



**Board of Executive Directors**  
**For consideration**  
On or after 5 December 2016

PR-4452  
18 November 2016  
Original: Spanish  
**Public**  
**Simultaneous Disclosure**

**To:** The Executive Directors  
**From:** The Secretary  
**Subject:** Dominican Republic. Proposal for a loan for the “Early Childhood Development Support Program”

**Basic Information:** Loan type ..... Specific Investment Operation (ESP)  
Borrower ..... Dominican Republic  
Amount ..... up to US\$200,000,000  
Source ..... Ordinary Capital

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**Remarks:** This operation is included in Annex III of document GN-2805, “2015 Operational Program Report”, approved by the Board of Executive Directors on 15 April 2015. However, the loan amount exceeds the ceiling established for Group D countries. Therefore, the operation does not qualify for approval by Simplified Procedure.

**Reference:** GN-1838-1(7/94), DR-398-17(1/15), GN 2805(4/15)



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**DOMINICAN REPUBLIC**

**EARLY CHILDHOOD DEVELOPMENT SUPPORT PROGRAM**

**(DR-L1077)**

**LOAN PROPOSAL**

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This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

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## ABBREVIATIONS

CAFI	Centro de Atención a la Infancia y la Familia [Infant and Family Care Center]
CAIPI	Centro de Atención Integral a la Primera Infancia [Comprehensive Early Childhood Care Center]
CGDR	Office of the Comptroller General of the Dominican Republic
CONANI	National Council for Childhood and Adolescence
INAIPI	Instituto Nacional de Atención Integral a la Primera Infancia [National Institute for Comprehensive Early Childhood Care]
LIBOR	London interbank offered rate
N/A	Not applicable
NCB	National competitive bidding
NGO	Nongovernmental organization
OCI	Oficina de Coordinación Internacional [International Coordination Office]
QCBS	Quantity- and cost-based selection
SISDOM	Sistema de Indicadores Sociales de la República Dominicana [Dominican Republic Social Indicators System]
TERCE	Third Regional Comparative and Explanatory Study
UNESCO	United Nations Educational, Scientific, and Cultural Organization

**PROGRAM SUMMARY**

**DOMINICAN REPUBLIC  
EARLY CHILDHOOD DEVELOPMENT SUPPORT PROGRAM  
(DR-L1077)**

Financial Terms and Conditions				
<b>Borrower:</b> Dominican Republic			<b>Flexible Financing Facility<sup>(a)</sup></b>	
			<b>Amortization period:</b>	24.9 years
<b>Executing agency:</b> Ministry of Education (MINERD), in conjunction with the National Institute for Comprehensive Early Childhood Care (INAIFI)			<b>Original weighted average life:</b>	15.25 years <sup>(b)</sup>
			<b>Disbursement period:</b>	3.5 years
			<b>Grace period:</b>	5.4 years
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Inspection and supervision fee:</b>	<sup>(c)</sup>
<b>IDB (Ordinary Capital)</b>	200,000,000	100%	<b>Interest rate:</b>	LIBOR-based
<b>Total</b>	200,000,000	100%	<b>Credit fee:</b>	<sup>(c)</sup>
			<b>Approval currency:</b>	U.S. dollars from the Ordinary Capital
Program at a Glance				
<b>Program objective/description:</b> The general objective is to improve child development among children under 5. The specific objectives are to support the expansion of quality early childhood services and strengthen INAIFI's management capabilities.				
<b>Special contractual conditions:</b> (a) <b>precedent to the first disbursement:</b> (i) approval and entry into effect of the Operating Manual, under the terms agreed upon with the Bank (paragraph 3.5); and (ii) selection of a representative of the International Coordination Office (OCI) and a representative of INAIFI, which will serve as technical liaisons to facilitate the coordination of the various program activities (paragraph 3.1); and (b) <b>precedent to the disbursement of Component 1 funds:</b> contracting of a firm to conduct an operational-technical audit to verify the number of children covered each year with the defined quality indicators, in order to justify the eligible expense financed by the program and offer recommendations for its improvement (paragraph 3.10).				
<b>Exceptions to Bank policies:</b> None				
Strategic Alignment				
<b>Challenges:<sup>(d)</sup></b>	SI <input checked="" type="checkbox"/>	PI <input type="checkbox"/>	EI <input type="checkbox"/>	
<b>Crosscutting themes:<sup>(e)</sup></b>	GD <input type="checkbox"/>	CC <input type="checkbox"/>	IC <input type="checkbox"/>	

<sup>(a)</sup> Under the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(b)</sup> The original weighted average life of the loan may vary, depending on the effective signature date of the loan contract, but may in no case exceed 15.25 years. Consequently, the loan contract must be signed after 7 December 2016.

<sup>(c)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. PROGRAM DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 **The Dominican Republic has been one of the region's most dynamic economies over the last decade.** Between 2006 and 2015, gross domestic product (GDP) grew by an average of 5.4% year-on-year, well above the 3.2% observed in Latin America and the Caribbean as a whole. In 2015 alone, the growth rate reached 7%, and in the first half of 2016, cumulative year-on-year growth was 7.4%. This trend mainly reflects an improvement in the external environment, in which the drop in international oil prices has improved the country's terms of trade and strengthened remittance and tourism flows.<sup>1</sup>
- 1.2 **The fiscal consolidation that began in 2012 faces major challenges.** To cope with the fiscal crisis of 2012, the government implemented a series of measures that narrowed the nonfinancial public sector deficit from 6.9% of GDP in that year to 3.1% in 2014. Nonetheless, at end-2015, the fiscal deficit again widened to 3.3% of GDP,<sup>2</sup> and it is projected to average 3.7% between 2016 and 2020.<sup>3</sup> This scenario points to a rising trend for the public debt and for the public sector's gross financing needs. In 2016, the consolidated debt is expected to reach a level of 49.5% of GDP, and gross financing needs will amount to 5.3% of GDP.<sup>4</sup>
- 1.3 **Strong commitment to education and progress in coverage.** The Dominican government's initiatives in education show a strong commitment to the sector. In August 2012, budgetary appropriations to the sector grew to 4% of GDP, which was more than twice the historical level. The main public sector actors and civil society signed a national pact to promote the targets set in the 2030 National Development Strategy. The National Education Infrastructure Program has been renewing and expanding the supply of education services, and the extended school day has increased the time that Dominican schoolchildren actually spend in class. In addition, coverage indicators show specific improvements: from 2000 to 2014, the net primary school enrollment rate rose from 92.1% to 94%; while the equivalent rates for secondary school and early childhood education rose from 41.5% to 59.7% and from 29.3% to 32.9%, respectively.<sup>5, 6</sup> Nonetheless, child development challenges persist among children under 5, particularly in the case of poor children.
- 1.4 **The poverty status of many Dominican children generates structural inequalities.** As of end-2015, 32.3% of the population were living in poverty, with 7% in extreme poverty. Moreover, 47.3% of Dominican children under 5 are poor.<sup>7</sup> Evidence for several of the region's countries shows that poverty causes an unfavorable environment for child development, adversely impacting their human

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<sup>1</sup> Central bank, 2015.

<sup>2</sup> Excludes grants resulting from the debt buyback operation with Petrocaribe. Does not include the central bank's quasifiscal deficit.

<sup>3</sup> Article IV, International Monetary Fund.

<sup>4</sup> Central bank, 2015.

<sup>5</sup> Statistics from the Dominican Republic Social Indicators System (SISDOM). The figures on early childhood education are for children aged 3 to 5.

<sup>6</sup> By way of comparison, the average rates for Latin America and the Caribbean are: primary school, 92%; secondary school, 76%; and early childhood education, 66% (UNESCO, 2014).

<sup>7</sup> Authors' calculations based on the National Labor Force Survey, 2014.

capital accumulation.<sup>8</sup> At 59 months of age, children from poor households display a development lag of up to 18 months. They are less able to recognize basic shapes such as triangles or squares, count to 20, or understand sequences of time. Moreover, they experience gaps in their executive function ability and basic socioemotional skills, including empathy and autonomy. These initial conditions of inequality will cause socioeconomic differences throughout their lives (Huggett et al., 2007). Furthermore, gaps formed at an early age are hard to reverse, thus perpetuating the intergenerational transmission of poverty.<sup>9</sup> One of the factors that explains early childhood development inequalities among poor households is their lack of knowledge on best child-rearing and early stimulation practices,<sup>10</sup> compounded by little access to high-quality early childhood care services.

- 1.5 **Early childhood care coverage is very low and these services are mainly provided by the private sector.** Data for 2016 show that the coverage of care services for children under 5 is only 18% nationally.<sup>11</sup> Enrollment is concentrated among the older children of the cohort, whereas services for children under 3 are virtually nonexistent. The gross enrollment rate among 3-year-olds is 25%, compared to 38.3% among 4-year-olds (see Table 1.1). Moreover, low rates of access are more prevalent among low-income households; 85% of children under 5 who receive early childhood services do so in private centers. The fact that these services involve a cost for families raises a major access barrier for the poorest. Data for 2012 show that just 25.4% of children in the poorest quintile were enrolled in early childhood education, compared to 48.2% of those in the wealthiest quintile.<sup>12</sup> The key factor explaining the low coverage rate and inequity in access is the virtual nonexistence of public early childhood services. Until 2014, the only public providers of early childhood care services were the Dominican Social Security Institute, which targeted public sector workers; the National Council for Childhood and Adolescence (CONANI), for abandoned children or those living in situations of abuse; and the Social Cabinet's *Espacios de Esperanza* (Spaces of Hope) program, for the beneficiaries of the conditional cash transfer program.<sup>13</sup>

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<sup>8</sup> *Regional Project on Child Development Indicators: Urgency and Possibility*. Verdisco, Cueto, Thompson, and Neuschmidt (2014). Data for 2012 and 2013. The countries included are Costa Rica, Nicaragua, Paraguay, and Peru.

<sup>9</sup> For example, the TERCE found that poor students had lower learning levels in mathematics and reading, in both the third and sixth grade of primary education. The gaps are wider among students at higher grade levels.

<sup>10</sup> In the Dominican Republic, shortcomings have been evidenced in aspects related to the lack of proper nutrition, the delegation of care to older siblings, failure to follow through on checkups for healthy children, corporal punishment, and little importance accorded to educational and play activities, among others (United Nations Children's Fund. *Caracterización de la Primera Infancia*, 2011).

<sup>11</sup> Children first access Ministry of Education services at age 5 for a year of preprimary education; children from poor households enter the school system with inequalities.

<sup>12</sup> SISDOM, 2014 (children aged 3 to 5).

<sup>13</sup> In all, these services attended about 20,000 children out of a total of 950,000 between 0 and 4 years of age (2.1%)

**Table 1.1. Gross enrollment rate among 3- and 4-year-olds, 2014**

	<b>3-year-olds</b>	<b>4-year-olds</b>
Population	194,659	192,963
Initial enrollment	49,223	73,873
<b>Gross enrollment rate</b>	<b>25.3%</b>	<b>38.3%</b>

Note: Population data obtained from the National Statistical Office (ONE) and initial enrollment figures from the United Nations Educational, Scientific, and Cultural Organization’s Institute for Statistics (UNESCO/UIS).

- 1.6 **Quality early childhood care is very effective.** Evidence shows that investment in early childhood has positive impacts on individuals’ performance and achievements throughout life. More importantly, it has proven to be an effective means of promoting equal opportunities and reducing structural inequality. Specifically, when these are quality programs, they mitigate or compensate for gaps owing to unfavorable environments and poverty—e.g. cognitive ability, aptitudes, and behavioral problems.<sup>14</sup> Berlinski and Schady (2015) report that investment in early childhood increases the returns on all investments made later in the lifecycle and, furthermore, these returns are higher for programs that target children living in vulnerable conditions. Currie (2001) argues that investing in early childhood is more effective than corrective investments during adolescence and adulthood.
- 1.7 In terms of learning, an evaluation of the Community Welfare Homes (HCB) program<sup>15</sup> in Colombia identified cognitive development improvements in the areas of language, mathematics, and general knowledge, which seemed to be maintained over the long term. A study by Bolivia’s Integrated Child Development Project (PIDI) identified short-term impacts on children’s motor development, language, and psycho-social skills. Evaluations of Chilean kindergartens found positive developmental impacts in children over 2 years of age, and better scores on school achievement tests when the children entered primary school (Araujo et al., 2013). Since all of these evaluations employ rigorous methodologies, their results provide powerful evidence of the impact of early childhood development programs. In addition, the findings of the Third Regional Comparative and Explanatory Study (TERCE) showed that children who attended early childhood education systematically obtained better learning outcomes on tests. In the case of the Dominican Republic, children who attended early childhood education averaged 19 points higher on the third-grade reading test.<sup>16</sup>
- 1.8 **Early childhood is a priority of the Dominican government.** In 2012, the government launched the “Quisqueya Empieza Contigo” [Quisqueya Begins with You] early childhood strategy. This strategy pursues two objectives: (i) to significantly expand the supply of early childhood services for children under 5 living in conditions of poverty, with the aim of correcting existing inequities; and

<sup>14</sup> [Carneiro and Heckman \(2003\)](#) and [Heckman and Masterov \(2007\)](#) found that investments in early childhood had higher rates of return than investments made at any other time of life.

<sup>15</sup> Impact evaluation of the Community Welfare Homes program. Bernal, Flórez, and Gaviria (2009).

<sup>16</sup> Descriptive study of factors associated with learning outcomes (TERCE, 2016). Moreover, the benefits of early education extend beyond the educational sphere itself. In terms of health, the evaluation of the Community Welfare Homes program in Colombia found significant reductions in the prevalence of diarrhea and acute respiratory infections (Araujo et al., 2013).

- (ii) to coordinate, integrate, and regulate the existing services. In late 2014, INAIPI<sup>17</sup> was created an autonomous agency under MINERD, with responsibility for managing the delivery of quality comprehensive care services to children between the ages of 45 days and 59 months.<sup>18</sup> Priority was accorded to 65 areas with the highest indexes of poverty, social vulnerability, territorial equality, and other child protection needs.<sup>19</sup>
- 1.9 The Quisqueya Begins with You action strategy combines the direct supply of care services through the Comprehensive Early Childhood Care Centers (CAIPIs) with a community-based strategy through the Infant and Family Care Centers (CAFIs). Both modalities operate in service networks, with a CAIPI as hub and up to four CAFIs in a given area of influence. The Master Registry of Beneficiaries' [*Sistema Único de Beneficiarios*] social profiles are used to prioritize enrollment in the CAIPIs of children with the highest levels of vulnerability. The rest of the target population in the prioritized areas is served by the CAFIs.<sup>20</sup>
- 1.10 INAIPI directly manages the CAIPIs. They provide care and early stimulation services to children for eight hours a day, five days a week, and also support families to improve child-rearing practices. The children who attend the centers receive attention and care, early stimulation, early childhood education, food, and health and nutrition monitoring, among other essential services. The CAIPIs have a multidisciplinary team of professionals tasked with ongoing quality monitoring of services across the network. They also manage the beneficiaries' access to other public services, such as the primary care units (UNAPs), local hospitals, vital records offices, and government social programs.
- 1.11 The CAFIs implement the Family- and Community-based Program (PBFC), which supports families in their role as the primary educator of children. It provides services under two modalities: (i) direct management by INAIPI; and (ii) comanagement, through contracts with nongovernmental organizations (NGOs).<sup>21</sup> The CAFIs receive the children for three-hour visits twice a week, and also make visits to their homes. The services are structured as follows: (i) early stimulation for children from 0 to 2 years of age; (ii) early childhood education for 3- and 5-year-olds; (iii) monitoring and care for children from 0 to 5 years of age via home visits; (iv) strengthening of the families' good child-rearing practices; and (v) support for children from 0 to 2 years of age and for high-risk expectant mothers.

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<sup>17</sup> Created by Decrees 102-13 and 461-14, INAIPI is responsible for providing quality education and timely stimulation with the aim of promoting the physical, cognitive, affective, and social development of children, as well as guidance for parents on educating their children. INAIPI's director reports to MINERD.

<sup>18</sup> Children enter preprimary education (the final year of early childhood education) at age 5. This service is provided in primary schools. To enter preprimary, children must be five years old. The children receiving INAIPI services will have their fifth birthday during their final year of early childhood education, and will be eligible to enter preprimary at the start of the following school year.

<sup>19</sup> Quisqueya Begins with You plan guidelines, 2013. In the targeted areas, 40% of heads of household are women; the head of household has an average of seven years of schooling; and 52% of households are facing conditions of poverty and vulnerability.

<sup>20</sup> Vulnerability criteria is approached through associated factors such as: (i) children not receiving proper care; (ii) households with inadequate hygiene conditions and food; (iii) parents work outside the home; (iv) income below the minimum wage; (v) illiterate parents; and (vi) families with four or more children.

<sup>21</sup> There is a formal bidding process in place for selecting nongovernment entities that provide early childhood care services.

- 1.12 The rapid expansion of coverage promoted by the government is causing major institutional challenges for INAIPI. In little over a year, the institution has grown to such an extent that is currently able to serve approximately 60,000 children under 5. This rapid growth has tested INAIPI's institutional capacity to provide quality services to the existing target population, as well as the next wave in the coming years. While progress has been made in defining the organizational structure, job profiles and functions, and other aspects of strategic planning, weaknesses persist that impact the institution's daily operations. These include: incomplete case files on the children enrolled or that lack an initial diagnostic assessment; duplication of efforts among staff in the field; the use of nonstandardized forms at the centers to collect information; lack of an automated case file/record system; the absence of a mechanism to systematize the information collected for analysis and decision-making; the lack of a holistic plan to strengthen internal capacity; and the lack of a formal interagency coordination mechanism to develop comprehensive agreements involving all parties in the systemic and synergetic coordination of INAIPI actions.
- 1.13 **Strategy of the operation.** This operation's model of change is based on the assumption that improving the early childhood development of poor children will require: the provision of public direct care services to the most vulnerable of the poor; and working with poor families of less vulnerable children to increase their knowledge of good child-rearing and early stimulation practices. Moreover, since these services are a necessary condition, yet insufficient alone, a second dimension is needed to ensure the quality of care received by the families and their children. The following paragraphs discuss these aspects and the areas of work agreed upon with the government in greater depth.
- 1.14 **The challenge of expanding the coverage of early childhood services.** Over the next four years, the government's objective is to have 1,200 centers up and running (240 CAIPs and 960 CAFs) to provide public services to roughly 43% of children under 5—the most vulnerable group. To date, 32 CAIPs and 117 CAFs have been put into operation, which, together with the existing public supply, have increased coverage to a total of 68,914 children (7.1% of the total).<sup>22</sup> Upon including private sector supply, estimated at roughly 108,484 children, current coverage is 18%. With the aim of stepping up this expansion, the Bank agreed to support partial funding of the basic package of services received by INAIPI beneficiaries, while the Dominican government will focus on financing physical infrastructure and upgrading the CAIPs and CAFs.
- 1.15 **The challenge of expanding with quality.** The design of this operation incorporates three important dimensions to support the government in expanding quality early childhood services. The first of these is a Bank funding mechanism for the basic services package, which includes incentives for INAIPI to provide effective and quality coverage.<sup>23</sup> The second is a human resource training program aimed at

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<sup>22</sup> Early childhood care services in the Dominican Republic cover a total of 177,398 children, distributed as follows: CAIPs, 7,232 children; CAFs, 43,056; CONANI, 7,868; the Dominican Social Security System, 7,758; *Espacios de Esperanza* (EPES) 3,000; and private centers, 108,484.

<sup>23</sup> This mechanism is explained in detail in the section describing Component 1.

addressing the challenges of inadequate basic teacher training.<sup>24</sup> Accordingly, INAIPI has developed methodologies to train its human resources, comprising two components: basic and ongoing training. Basic training is a requirement for all staff entering the workforce of INAIPI centers. This training lasts three weeks and consists of an 80-hour introductory module covering INAIPI and comprehensive early childhood care services, and a 40-hour tutorial module on comprehensive care practice, which fleshes out the protocols and essential instruments pertaining to the different types of staff. In contrast, ongoing training strengthens competencies in each care area and includes communities of learning, professional internships, seminars, and modules with certification through training institutions.<sup>25</sup> Along the same lines, the Bank will provide technical assistance to scale up this strategy, thereby ensuring the training of CAIPI and CAFI human resources over the next four years.<sup>26</sup> The third and final dimension aims to support INAIPI institutional capacity-building with a focus on its organizational development and strengthening of its programming, planning, management, monitoring, and evaluation capabilities so as to ensure the delivery of quality services. Priority will be given to improving the monitoring system, the main objective of which is to track the early childhood care services provided by the CAIPIs and CAFIs and ensure that they meet the quality standards. This system is still incomplete and awaiting protocols to be developed for data capture and management, and for strengthening its capacity to supervise compliance with data reporting requirements. The aim is for the system to verify the progress made in terms of targets, service quality, and to generate useful information in the form of feedback for the institution's decision-making.

- 1.16 **Bank support for the sector.** In recent years, the Bank has had an important presence in the early childhood development sector through technical-cooperation operation ATN/JF-14364-DR. That operation developed the care protocols for INAIPI's service offerings,<sup>27</sup> defined professional profiles, and designed the program's impact evaluation. The Bank is also providing technical assistance to improve food and nutrition services management, including the development of quality standards and guidelines for supervising such services.

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<sup>24</sup> The shortcomings of teacher training are as follows: (i) a fragmented training model with little relevance to needs in the classroom; (ii) the absence of educational methodologies, guidelines, and resources needed to serve the target school population; and (iii) training is highly theoretical and thus disconnected from practice and environment teachers will face in the classroom. A 2013 study showed that 1st through 4th grade primary school teachers only mastered 60% of the contents of the mathematics curriculum, and that 85% of these were ranked at the lowest level of mastery for developing children's literacy skills. The government has made important changes to improve the quality of teacher training. These include: a competitive examination for candidates who wish to pursue a teaching career; an induction program with classroom monitoring for new teachers; and the development and approval of professional and performance standards for teachers. One pending challenge that is key to improving teacher quality is to ensure that relevant practical training for teachers is included in all basic teacher training programs. Source: Dominican Republic. *El estado de las políticas públicas docentes: en la antesala de las transformaciones*. 2015, Partnership for Educational Revitalization in the Americas (PREAL).

<sup>25</sup> INAIPI has an agreement with the National Technical-Professional Training Institute (INFOTEP) for the technical-professional training and skills development of support track and administrative staff in all areas of INAIPI, both at the central level and at its centers of operation (CAIPIs and CAFIs).

<sup>26</sup> The CAIPIs and CAFIs are staffed with an average of 40 and 21 teachers, respectively.

<sup>27</sup> Manuals and care protocols were developed for the education, health, and nutrition services; the CAIPI and CAFI management systems; basic and ongoing human resource training; and family training and community social work.

- 1.17 In education, loan 2844/OC-DR is financing infrastructure and teacher training for primary education. The Bank is also supporting the health sector through loan and technical-cooperation operations aimed at strengthening the supply and quality of primary health care. On a complementary basis, support is being provided to the government to strengthen and expand the country's conditional transfer program *Progresando con Solidaridad* (PROSOLI), which includes the priorities of promoting access to health services among children under 5 and school enrollment among students from 6 to 21 years of age.<sup>28</sup>
- 1.18 **Lessons learned.** In Latin America and the Caribbean, the Bank has wide-ranging experience in the design and supervision of early childhood and early childhood education programs. During the preparation of this operation, the lessons learned from similar projects were taken into account to ensure that its design incorporated effective solutions to the challenges observed in such experiences, especially with respect to coordination of the different services, planning, human resources, and management. Specifically, lessons learned from the recent Urban Welfare Program for Children in Extreme Poverty – Phase I, in Nicaragua (loan 2264/BL-NI) and from the Program to Support the National Integrated Care System (loan 3706/OC-UR), highlight the importance of: (i) including quality measures in the monitoring system; (ii) establishing an appropriate budget for financing critical quality elements, including ongoing supervision and the salaries necessary to attract the most qualified professional staff; (iii) identifying technical advisory support needs and the corresponding financial programming on a timely basis; and (iv) defining the specific instruments of the impact evaluation during the operation's design. These lessons were considered when defining the indicators of Component 1; and they will also be particularly important for the monitoring and tracking system of Subcomponent 2.2. In addition, the design of Component 1 drew on lessons learned from the capitation payment model for operations in the Program to Support Implementation of the National Early Childhood Policy in Targeted Communities (loan 2725/BL-NI) and the Social Inclusion and Development Program (loan 3512/OC-PN), both of which recommend promoting coverage with quality and periodically updating the per capita value of the services package.
- 1.19 **Alignment with the Bank's strategy with the country and update to the Institutional Strategy.** This operation is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is strategically aligned with the development challenge of social inclusion and equality, inasmuch as the program aims to improve early childhood development among children under 5 by providing public comprehensive care services in areas of poverty and vulnerability. In terms of the 2016-2019 Corporate Results Framework (document GN-2727-6), the number of teachers trained by the program could be considered an auxiliary indicator of the regional context indicators *Students benefited by education projects* and *Teachers trained*. The program is also consistent with the IDB country strategy with the Dominican Republic (2013-2016) (document GN-2748), specifically with the strategic objective of investment in human capital by expanding early education coverage among the poorest strata; and it is consistent with the Education and Early Childhood Development Sector Framework Document (document GN-2708-5),

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<sup>28</sup> The Bank has financed five operations since 2009, three of which are currently active (2623/OC-DR, 2733/OC-DR, and 2972/OC-DR).

particularly with Dimension of Success 2, which seeks to ensure that all children enter the school system ready to learn.

- 1.20 **Alignment with national plans and initiatives.** The operation is also aligned with the 10-year Education Plan 2008-2018, the Dominican Initiative for Quality Education, and the National Pact for Educational Reform 2014-2030. In relation to early childhood care, the aforementioned plans aim to: (i) expand coverage of comprehensive care and early childhood education for children under 5; (ii) ensure that children enter the education system on time; (iii) establish quality standards; and (iv) ensure that education infrastructure helps to promote an effective pedagogic environment.

**B. Objectives, components, and cost**

- 1.21 **Objectives and lines of action.** The general objective is to help improve childhood development among children under 5. The specific objectives are to support the expansion of quality early childhood services and strengthen INAIPI management capabilities.

- 1.22 **Component 1. Comprehensive early childhood services package (US\$193 million).** This component will finance<sup>29</sup> a per capita payment of the cost of the CAIPI and CAFI basic services package. This package includes: (i) early stimulation for children from 0 to 2 years of age; (ii) early childhood education for children from 3 to 5 years of age; (iii) nutrition surveillance and promotion for children from 0 to 5 years of age; (iv) supplementary feeding for children at the CAIPIs and CAFIs; (v) a training program for parents on good-child rearing practices, including nutrition, hygiene, reproductive health, gender equity, and the prevention of corporal punishment and psychological abuse; (vi) training for teachers and professionals of the multidisciplinary teams; and (vii) promotion of timely birth registration of children.<sup>30</sup> The annual per capita cost of the 2016 CAIPI services package is US\$2,917, while that of the CAFIs is US\$781, which will be financed by the Bank. The cost difference is attributable to the frequency of services. The CAIPIs work with the beneficiaries eight hours per, day five days a week, whereas the CAFIs attend the beneficiaries for two hours per day, three times a week, and make home visits. The cost of each package will be revised and updated annually and, where necessary, the per capita payment—the expense considered eligible for financing—will be updated.<sup>31</sup>

- 1.23 The government will use its own resources to finance the plan to expand infrastructure and upgrade centers over the next five years. To date, bidding processes have been held for the construction of 251 CAIPIs. Of these, 32 have begun operations, 123 are under construction, and in 29 cases the works are at least 50% complete. The infrastructure expansion basis for this operation is more conservative. Accordingly, it assumes that 30 CAIPIs will be built and 90 CAFIs will

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<sup>29</sup> The per-capita payment will be financed under a partial and decreasing funding arrangement, whereby the proportion of Bank financing decreases annually and the percentage of funding provided by the government increases.

<sup>30</sup> Birth registration is necessary to obtain an identity document, which facilitates access to other public services. Roughly 12% of children under 5 do not have an identity document. This situation is worse in the poorest quintile, where 40% of this population has not had their birth registered.

<sup>31</sup> The types of early childhood development services and their respective costs vary widely, which complicates comparison with the Dominican Republic program. For instance, Panama's early stimulation program package costs US\$1,752, whereas the Jamaican program costs US\$16,676. Araujo et al. (2013).

be upgraded each year. It should be noted that the latter do not entail an investment in infrastructure, since they generally make use of existing spaces, such as community and municipal centers. The conservative scenario makes it possible to mitigate delays that could arise in connection with the construction of the centers, thereby ensuring that the expansion target specified in this program will be met.

- 1.24 This operation’s beneficiary population consists of children under 5 living in the geographic areas prioritized by INAPI which, according to the country’s poverty map, are the poorest and most vulnerable. In addition, the Master Beneficiary System [*Sistema Único de Beneficiarios*], which is responsible for granting social program eligibility status, has been working with INAPI to obtain sociodemographic data on the families living in the areas of the expansion. This information will be fed into the algorithm, which, depending on the degree of vulnerability, assigns children to either a CAIPI or a CAFI. The former serves an average of 206 children—the most vulnerable—and the latter an average of 337 children. Thus, after the third year of the program, 109,530 children should be covered with early childhood care services. Of this number, 18,540 will be attended in the CAIPIs. The following table provides details on the expansion plan.

**Table 1.2: Bank financing plan for CAIPI and CAFI capitation payments**

	Year 1	Year 2	Year 3
A. Number of CAIPIs	32	60	90
B. Average CAIPI coverage	206	206	206
C. Annual CAIPI coverage (A*B)	6,592	12,360	18,540
D. Annual per capita cost of CAIPI services package	2,917	2,917	2,917
E. Total annual cost of CAIPI services (C*D)	19,228,864	36,054,120	54,081,180
F. Number of CAFIs	90	180	270
G. Average CAFI coverage	337	337	337
H. Annual CAFI coverage (F*G)	30,330	60,660	90,990
I. Annual per capita cost of CAFI services package	781	781	781
J. Total annual cost of CAFI services (H*I)	23,687,730	47,375,460	71,063,190
<b>K. Total annual cost (E+J)</b>	<b>42,916,594</b>	<b>83,429,580</b>	<b>125,144,370</b>
Percentage recognized	90%	80%	70%
Amount recognized	38,624,935	66,743,664	87,601,059
<b>Grand Total (US\$)</b>			<b>192,969,658</b>

- 1.25 The Bank will provide funding of US\$38.6 million in the first year of execution, US\$66.7 million in the second year, and US\$87.6 million in the third. With this program, coverage of early childhood development services is expected to increase from 18% to 30%. To promote the allocation of government resources and ensure the sustainability of the financing, the Bank’s financing mechanism will be partial and decrease over time. It was agreed with the government that the Bank will finance 90% of the INAPI coverage expansion plan—in accordance with the agreed upon targets—in the first year, 80% in the second, and 70% in the third,<sup>32</sup> under an expenditure reimbursement arrangement.
- 1.26 The Bank’s additionality in this component will consist of ensuring that coverage will be expanded with quality services. The Bank supported the development of care protocols, including quality parameters, thus ensuring that early childhood services are of adequate quality from the outset of program implementation. Disbursements will be made annually, using the expense reimbursement method described in detail

<sup>32</sup> INAPI receives funding from the Ministry of Finance (through MINERD’s budget) to provide services at the CAIPIs and CAFIs. The Bank then disburses the funds of this component to the government through the expense recognition mechanism and according to the results of the operational-technical audit.

- in section III, and under an arrangement that employs an operational-technical audit to verify both the coverage achieved and the quality indicators agreed upon with the government.
- 1.27 **Component 2. Strengthening INAIPI management capabilities (US\$5 million).** The objective of this component is to improve capacity for monitoring, supervising, and managing the quality of INAIPI's early childhood development programs. Funding will be provided to strengthen the institution's technological and human resources capabilities, and for the operational redesign of processes and functions. Priority will be given to the development of technologies and other tools to facilitate monitoring of the vulnerable population served by the program, both in terms of the services received (basic services package) and in the expected outcomes. The following subcomponents will be designed to achieve this objective:
- 1.28 **Subcomponent 2.1 – INAIPI organizational strengthening.** This subcomponent will finance the diagnostic assessment and redesign of the administrative processes and policies governing the execution of early childhood development programs, including beneficiary identification and selection; registration of children; collection of information in the field, followed by its analysis and dissemination, including the standardization of forms; the establishment of care networks in prioritized areas; and the recruiting, selection, and hiring of INAIPI staff. Other activities to be funded will include managerial and technical staff training; and technical assistance to improve the efficiency and effectiveness of the institution's programs.
- 1.29 **Subcomponent 2.2 – Strengthening of capacity to monitor and supervise service quality.** This subcomponent will support: strengthening of the system for monitoring and supervising quality services by redesigning monitoring and supervision processes; the use of information technologies, such as tablets, to monitor and supervise progress and service quality indicators, and to ensure close monitoring of the beneficiary children; the development of a software application to capture and monitor data from the care centers; and the improvement of initial and ongoing training programs.
- 1.30 **Subcomponent 2.3 – Support for strengthening early childhood services.** This subcomponent will help improve the coordination and participation of key stakeholders in the early childhood sector. Among other activities, the subcomponent will finance the following: (i) development of an INAIPI strategic plan; (ii) strengthening of interagency coordination by establish bilateral agreements, defining processes and responsibilities, and preparing action plans to ensure the effectiveness of early childhood services; and (iii) support for early childhood services focusing on providers that have agreements in place with INAIPI, through the exchange of knowledge and materials, and training the educational staff of the public suppliers, thereby promoting the use of consistent quality standards and dialogue among the parties.
- 1.31 **Administration, audit, and evaluation (US\$2 million).** Funding will be provided for: (i) operational support to INAIPI; (ii) an external operational-technical audit to verify the coverage and quality of the services provided, and INAIPI's management and monitoring; (iii) a financial audit; (iv) a midterm and final evaluation; (v) beneficiary satisfaction surveys; and (vi) the first follow-up to the impact assessment, the design and baseline of which are being financed by technical-cooperation operation ATN/SF-14394.

1.32 **Costs.** Table 1.3 summarizes how the financing will be distributed.

**Table 1.3. Summary of costs**

Component/category	US\$(million)
1. Comprehensive early childhood services package	193
2. Strengthening INAIPI management capabilities	5
3. Administration, audit, and evaluation	2

**C. Key indicators of the results matrix**

1.33 The expected impacts are an increase in the percentage of children with age-appropriate cognitive, motor, social, and language development, as well as height and weight. The expected outcomes include increases in: (i) the enrollment rate of children at comprehensive early childhood care centers; (ii) average percentage attendance; and (iii) implementation within INAIPI of a quality supervision system. The program’s main outputs include: children benefited with comprehensive care services; teachers and technical staff trained; and approval of an organizational and management restructuring proposal (see Annex II). A quasiexperimental impact assessment will be performed<sup>33</sup> on the expansion of the INAIPI model, to include the application of standardized instruments for measuring child development and the quality of the family environment. The bidding process to establish the baseline is underway, and data collection is expected to begin in the first half of 2017.

1.34 **Benefit/cost analysis.** For the program’s economic analysis, information was collected from the academic literature on the expected benefits of this intervention in terms of the internal efficiency of primary and secondary schools, its impact on reducing the need for remedial classes, societal gains attributable to a larger number of graduates, and the impact on reducing crime among adolescents and young adults. On the cost side, with operational costs being covered by the government, a cost estimate was prepared assuming a greater number of children in primary and secondary school as a result of increased promotion and decreased dropout. The ratio of the present value of benefits to the present value of costs in the base case scenario was greater than 1, and the internal rate of return was 14%, above the 12% discount rate used. The conclusion is that the program is viable (see [optional electronic link 1](#)).

**II. FINANCING STRUCTURE AND MAIN RISKS**

**A. Financing instruments**

2.1 The program will be financed with an investment loan that will begin execution in 2017. The disbursement period is 3.5 years<sup>34</sup> and the loan amount is US\$200 million, charged against the Bank’s Ordinary Capital. The borrower is the Dominican Republic.

2.2 Table 2.1 shows the operation’s estimated disbursement schedule:

**Table 2.1. Disbursement schedule (US\$ thousand)**

	Year 1	Year 2	Year 3	Year 4	Total
<b>TOTAL</b>	39.996	69.162	90.140	0.703	200
%	20%	34.6%	45%	0.4%	100%

<sup>33</sup> The program’s effect will be estimated econometrically using a differences-in-differences model (see [required electronic link 2](#)).

<sup>34</sup> According to the programming (see [required electronic link 1](#)), a disbursement period of 3.5 years will make it possible to fully execute—and on time—the activities needed to achieve the program’s objectives.

**B. Environmental and social safeguard risks**

- 2.3 In accordance with the Environment and Safeguards Compliance Policy (Operational Policy OP-703), this operation is classified as category “C.” Therefore, no social or environmental safeguards or environmental strategy is required.

**C. Fiduciary risks**

- 2.4 A capacity analysis was performed on MINERD’s International Cooperation Office (OCI), the operation’s executing agency, which found that it had a satisfactory level of institutional capacity and, overall, presented a low risk. Nonetheless, the need for ongoing strengthening of MINERD fiduciary capabilities in the procurement and financial management areas was acknowledged, in order to strengthen the knowledge of technical staff, and minimize potential delays in procurement execution and in the generation and preparation of accounting and financial reports. Accordingly, workshops will be held with key technical staff both before the start of the program and annually thereafter.
- 2.5 The OCI is responsible for implementing projects financed by the multilateral organizations. Over the last six years, it has executed two Bank loans of US\$50 million each (loans 2293/OC-DR and 2844/OC-DR) and four technical-cooperation operations. Loan 2844/OC-DR is currently in execution—more than 80% of which has been disbursed to date. In addition to operations with the IDB, MINERD is executing a loan operation with the World Bank and various technical-assistance operations.

**D. Other program risks**

- 2.6 **Expansion of the INAIPI model.** An expansion of service provision requires the construction of the CAIPs to proceed as planned without major delays. In this case, the Ministry of Public Works is in charge of the construction and MINERD is responsible for paying the contractors. Although the meetings of the Presidential Commission on Early Childhood should help mitigate the risk of delays, the program’s coordinating committee<sup>35</sup> will also oversee compliance with the timetable and help resolve any issues that arise.
- 2.7 The CAFI model depends largely on the collaboration of NGOs in service delivery. In the Dominican Republic, the use of public-private partnerships is relatively limited, although interest is growing. INAIPI is preparing a promotion and communication plan to encourage participation in such partnerships. In addition, INAIPI can operate the CAFIs directly, so any setback involving public-private partnerships can be offset by increasing its participation.
- 2.8 **Service quality.** As INAIPI is a newly created entity with a developing supervision system, when the coverage of its services is expanded, there is a risk that it will be unable to maintain services with a high level of quality. To mitigate this risk, the program will provide technical assistance to strengthen the monitoring system to include the leveraging of information technologies, online data entry and updating, and the preparation of monthly reports to closely monitor the quality of the early childhood development services provided.
- 2.9 **Interagency coordination.** Interagency coordination is always a challenge in public multisector programs. In this operation, coordination is promoted at the macro level

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<sup>35</sup> The coordination committee will be formed at the start of the program.

through the Presidential Commission—led by the Ministerial Office of the President—which includes the participation of very high-level representatives from all ministries involved in the delivery of early childhood services. Its aim is to monitor progress and overcome any bottlenecks that may arise in a timely manner. At the local level, coordination mechanisms are still in early stages of development and will need to be formally established. This program will support INAIPI in strengthening the mechanisms of interagency coordination.

- 2.10 **Sustainability.** The budget for investments in early childhood development is included in the 4% of GDP allocated to the education sector. Therefore, the likelihood that too few budgetary resources will be available to execute the program's activities is low. Early childhood is a high priority for the Office of the President, as reflected in the National Development Strategy 2030 and in the Education Reform Pact (2014-2030). The Bank's participation in the sector through this operation will help INAIPI secure the resources needed to implement the expansion plans. Moreover, the Bank's financing, in relation to INAIPI's total annual budget, will be partial and decrease over time, so as to foster the allocation of own resources to ensure sustainability. The government is committed to gradually increase funding for INAIPI's budget in order to sustain the services associated with the expansion of coverage. The 2017 budget bill accords priority to early childhood and allocates the equivalent of roughly US\$77 million in Dominican pesos to INAIPI (see [optional electronic link 6](#)).

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Execution.** The executing agency will be MINERD, acting through its OCI, with INAIPI participation as described below. To ensure proper coordination of the activities to be financed, a representative of the OCI and a representative of INAIPI will be selected to serve as technical liaisons during program execution. **The selection of an OCI representative and of an INAIPI representative to serve as technical liaisons, to ensure coordination of the different program activities, will be a special contractual condition precedent to the first disbursement of the loan.**
- 3.2 As the program's executing agency, the OCI will be responsible for the execution of this operation and for achieving its objectives. Its functions will include planning and executing procurement processes, preparing the financial reports required by the Bank, preparing disbursement requests, maintaining and reconciling a specific bank account, and preparing semiannual reports (see [optional electronic link 5](#)).
- 3.3 Pursuant to Decree 102-13, INAIPI is responsible for providing comprehensive care services to children under 5. As an agency with functional and territorial autonomy under MINERD, it will participate in the program and have responsibility for its technical aspects.
- 3.4 A coordinating committee will be established, which will be responsible for the strategic direction of programming, and the execution and monitoring of the operation's activities. The coordinating committee will be presided by the OCI and is accountable for the program's implementation and outcomes. In addition to the OCI, a representative of MINERD's Office of the Vice Minister for Planning and a representative of INAIPI's executive board will participate on the coordinating

- committee. The coordinating committee's main functions will be to: (i) ensure fulfillment of the program's objectives; and (ii) propose corrective measures to facilitate program implementation and supervise their fulfillment.
- 3.5 Program execution will be aided by an Operating Manual that will specify the procedures for implementing the program's components, responsibilities and functions of the entities involved in the operation, and fiduciary management mechanisms. **The approval and entry into effect of the Operating Manual, pursuant to the terms agreed upon with the Bank, will be a special contractual condition precedent to the first disbursement of the loan proceeds.** This manual will be approved by the director of INAIPI, MINERD's Deputy Minister of Planning, and the director of the OCI.
- 3.6 **Procurement of goods and services.** The procurement of goods and services and the selection and contracting of consulting services will be carried out in accordance with Bank policies (documents GN-2349-9 and GN-2350-9) based on the procurement and contracting plan, which will be managed through the procurement plan execution system (SEPA), and pursuant to the requirements set forth in Annex III. With respect to the per capita payment for the CAIPI and CAFI basic services package, only the relevance of expenses will be verified. The execution arrangements establish that procurement will be implemented by the OCI with technical support from INAIPI.
- 3.7 **Disbursements.** The program's disbursement period is 42 months. The funds for Component 1 will be disbursed through the reimbursement method, under the following arrangement: (i) 50% of the disbursement will be released upon verifying the average number of children enrolled in the CAIPIs and CAFIs in the 12 months prior to the date of the operational-technical audit. Accordingly, this average, multiplied by the per capita value of the service accessed, will correspond to the amount of the disbursement; and (ii) the remaining 50% of the disbursement amount will be distributed across four indicators that aim to verify the quality of the basic package (see Table 1.3).<sup>36</sup> This verification will be carried out by an independent firm hired with the proceeds of this loan to perform an annual operational-technical audit.<sup>37</sup> The Bank will release the percentage of the disbursement amount corresponding to that indicator, if and only if the result of the operational-technical audit shows that the value of the indicator in question is at least equal to the established target.<sup>38</sup> For example, for a disbursement amount of US\$10 million, the indicator "Percentage of home visits corroborated by the households" would represent US\$1 million (10% of the percentage of the amount of the disbursement as indicated in Table 3.1).

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<sup>36</sup> These indicators are based on quality parameters developed by INAIPI.

<sup>37</sup> The firm to be contracted will have demonstrated experience in the evaluation of operational processes, with emphasis on the audit of information technology systems and data collection in the field.

<sup>38</sup> If the agreed-upon target in one or more indicators is not attained, the undisbursed balance will carry over to the next scheduled disbursement.

**Table 3.1. Recognition of expenditures table**

Indicator	Target <sup>39</sup>	Period	Percentage disbursement	Comments
Average monthly number of children enrolled in CAIPs and CAFs corresponding to the requested period of recognition of capitation payments	N/A	Last 12 months	50%	This number, multiplied by the per capita value of each service, will determine the potential amount of the disbursement for the corresponding period
Average percentage attendance by children in CAIPs	70%	Last six months	10%	CAIPs in operation for at least three months
Percentage of home visits corroborated by the households	80%	Last two weeks	10%	Representative sample of home visits – CAFs in operation for at least four months
Percentage of classrooms for 3- and 4-year-olds that observe the maximum ratio of 15 children per CAIPI teacher	95%	Last six months	15%	CAIPs in operation for at least three months
Percentage of staff trained in basic training	90%	Latest report on staff working in the CAIPs and CAFs	15%	CAIPs and CAFs in operation for at least three months

3.8 The firm in charge of the operational-technical audit will also collect information on the cost of the services in order to update the value of the basic package (and hence the capitation payment financed by the Bank) and on opportunities for improving the package's main components, which INAIPI should address and correct. A total of three disbursements under this component are anticipated during the program disbursement period.<sup>40</sup> The disbursement process will be as follows: (i) the audit firm compiles primary and secondary data on the quality indicators described in Table 1. The analysis period encompasses the 12 months prior to the start date of the operational-technical audit; (ii) based on the results of the operational-technical audit, the borrower calculates the total amount of disbursement to be recognized—i.e. the total number of children enrolled at the time of the operational-technical audit multiplied by the per capita payment, as described in paragraph 3.9—and requests the disbursement. The amount of the disbursement depends on the results of the service quality indicators.

3.9 Disbursements under Component 2 and the administration, audit, and evaluation activities will be released as advances of funds.<sup>41</sup>

3.10 As a special contractual condition precedent to the disbursement of resources under Component 1 of the program, a firm will be hired to conduct an annual operational-technical audit to verify the number of children covered with the defined quality

<sup>39</sup> The targets only apply to the attendance indicators and proxy indicators for service quality.

<sup>40</sup> The number of disbursements may vary, subject to the Bank's no objection, provided that the proposed recognition of expenditures table is observed, and funds are available for the operational audit to verify compliance with it.

<sup>41</sup> During the period between the Bank's approval of the operation and its implementation by the borrower, the latter will pay the programmed expenses, which will be reimbursed by the Bank once the program enters into effect.

indicators, in order to justify the eligible expense financed by the program and offer recommendations **for its improvement**.<sup>42</sup> This audit will provide the evidence needed to validate compliance, as established in the program's Operating Manual, in terms of: (i) children enrolled in the CAIPs and CAFs; and (ii) the quality indicators associated with the delivery of services.<sup>43</sup>

- 3.11 **Retroactive financing.** The Bank may retroactively finance, as a charge against the loan proceeds, up to US\$20 million (or 10% of the loan amount) of the per capita payment proposed as an eligible expenditure, as verified by the operational-technical audit performed before the loan approval date, provided that requirements substantially similar to those established in the loan contract have been met. Such per capita payments must have been incurred on or after 27 July 2016 (the program profile approval date), but in no case more than 18 months prior to the loan approval date.
- 3.12 **Audited financial statements.** The borrower will present annual financial statements for the program to the Bank, audited by an independent audit firm acceptable to the Bank, within 120 days after the close of each fiscal year. In addition, a preliminary audit report will be required for the first six-month period of each year, to be submitted within 60 days after the close of that period.

## **B. Summary of results monitoring arrangements**

- 3.13 **Monitoring and evaluation.** The OCI will be responsible for implementing the monitoring and evaluation plan, with technical inputs from INAIPI. As agreed with the borrower, the monitoring and evaluation measures will be based on the results matrix. The main mechanisms defined for monitoring are: (i) semiannual reports, detailing the level of progress of physical and financial execution; (ii) the operational-technical audits associated with Component 1, which will include beneficiary satisfaction surveys; (iii) the multiyear execution plan and the annual work plan; (iv) the procurement plan; and (v) INAIPI's information system.
- 3.14 The program also includes an impact evaluation. The main question to be answered is: How does an intervention in comprehensive childhood care and family support impact the children's development? To answer this question, the evaluation will be based on a quasiexperimental design. Accordingly, information must be collected from households in the prioritized areas and in control areas for the baseline and for a later period. This will make it possible to determine whether any gains are made in the outcomes targeted by the intervention (see [required electronic link 3](#)).

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<sup>42</sup> The cost of hiring the firm will be financed with the proceeds of the loan.

<sup>43</sup> The operational-technical audit will be sample-based.

Development Effectiveness Matrix			
Summary			
<b>I. Strategic Alignment</b>			
<b>1. IDB Strategic Development Objectives</b>		Aligned	
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality		
Regional Context Indicators			
Country Development Results Indicators			
<b>2. Country Strategy Development Objectives</b>		Aligned	
Country Strategy Results Matrix	GN-2748	Improving the quality of basic and secondary education in low-income areas.	
Country Program Results Matrix	GN-2805	The intervention is included in the 2016 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
<b>II. Development Outcomes - Evaluability</b>			
	Highly Evaluable	Weight	Maximum Score
	10.0		10
<b>3. Evidence-based Assessment &amp; Solution</b>	10.0	33.33%	10
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	4.0		
3.3 Results Matrix Quality	3.0		
<b>4. Ex ante Economic Analysis</b>	10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0		
4.2 Identified and Quantified Benefits	1.5		
4.3 Identified and Quantified Costs	1.5		
4.4 Reasonable Assumptions	1.5		
4.5 Sensitivity Analysis	1.5		
<b>5. Monitoring and Evaluation</b>	10.0	33.33%	10
5.1 Monitoring Mechanisms	2.5		
5.2 Evaluation Plan	7.5		
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>			
Overall risks rate = magnitude of risks*likelihood	Medium		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	C		
<b>IV. IDB's Role - Additionality</b>			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, External control. Procurement: Information System.	
Non-Fiduciary			
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes	Women are heads of household in approximately 40% of households in the targetted areas of the Program. For those who are currently full time caregivers for their young children, the ECD services provided by the CAIPI (full day, 8 hours a day) will permit them to seek remunerative work should they so desire. The literature shows that improved access to ECD can have important effects on female labor force participation (Attanasio and Vera-Hernandez, 2004).	
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	ATN/JF-14394-DR provided resources to finance the development of protocols and manuals for all ECD services. Ongoing technical assistance is currently being provided to improve nutritional and alimentary aspects, as well as to improve the training program of educational agents involved in ECD service provision.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	The results of the impact evaluation will provide evidence on whether the early childhood services as provided by INAPI have an impact of the cognitive, social, motor and language development of young children who live in vulnerable conditions. While empirical evidence from other countries in the region and worldwide has shown that high quality ECD programs do have an impact, this will be the first evaluation of its kind in the Dominican Republic.	

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

The program "Support to Early Childhood Development" in the Dominican Republic aims to improve the development of children under 5 in vulnerable areas through the expansion of quality services of early childhood development and the strengthening of the managerial capabilities of the National Institute of Comprehensive Care for Early Childhood (INAPI). In order to achieve this objectives, the program provides assistance in early childhood development in centers and in home visits. It also finances institutional strengthening activities to enhance the capacity for monitoring, supervision and quality of the management of the program. The program is expected to benefit a hundred thousand children between 0 and 5 years living in vulnerable areas of the country.

The vertical logic presented in the POD is consistent, covering inputs, outputs, outcomes and impact. The results matrix includes indicators for major outputs, outcomes and impacts of the program. The indicators in the results matrix meet the SMART criteria and include baseline and goals values. As indicators of long term impact the Result Matrix includes indicators for anthropometric, cognitive, motor, social and language development of the targeted population. A Coordinating Committee composed of various actors in the executing unit will be responsible for carrying out the monitoring program activities with the support and supervision of IDB project team.

The Monitoring and Evaluation activities have been planned and budgeted with transactional and program resources. Data sources for monitoring and evaluation include reports, administrative data from national systems and generated in the program and surveys carried out in the context of the evaluation plan. The program presents an economic cost-benefit analysis that underpins the economic viability of the proposed activities. It is planned to make a mid-term evaluation, a final evaluation and an impact evaluation using quasi-experimental methods.

### RESULTS MATRIX

<b>Program objective:</b>	The program's objective is to improve child development among children under 5.
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Impact indicators	Baseline	Target	Comments
Percentage of children aged 1 to 3 in the prioritized areas with age-appropriate height and weight, according to the standards published by the World Health Organization (WHO)/Pan American Health Organization (PAHO)	pending	pending	<p>Prior to program execution, the baselines for each impact indicator will be presented here.</p> <p>To identify the program's effects, the impact measurement will focus on children aged 1 to 3. Children under 1 represent less than 10% of the beneficiary population of INAPI programs; the process of measuring these children tends to be more problematic than with older children. Moreover, children who are four years old at the start of the operation will not have been exposed to the treatment long enough to develop the desired changes.</p> <p>The child development measurements, to be taken at the start and end of the operation, will be classified in accordance with the parameters established in international tests (standardized and validated).</p> <p><b>A variety of instruments will be used to measure the indicators, including:</b></p> <ul style="list-style-type: none"> <li>- Specific CES-D (Center for Epidemiological Studies Depression Scale) surveys of mothers/caregivers;</li> <li>- Denver Developmental Screening Test II;</li> <li>- Bayley scales of infant and toddler development, third edition (Bayley-III); and</li> <li>- Anthropometric measurement.</li> </ul>
Percentage of children aged 1 to 3 in the prioritized areas with age-appropriate cognitive development	pending	pending	
Percentage of children aged 1 to 3 in the prioritized areas with age-appropriate motor development	pending	pending	
Percentage of children aged 1 to 3 in the prioritized areas with age-appropriate social development	pending	pending	
Percentage of children aged 1 to 3 in the prioritized areas with age-appropriate language development	pending	pending	

<b>Component 1: Comprehensive early childhood services package</b>							
<b>Outputs</b>	<b>Baseline</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Target</b>	<b>Means of verification</b>	<b>Comments</b>
Number of children benefited by the program (children under 5 in the program's target areas)	0	36,922	73,020	109,530	109,530 children	INAPI monitoring system	The number of children enrolled will be recorded
(a) CAIPI	0	6,592	12,360	18,540	18,540 children		
(b) CAFI	0	30,330	60,660	90,990	90,990 children		
Number of parents who attended courses on best nutritional practices, hygiene, reproductive health, gender equity, and the prevention of corporal punishment and psychological abuse	0	13,223	26,467	39,701	39,701 individuals trained	Participant lists managed by the INAPI monitoring system	
Number of teachers and technical workers in the CAIPIs and CAFIs trained in the induction and ongoing training programs <sup>1</sup>	0	4,019	5,729	5,729	5,729 individuals trained	Participant lists managed by the INAPI monitoring system	
<b>Outcomes</b>	<b>Baseline</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Target</b>	<b>Means of verification</b>	<b>Comments</b>
Percentage of children under 5 enrolled in early childhood development programs	18% (2016)	22%	26%	30%	30%	MINERD information system	Numerator: number of children enrolled in early childhood development programs. Denominator: population projected by the National Statistical Office.
Average percentage attendance of children enrolled in the CAIPI centers (children under 5 in the program's target areas)	60% (2016)	65%	70%	75%	75%	INAPI monitoring system	Numerator: number of days that a child attends the CAIPI. Denominator: number of days CAIPI offers the services.

<sup>1</sup> The number of teachers trained can be considered as an auxiliary indicator of the Corporate Results Framework (indicator "teachers trained").

Component 2: Strengthening INAIPI management capabilities							
Outputs	Baseline	Year 1	Year 2	Year 3	Target	Means of verification	Comments
Service quality supervision system designed and implemented	0	1 designed and implemented	0	0	1	For design, measurement will be based on the document approved by INAIPI. For implementation, measurement will be based on certification that system users have to access the system.	The quality supervision system includes online entry and updating of data related to the delivery of CAIPI and CAFI services.
Interagency coordination strengthening plan designed and implemented	0	1 designed and implemented	0	0	1	For design, measurement will be based on the document approved by INAIPI. For implementation, measurement will be based on holding the first official meeting between the parties.	The plan includes the establishment of interagency coordination mechanisms with the key stakeholders involved in the delivery of early childhood development services.
Early childhood strategic plan approved by INAIPI and MINERD	0	0	1	0	1	Approved plan document	The plan will lay out a strategy for continuing to expand coverage, with special emphasis on early childhood education for 3- and 4-year-olds.
Organizational restructuring plan approved by INAIPI and MINERD	0	0	0	1	1	Approved plan document	The plan will propose an organizational structure that facilitates the monitoring of services and the vulnerable population served.
Number of INAIPI technical and managerial staff trained	0	51	46		87	Participant lists managed by INAIPI and number of completion certificates awarded	Includes 19 medium- and high-level executives at INAIPI headquarters, 32 national technical specialists, and 46 regional and provincial technical specialists. The contents of the training will include planning, results-based management, monitoring, and evaluation.

Component 2: Strengthening INAIPI management capabilities							
Outcomes	Baseline	Year 1	Year 2	Year 3	Target	Means of verification	Comments
Percentage of children enrolled in CAIPs or CAFIs with a complete case file in the new monitoring and supervision system	0% (2016)	0%	60%	100%	100%	INAIPI monitoring system	A complete case file should include the following items: basic personal information on each child; and the results of the initial health and nutrition assessment, including weight and height measurement, and immunization card.

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

<b>Country:</b>	Dominican Republic
<b>Project number:</b>	DR-L1077
<b>Name:</b>	Early Childhood Development Support Program
<b>Executing agency:</b>	Ministry of Education of the Dominican Republic (MINERD), acting through the International Coordination Office (OCI), and with the participation of the National Institute for Comprehensive Early Childhood Care (INAIPI)
<b>Fiduciary team:</b>	Willy Bendix (FMP/CDR); Christian Contín (FMP/CDR)

### I. EXECUTIVE SUMMARY

- 1.1 This document takes as input the 2012 PEFA report<sup>1</sup> and its subsequent monitoring reports, as prepared recently by the Ministry of Finance, which show progress in some areas of the public finance management system of the Government of the Dominican Republic, and the update to the Methodology for Assessing Procurement Systems (MAPS) carried out in late 2015. As well, it considers the results of the latest institutional capacity analysis performed on the OCI and INAIPI; OCI financial audit and internal control reports; and a survey of flows and timeframes in procurement and financial processes and the entities responsible for them. The information is supplemented with the fiduciary supervision experience gained in the context of executing project 2844/OC-DR, “Second Individual Loan to Support the 10-year Education Plan.”

### II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The OCI is currently executing loan 2844/OC-DR for US\$50 million. It will be responsible for executing the new operation, which has been integrated for the coordination of all MINERD programs executed with international cooperation funds. The OCI has years of experience in executing Bank-financed operations in the education sector. The OCI will be supported by INAIPI, which will be responsible for the program’s technical aspects.
- 2.2 In terms of applying and observing Bank policies, management of both the procurement and financial aspects of the DR-L1056 project has been satisfactory,<sup>2</sup> as confirmed in the project’s financial audit and internal control reports.

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<sup>1</sup> Public Expenditure and Financial Accountability.

<sup>2</sup> Classification from the evaluation: Satisfactory (S) as of May 2016.

### III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The findings of the fiduciary capacity evaluation of the executing agency reveal satisfactory institutional capacity and low fiduciary risk. The favorable results of the evaluation methodology also reflect the experience and performance of MINERD—and of the OCI in particular—in adopting financial, administrative, and technical management mechanisms, consistent with Bank standards, yet they also reveal the need to further strengthen the fiduciary capacity of the OCI and of INAIPI, which will be responsible for the program’s technical aspects.
- 3.2 The program has a small number of moderately complex procurement processes, but there are several factors have been identified that could cause delays in its consulting services, including weak interagency coordination. These stem from weaknesses in the areas of OCI procurement and/or turnover rates among technical staff. To mitigate the risks identified, training on selecting and contracting consulting firms should be provided to the staff directly involved in those processes, both within the OCI and in the INAIPI technical teams.
- 3.3 A further risk concerns the accuracy of the costing process, which justifies the amount agreed upon for the per capita payment for the basic services package provided by the Comprehensive Early Childhood Care Centers (CAIPs) and the Infant and Family Care Centers (CAFI). To mitigate this risk, the Bank conducted an initial detailed costing of the services package; and it is proposed that the firm contracted for the operational-technical audit will annually review and validate the costing parameters of the services package, which is financed with funds from Component 1 and, if necessary, to adjust them.

### IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACTS

- 4.1 The agreements and requirements that should be considered in the operation are set out below:
  - a. **Special contractual conditions: (a) precedent to the first disbursement:** (i) approval and entry into effect of the operating manual under the terms agreed upon with the Bank; and (ii) selection of a representative of the OCI and a representative of INAIPI to serve as technical liaisons to facilitate the coordination of the various program activities; and **(b) precedent to the disbursement of Component 1 funds:** contracting of a firm to conduct an operational-technical audit to verify the number of children covered each year with the defined quality indicators, in order to justify the eligible expense financed by the program and offer recommendations for its improvement.
  - b. **Financial statements and other audited reports:** During execution, the OCI will present annual audited financial statements for the program, in accordance with the Bank’s policies. In addition, a preliminary audit report will be required for the first six-month period of each year, within 60 days following the end of that period. The program’s external audits will be performed by a firm of independent auditors acceptable to the Bank and funded with the loan proceeds.

- c. **Exchange rate agreed upon with the executing agency for accounting purposes:** To determine the equivalence in the disbursement currency (United States dollars) of an eligible expense incurred in Dominican pesos, for accounting purposes and for justifying expenses, the U.S. dollar-Dominican peso exchange rate prevailing on the day of conversion will be used. In the case of the per capita amount, the agreed exchange rate will be the rate prevailing at the end of the period in which the operational-technical audit is conducted. To determine the equivalence of expenses incurred in local currency charged against the local counterpart funding, or for the reimbursement of expenses charged against the loan, the agreed exchange rate will be the rate prevailing on the date on which the borrower, the executing agency, or any other natural or legal person to whom the expense function has been delegated, actually makes the respective payments to the contractor, supplier, or beneficiary.

## V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

### A. Procurement execution

- 5.1 Procurement processes will abide by the Bank's policies (documents GN-2349-9 and GN-2350-9). In relation to the per capita payment for the provisions of a basic services package provided by the CAIPs and CAFIs, only the relevance of the expense will be verified. The execution arrangements envisage procurements being made by OCI/MINERD, with technical support from INAPI. The Bank will not review procurement processes for goods and services that are included in the cost of the per capita payment.
  - a. **Procurements of works, goods, and nonconsulting services:**<sup>3</sup> No works are foreseen in this operation. Procurement for goods and nonconsulting services requiring international competitive bidding (ICB) will be implemented using the standard bidding documents issued by the Bank; and procurement subject to national competitive bidding (NCB) will be executed using national bidding documents agreed-upon with, or satisfactory to, the Bank. On the Bank side, the review/approval of technical specifications is the responsibility of the sector specialist/project team leader.
  - b. **Selection and contracting of consultants:** Regardless of the amount of the contract, contracts for consulting services will be executed using the standard request for proposals issued by the Bank. The Bank's program sector specialist will be responsible for reviewing/approving the terms of reference for the contracting of services.
  - c. **Selection of individual consultants:** Contracts will be awarded on the basis of comparing the qualifications of at least three candidates for carrying out the work. When the situation so requires, notices will be published in local or international media or in the United Nations Development Business (UNDB), in order to obtain background on qualified consultants. The Bank's program

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<sup>3</sup> Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) paragraph 1.1. Nonconsulting services are treated as goods.

sector specialist will be responsible for reviewing/approving the terms of reference for the contracting of services.

- d. **Procurement planning:** The OCI will publish the procurement plan in the Procurement Plan Execution System and will update it at least annually or as required to reflect the program's actual execution needs and the progress achieved.
- e. **Advance procurement/retroactive financing:** The Bank may retroactively finance, as a charge against the loan proceeds, up to US\$20 million (or 10% of the loan amount) of the per capita payment as an eligible expenditure, as verified by the operational-technical audit performed before the loan approval date, provided that requirements substantially similar to those established in the loan contract have been met. Such per capita payments must have been incurred on or after 27 July 2016 (the project profile approval date), but in no case more than 18 months prior to the loan approval date.
- f. **National preference:** For the execution of this operation, no national preference was considered in its procurement processes.

## B. Thresholds

- 5.2 The thresholds determining the use of ICB and the creation of a shortlist of international consultants will be made available to the executing agency online at [www.iadb.org/procurement](http://www.iadb.org/procurement). The selection method will be determined according to the complexity and characteristics of the procurement or contract in question, which will be indicated in the procurement plan approved by the Bank.

## C. Main procurement items

- 5.3 The OCI will be responsible for preparing the procurement plan in coordination with INAIPI. The procurement specialist will provide assistance to ensure that the procedures are consistent with Bank procurement policies by issuing an expert opinion for the consideration of the sector specialist/project team leader. The main procurement items envisaged in this operation are detailed below:

Activity	Type of bidding	Estimated date	Estimated amount (US\$ thousand)
<b>Goods</b>			
Information technology hardware to facilitate monitoring and supervision tasks	ICB	Years 1 and 2 of the program	1,275
<b>Consulting services (firms)</b>			
Diagnostic assessment and development of the organizational restructuring plan	QCBS	Year 2	750
Redesign of monitoring and supervision processes, with emphasis on service quality	QCBS	Year 2	400
Operational-technical audit	QCBS	Year 1	260
Function of the redesign of monitoring and supervision processes	QCBS	Year 1	100
Impact evaluation	QCBS	Year 2	1,000
Managerial and technical training	QCBS	Years 2 and 3	500
Financial audit	QCBS	Year 1, 2, and 3	200
* To access the procurement plan for the first 18 months, click here.			

**D. Procurement supervision**

- 5.4 In light of the fiduciary risk level identified for the program, the supervision method will be ex post, and reviews will be conducted in accordance with the annual supervision plan. The ex-post review reports will include at least one physical inspection visit for the procurement processes subject to such review. The thresholds for ex-post review of procurement processes will be established in the procurement plan.

**E. Records and files**

- 5.5 The OCI/MINERD will be responsible for maintaining files, supporting documentation for procurement processes, all receipts for payments made with program resources (which justify the cost of the per capita amount), and for doing this in accordance with established procedures.

**VI. FINANCIAL MANAGEMENT**

- 6.1 **Programming and budget.** The annual budget is prepared by the Ministry of Finance through the General Budget Office, in coordination with the Ministry of Economy, Planning, and Development, and other government agencies involved in the budget process. The OCI will manage this process on behalf of the executing agency, including strategic and operational planning. Nonetheless, this aspect should be included in the improvement plan within the scope of the program's planned institutional strengthening of INAIPI. In addition to the planned institution-strengthening measures, the program's design and execution will use Bank planning mechanisms (i.e. the program execution plan, annual work plan, and procurement plan). No provision is made for counterpart resources, and therefore this item will not be required for budget programming.
- 6.2 **Accounting and financial information systems.** The OCI will use the official accounting and budget control system known as UEPEX/SIGEF, which records accounting transactions, performs budget controls, and also has the capacity to produce the required financial statements, in accordance with Bank policies and procedures. The accounting records are kept on a cash basis for the time being. It is important to note that the Ministry of Finance is now in the process of implementing the International Public Sector Accounting Standards (IPSAS).
- 6.3 **Disbursements and cash flow.** The disbursement modalities to be used for the program are the following: (i) reimbursement of expenses incurred by the borrower to finance the per capita payment for the early childhood development service package corresponding to Component 1 (This disbursement will be made on the basis of operational-technical audit reports that will verify the relevance of the expense (coverage and service quality)); (ii) advance of funds, based on a financial plan, which will be deposited in special bank accounts in the name of the program, opened by the borrower in the Central Bank and in the National Treasury (The funds advanced will be deposited in a bank account in U.S. dollars in the name of the program in the Central Bank. In addition, the executing agency may open an operating account through the National Treasury in the Reserve Bank for making payments in local currency, unless the parties agree otherwise.); and (iii) through payments to third parties for the account of the

- borrower. The funds advanced for administration by the executing agency must be used by the borrower and by the executing agency exclusively for eligible expenditures, which must have a suitable system of financial management and controls in place for their execution, pursuant to the procedures specified in the loan contract and reflected in the operating manual, and in accordance with the financial plan agreed upon periodically with the Bank.
- 6.4 **Exchange rate for accounting purposes** (See paragraph 4.1(b)). **Internal control and external audit.** The Office of the Comptroller General of the Dominican Republic (CGDR) is responsible for the government's internal auditing process. To perform this function, the CGDR relies on internal auditing units in each agency of the Dominican government. The Bank maintains ongoing exchanges with the CGDR in the interest of improving the internal control systems of the executing agencies. The Bank's support in this regard is intended to achieve certification of this subsystem for use in the operations it finances in the Dominican Republic.
- 6.5 The Office of the Auditor General [*Cámara de Cuentas*] of the Dominican Republic is an autonomous entity whose responsibilities include performing external audits of agencies that receive or manage State funds (Law 10-04), but the Bank has not yet certified it for use in its operations. Consequently, for the present operation it will be necessary to contract the services of mid-tier or top-tier independent audit firms for the annual external audits of the program. External audits will be performed on the basis of terms of reference previously agreed upon with the Bank. These services must also be contracted in a timely manner and in accordance with Bank policies and procedures. The costs of program auditing are estimated at around US\$200,000, and will be financed with proceeds from the loan.
- 6.6 **Financial supervision plan.** MINERD already has a program coordination unit (OCI) staffed with financial management personnel who have solid and demonstrated experience in the handling of Bank-financed operations. Considering this background, financial supervision will continue to be performed through inspection visits, ex post reviews, together with ongoing dialogue and communication, as well as through the external auditors contracted. Nonetheless, a workshop will need to be held to review Bank policies and procedures in the fiduciary area in order to keep the OCI's staff up to date and involve INAIPI in the process.
- 6.7 **Implementation mechanism.** As noted above, for carrying out its functions, the executing agency has support from the OCI, which serves as liaison both with the Bank and with the technical, administrative and financial units of MINERD and INAIPI, and any other participating entity. As work progresses on the institutional strengthening of INAIPI, at least one planning specialist with knowledge of the Bank's project management processes should be incorporated into the OCI's current structure in order to improve the quality of the program's execution.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/16

Dominican Republic. Loan \_\_\_\_/OC-DR to the Dominican Republic  
Support for Early Childhood Development Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Dominican Republic, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program for support for early childhood development. Such financing will be for the amount of up to US\$200,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_\_, 2016)