, bringing the total Bank financing to US\$7.01 million.

18. **Component 2. Strengthening of Social Protection Services.** The proposed AF would also affect Component 2 of the Project, denominated “Strengthening of Social Protection Services.” This includes three subcomponents: i) “Strengthening the Institutional Capacity of the Social Cabinet” (Subcomponent 2A); ii) “Strengthening of the Institutional Capacity of the Targeting Instrument SIUBEN” (Subcomponent 2B); and iii) “Social Policy Monitoring and Evaluation,” including the enhancement of transparency and capacity for impact assessment of social protection programs, including social audits and monitoring by civil society (Subcomponent 2C).

19. First, the AF would provide additional funding under Subcomponent 2B of the Project, which focuses on improving targeting performance by “strengthening SIUBEN’s institutional capacity.” Second, it would provide additional funding under Subcomponents 2A and 2C to support improvements in the effectiveness, results-orientation, and transparency of the redesigned CCT *Solidaridad* Program, through technical assistance and capacity-building activities. As explained in Section II above, no institutional support to the *Solidaridad* Program had originally been included in project financing. These changes to the Project’s Component Two are described in more detail below.

***Increased Funding and Technological Improvements to Improve Targeting Performance***  
*(Subcomponent 2B, Institutional Development of the SIUBEN Targeting Instrument, US\$5.975 million).*

20. Under this Subcomponent, the AF would cover:

- **Higher than expected costs for an originally planned activity: the SIUBEN new Socio-Economic Census (US\$4 million).** These higher costs are due to an increase in the target population and to an increase in cost sharing to 100 percent of loan financing. Already contemplated by the Project, this new Socioeconomic Census urgently needs to be carried out in order to update the SIUBEN database. The SIUBEN database includes beneficiaries of a wide range of critical social programs including *Solidaridad*, social services (health insurance), and targeted subsidies (fuel). During the preparation of the Project, US\$3.0 million had been budgeted for this activity. The Additional Financing would increase this amount by US\$4 million, bringing the total Bank financing to US\$7.0 million. This increased loan financing would cover 100 percent of project costs of this census, which include the increased cost of surveying 50 percent more households than had been originally targeted under the Project.
- **Additional costs linked to technological improvements (US\$1.975 million)** that would result in higher quality information, and consequently better targeting. New activities would include: a) an update of poverty maps for the 13 areas of the country and a map digitalization; and b) mobile devices, equipped with geo-referencing systems, to improve the quality of the data capture.

***Aligning the CCT Managerial and Staff Capacity to New Operational Rules***  
*(Subcomponent 2A, Social Cabinet Institutional Strengthening, US\$1 million)*

21. Under Subcomponent 2A, the AF would respond to the recent revamping of the Social Cabinet's CCT *Solidaridad* Program by supporting the training of managers and technical staff at central, regional and local levels. Consistent with the new integrated approach of the CCT, managers and staff from the CCT, Education and Health services would be included. The objective would be to align their knowledge and practices with the new operating rules of the redesigned CCT (See Background Section), the deconcentration of the program, and improved standards in terms of quality of service to beneficiaries. To this effect, the AF would finance technical assistance and capacity-building activities to design, implement and monitor the results of the training strategy. The IADB will finance other activities related to the deconcentration of the CCT Program activities, including the automation of its processes.

***Enhancing the Results-Oriented and the Transparency of the Redesigned CCT Program***  
*(Subcomponent 2C, Social Policy Monitoring and Evaluation, US \$ 1.7million)*

22. Under this Subcomponent, the AF would cover two sets of new activities. First, it would support the development of a comprehensive Monitoring and Evaluation System for the redesigned CCT. This would support the Program's capacity to predict and adjust to bottlenecks

in the system and improve program governance through the timely monitoring of compliance with co-responsibilities and associated flow of payments. It would also inform the Government about outcomes and impacts, which is crucial to program credibility and effectiveness. Specific activities would include: (a) *a process evaluation*, based on the use of administrative data and monitoring of business processes through spot-checks; (b) *an impact evaluation* using qualitative methods, complementing the quantitative impact evaluation to be financed by the IADB; (c) *a biannual Beneficiary Perception Survey* following the Sentinel Points concept of the Mexican CCT *Oportunidades* program; and (d) *studies* to understand and address the causes of the problems detected in the different evaluation instruments.

23. Second, the AF would support the development of mechanisms to strengthen community participation in, and social oversight of, the CCT. The AF would support Government efforts to promote the empowerment of Program beneficiaries and their organizations into small nuclei (beneficiary committees) and to increase transparency and accountability of the Program to the CCT beneficiaries. Specifically, the AF would finance technical assistance, training and outreach materials for three main sets of activities, as follows:

- *Strengthening of the Community Organizational Structure of the CCT*, focusing on the formation of beneficiaries committees and providing them with training, concentrating on their rights and obligations as per program rules.
- *Development and implementation of social oversight mechanisms*, focusing on: (a) community scorecards, which would be prepared by beneficiary committees, to report on their satisfaction with the Program and related health and education services; (b) self-assessment cards, prepared by education and health care providers, regarding the availability of key inputs and provision of services delivered in the context of the CCT program; and (c) mechanisms to disseminate and follow-up on results at local, regional and national levels.
- *Strengthening of the Program's Complaints and Request System*, focusing on the extension of the scope of the current system to the health and education services that are to be provided in the program's context. The redesigned complaints and requests service system would provide for registering and addressing, on a systematic basis, complaints and requests originating at the local levels.

#### **IV. Consistency with Country Partnership Strategy**

24. The proposed AF's components are fully consistent with the pillar on *Social Cohesion and Services* of the proposed new Country Partnership Strategy (CPS) for FY10-13, which is to be discussed by the Executive Directors on September 17, 2009. The proposed AF is in line with the pillar's objectives to produce better results in education, health and social protection, especially for the poorest Dominicans. The proposed AF would also enable the country to mitigate the negative impacts of the FFF crisis by improving the overall effectiveness of the *Solidaridad* Program.

## V. Appraisal of Scaled-up Project

### 1. Economic and Financial Analysis

25. Given that this AF mainly supports technical assistance and capacity-building, a non-standard economic and financial analysis was carried out. This AF has two elements, a financing gap and scaled up activities. Where the AF would cover a financing gap- the hiring of paralegal staff under Subcomponent 1B and the SIUBEN socioeconomic census under Subcomponent 2B, such analysis does not differ from the original economic analysis and indicates that the Project remains economically justified. The benefits of getting poor Dominicans documented and enhancing their access to economic and social opportunities far exceed the pre-investments entailed in hiring the paralegal staff to assist in the complex process of documentation. Similarly, the completion of the SIUBEN socio-economic census will allow for an update of the beneficiary registry, reduce targeting errors and improve the quality of public spending on safety nets.

26. Where the AF would scale up activities and therefore project impact (see Outcomes Section), the economic analysis shows that the Project would remain economically justified and that significant efficiency gains could be expected from the proposed AF. Technological improvements for household data captured during the SIUBEN socio-economic census are one example. Mobile devices equipped with geo-referencing systems would not only improve quality of information but also the time for data collection. In addition, the update of poverty maps would facilitate poverty diagnosis across sectors.

27. The content of the training of managers and technical staff would aim at enhancing cross-sectoral coordination between CCT *Solidaridad* staff, and key education and health service providers at national and local level for the verification of households' compliance with their co-responsibilities and the pre-specified investments in health and education. Such coordination is expected to reduce the CCT Program's administrative costs.

28. Finally, the activities to support the new SIUBEN census would reduce targeting errors and improve the overall cost-effectiveness of the country's social protection system.

### 2. Technical Analysis

29. The proposed AF would complement the forthcoming IADB Investment Loan so as to equip the redesigned CCT with some of the key features that have made advanced CCTs successful in reducing income poverty and generating gains in education, health and nutritional status:<sup>2</sup>

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<sup>2</sup> See World Bank. Proposed Additional Financing to the Republic of Colombia for a Safety Net project. Report No.38242-CO.

- *An accurate system for identifying and selecting the targeted population.* In this case, SIUBEN would update its database and improve the quality and reliability of the registry. It would also appropriately train its managers and staff.
- Clear operational procedures, close coordination with all involved entities, and intensive training of staff and beneficiaries in rights and responsibilities.
- *Checks and balances,* including internal and external audits, covered by the IADB, periodic checks on procedures and social accountability mechanisms, are covered by this proposed AF. (Spot checks system included in the monitoring and evaluation system, strengthened community participation and social oversight through community scorecards on the performance of the CCT and related education and health services.)
- *A well-balanced and timely monitoring system* to predict and adjust to potential bottlenecks in the system, complemented by comprehensive impact evaluations that periodically give information about outcomes and impacts.

### 3. Fiduciary Aspects

#### Financial Management, Disbursement and Procurement Arrangements

30. The Social Protection Investment Project has shown significant progress since it became effective, although this is not yet reflected in its disbursement pace. Four activities have started or will soon start bidding for a total projected commitment of approximately US\$1.5 million, which is beyond the expectations that had been laid out in this phase. Bank supervision missions have closely monitored key financial management issues, and all aspects included in the FM action plan have been resolved, including the implementation of an Integrated Financial Monitoring Information System. The Project has not yet been audited.<sup>3</sup> However, the Terms of Reference for the external audit and the short-list of audit firms were submitted on time and the Bank has provided no objection. Consequently, the FM system is currently rated as Satisfactory and the overall Financial Management Risk associated with the Project continues to be rated as Moderate.

31. Disbursement arrangements would remain unchanged, with the additional financing supplementing the existing Components 1 and 2 of the Project (Categories 1 and 3 of the Eligible Expenditures Table in the original Loan Agreement), as defined in Section III on Proposed Changes.

32. In summary, the AF would use the same financial management and disbursement frameworks currently in place under the ongoing Project.

33. In terms of procurement methods, the only change would be the addition of the service delivery contractors.

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<sup>3</sup> The first required external audit would cover the period from March 13, 2009 (date of the request for advance to Designated Account), through December 31, 2009 (date of the end of the Fiscal Year of the Borrower).

#### **4. Safeguards**

34. The proposed AF focuses only on the purchase of services (technical assistance, capacity-building) and hardware (technology for SIUBEN). Consequently, the AF would not trigger any environmental or social safeguards. The environmental Category C attributed to the Social Protection Investment Project would remain unchanged.

### **VI. Expected Outcomes**

35. As discussed above, the original development objectives remain the same. While the proposed AF would not affect key performance indicators for Component One and Three of the Project, it is expected to enhance the development impact of Component Two on the “Strengthening of Social Protection Services.” Additional key performance indicators are therefore added in Annex 1. Intermediate indicators related to the Strengthening of the CCT program *Solidaridad* are described in Annex 2. Specifically, the AF would enhance the Project’s development impact in four major areas:

1. *Improved targeting performance*, as a result of a wider and more technologically advanced SIUBEN census.
2. *Alignment and education of the CCT *Solidaridad* staff and other key stakeholders in education and health services with the new operating rules of the redesigned *Solidaridad**. This would come as a result of the proposed capacity-building (in-class and on-the-job) in this area.
3. *Enhanced performance-orientation* of the CCT Program, through the development and application of the Comprehensive System of Monitoring and Evaluation for the Program.
4. *Enhanced transparency and accountability* of the CCT Program to beneficiaries, due to the strengthening of community structure, beneficiaries’ enhanced knowledge about the Program, and the development of Community Scorecards for community oversight (See Section III above).

### **VII. Benefits and Risks**

#### **1. Benefits**

36. The main benefits of the proposed AF would stem from fully realizing the development objectives of the Project. As explained above, the AF would cover the necessary funding gap for improved targeting performance and increase project impact by extending the institutional strengthening activities to the redesigned CCT Program. The Government sees the CCT Program, *Solidaridad*, as its flagship program, both in the context of its National Development Strategy and its response to the crisis. Evidence from effective CCTs in the region shows positive impacts on reduction of consumption poverty and increased investments in education and health by beneficiary households, especially for children. By strengthening the effectiveness, results-orientation and governance of the redesigned CCT, the AF is expected to contribute to the

generation of these broader benefits. In the DR case, expected benefits for CCT beneficiaries would include, among others:

- i) *In education*; increased number of children between 4 and 6 years old who have completed at least one year of Early Childhood Development; increased number of children between 6 and 14 enrolled, attending and completing basic education; increased number of children between 14 and 17 years old, enrolled in, and attending secondary school.
- ii) *In health and nutrition*; increased number of children between 0 and 5 years old receiving timely vaccination and height and weight controls; increased number children between 6 months and five years old receiving micronutrients supply according to the national protocol; increased number of pregnant women receiving prenatal checks and supply of micronutrients.

## 2. Risks

37. Since the proposed AF does not cover the financing of CCT transfers to households, no major fiduciary risks are to be expected. Reputational risks, however, could occur since the AF would make the Bank a co-sponsor of the *Solidaridad* Program, together with IADB and UNDP. The first risk is the overall quality of the CCT (effective targeting, verification of co-responsibilities in health and education). The second risk relates to the governance of the program.

38. These risks would be mitigated in multiple ways. First, the scope of the AF would focus precisely on strengthening the mechanisms of targeting, verification of co-responsibilities, and the internal and external controls to ensure that payments of transfers would progressively be made against certification of responsibilities. Second, the Government has already been taking steps toward human capital promotion, which signal a clear shift in policy. These steps would allow for greater intersectoral coordination and enhanced capacity to verify compliance of households with health and education conditionalities (see Section II, Background and Rationale). Third, the Bank is also preparing a Performance and Accountability of Social Sectors Programmatic DPL, which would be able to monitor and further influence policy actions in these areas. Finally, donor coordination would increase the Bank's leverage. This proposed AF was identified during a joint mission with the IADB and, if approved, would be implemented concurrently with the IADB's investment loan for *Solidaridad*. The sources of financing for the areas of institutional strengthening have been carefully divided between the Bank and IADB so as to use the comparative advantages of both agencies. There would also be a donors' committee for *Solidaridad*, comprised of IADB, WB and UNDP, which would assess progress and any emerging issues at a minimum on a bi-annual basis.

## VIII. Financial Terms and Conditions for the Additional Financing

39. US\$10 million IBRD would be provided as a Sector Investment Loan on the terms and conditions set forth or referred to in the Loan Agreement. The Borrower selected an IBRD

Flexible Loan with fixed spread payable in 20.5 years (including the 13.5 years grace period) and with a customized repayment schedule. As requested by the borrower, IBRD will activate the Automatic Rate Fixing option and the Front End Fee will be paid from loan proceeds.

### IX. Allocation of Loan Proceeds

	<b>Amount of the Loan Allocated (Expressed in millions of Dollars)</b>	<b>% of Expenditures to be financed by IBRD</b>
<b>Category</b>		
(1) Consultant Services, Operating Costs, and Non-Consulting Services under Part 1B of the Project	1.3	100%
(2) Consultant Services, Training, Operating Costs, Non-Consulting Services and Goods under Part 2 B of the Project	5.975	100%
(3) Consultancy Services, Training and Operating Costs under Parts 2 A and C of the Project	2.7	100%
(4) Front-end Fee	0.025	
<b>Total</b>	<b>10</b>	<b>100%</b>

**Annex 1. Key Outcome Indicators. Project Vs. Additional Financing**

<p align="center"><b>Key performance Indicators of the Social Investment project Component 2 Strengthening Social Protection Services</b></p>	<p align="center"><b>Additional AF outcomes indicators</b></p>
<ol style="list-style-type: none"> <li>1. <b>Targeting:</b> Implementation of the 2009 national SIUBEN (*) survey, including 1.5 million households located in poor areas; recertification of Solidarity CCT program beneficiaries and updating of national database of poor Dominicans using proxy-means methodologies.</li> <li>2. <b>Targeting and Effectiveness of Social Sector Spending:</b> by the end of the project, transfer of financial resources equivalent to 20 percent of 2006 spending on untargeted social protection programs (baseline: RD\$5.5 billion) to social protection programs which use SIUBEN or 2005 Poverty Map to target and identify beneficiaries.</li> <li>3. <b>Effectiveness Measurement:</b> Adherence to and completion of the Inter-Institutional Agreement between the Social Cabinet and Consultative Council of Civil Society for monitoring and evaluation of public social protection programs, including at least two independent evaluations of public social programs (processes and/or impact) conducted annually throughout the life of the project.</li> <li>4. <b>Effectiveness:</b> Relative to a baseline survey, assessment of social and economic impact of providing legal identity to poor Dominicans, measured through a quasi-experimental impact evaluation design and use of specific social and economic indicators (such as secondary enrollment rate and access to health insurance).</li> </ol>	<p align="center"><b>Strengthening of the Targeting Instrument</b></p> <ol style="list-style-type: none"> <li>1. <b>Targeting:</b> SIUBEN updates the poverty status of 100 percent of registered households with poverty status (Poor I and II).  <u>Means of verification:</u> Beneficiary Registry.</li> <li>2. <b>Targeting:</b> 85 percent of surveyed households certified by end of 2011.  <u>Means of verification:</u> SIUBEN Data Base report.</li> </ol>
<p>(*) The SIUBEN socio-economic census is expected to start only in 2010, due to the Project's effectiveness delays and funding gaps.</p>	

**Annex 2. Strengthening the CCT Solidaridad Program  
Key Intermediate Indicators for the Additional Financing**

<b>AF Activities. Strengthening of CCT Solidaridad Program</b>	<b>Intermediate indicators</b>	<b>Means of verification</b>
<i>Capacity-building for key managers and staff, also covering education and health service providers</i>	<b>Staff Capacity.</b> By the end of the second year, at least 90 percent of the staff of the redesigned CCT Program is trained on the new operational rules of the CCT program.	Training attendance sheets
<i>Development of a Comprehensive System of Monitoring and Evaluation</i>	<b>Monitoring and Evaluation</b>  System designed and implemented by second year of implementation.	Monitoring and Evaluation reports
<i>Community Participation and Social Oversight</i>	100 percent of beneficiary committees have been set up and trained in rights and obligations by the end of the third year.  Number of distributed community scorecards vs. Number of community scorecards that have been filled in.	Minutes of creation of Family Committees  Attendance sheets  Process Evaluation Community Scorecards Reports

**Annex 3. Distribution of Bank Financing. Original Project and AF. US\$ million**

<b>Component</b>	<b>Original Loan</b>	<b>Additional Financing</b>	<b>Total Bank Financing</b>
<b>Component 1 Provision of National Identity Documents</b>			
1A Information, Education and Communication Campaigns	1.43	0	1.43
1B Targeted Legal Aid Campaigns	5.71	1.3	7.01
1C National Civil registry Support	5.83	0	5.83
<b>Component 2</b>			
2A Social Cabinet Institutional strengthening	0.18	1	1.18
2B Institutional development for the SIUBEN targeting instrument	3.38	5.975	9.355
2C Social Policy Monitoring and Evaluation	1.53	1.7	3.23
<b>Component 3 Coordination of Loan Implementation</b>	1.35	0	1.35
Front-end Fee		0.025	0.025
<b>TOTAL</b>	<b>19.4</b>	<b>10</b>	<b>29.4</b>

NB: US\$0.025 million of the AF are allocated to cover the front-end fee.

