

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

DOMINICAN REPUBLIC

**COMPREHENSIVE TOURISM AND URBAN DEVELOPMENT PROGRAM FOR THE
COLONIAL CITY OF SANTO DOMINGO**

(DR-L1084)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Belinda Pérez (FMM/CDR), Project Team Leader; Andrés Blanco (CSD/HUD), Alternate Team Leader; Gonzalo Muñoz (RND/CDR); Andrés Restrepo (IFD/ICS); Thierry Delaunay (WSA/CDR); Jorge Mercado (ENE/CDR); Julia Miguez (VPS/ESG); Natalia Laguyas (MIF/MIF); Cristina Landázuri-Levey (LEG/SGO); Christian Contin and Willy Bendix (FMP/CDR); Ana Calvo (FMM/CDR); Marcio Cracel and Alfredo Garay (Consultants); and Dianela Avila and Alejandra Aguilar (CSD/HUD).

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6. International Development Center of Harvard University: Construyendo un mejor futuro para la República Dominicana: Herramientas para el Desarrollo, 2012
7. Tourism Development in the Colonial City, 2010 – 2015. Ministry of Tourism, SITI
8. World Economic Forum: The travel and tourism competitiveness report, 2015
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ABBREVIATIONS

ADN	Ayuntamiento del Distrito Nacional [Municipal Government of the National District]
CAASD	Corporación de Agua y Alcantarillado de Santo Domingo [Water and Sewerage Corporation of Santo Domingo]
CCSD	Colonial City of Santo Domingo
CRF	Corporate Results Framework
DNPM	Dirección Nacional de Patrimonio Monumental [National Monument Heritage Bureau]
ESMP	Environmental and Social Management Plan
MINC	Ministry of Culture
MITUR	Ministry of Tourism
MSEs	Micro and small enterprises
OEL	Optional electronic link
PCU	Program Coordination Unit
PMR	Program Monitoring Report
PORs	Program Operating Regulations
PRICCSA	Plan de Revitalización Integral de la Ciudad Colonial de Santo Domingo [Comprehensive Revitalization Plan for the Colonial City of Santo Domingo]
REL	Required electronic link

PROGRAM SUMMARY

DOMINICAN REPUBLIC

COMPREHENSIVE TOURISM AND URBAN DEVELOPMENT PROGRAM FOR THE COLONIAL CITY OF SANTO DOMINGO (DR-L1084)

Financial Terms and Conditions				
Borrower: Dominican Republic			Flexible Financing Facility ^(a)	
			Amortization period:	24 years
Executing agency: Ministry of Tourism (MITUR), with the participation of the Municipal Government of the National District (ADN) and the Ministry of Culture (MINC)			Original WAL:	15.23 years ^(b)
			Disbursement period:	6 years
Source	Amount (US\$)	%	Grace period:	6.5 years
IDB (OC):	90,000,000	100	Inspection and supervision fee:	^(c)
			Interest rate:	Based on LIBOR
Total:	90,000,000	100	Credit fee:	^(c)
			Currency of approval:	U.S. dollars from the Ordinary Capital (OC)
Project at a Glance				
Program objectives/description: The principal objective of the program is to revitalize the urban, economic, and cultural tourism aspects of the Colonial City of Santo Domingo (CCSD) by: (i) restoring public spaces and historical monuments, (ii) improving habitability for residents, (iii) developing local economies, and (iv) strengthening the management of the CCSD.				
Special contractual conditions: (a) precedent to the first disbursement of the loan: (i) that the Program Operating Regulations (PORs) have been approved and are in force, including environmental and social considerations covered in the Environmental and Social Management Plan (ESMP) and its associated plans: (paragraph 2.3); (ii) that the program's Strategic Committee has been established (paragraph 3.2); (iii) that interagency coordination agreements have been signed between MITUR and ADN and between MITUR and MINC, establishing the parties' execution responsibilities and appointing the members of the Technical Committee (paragraph 3.3); and (iv) that the Program Coordination Unit has a social specialist responsible for implementing and monitoring the ESMP and its associated plans, including a Community Participation and Relations Plan with a complaints and claims mechanism (paragraph 2.3); (b) precedent to use of the loan proceeds for Component I, except for activity (d) in paragraph 1.16: (i) that interagency coordination agreements have been signed with the entities responsible for the water and sewage, energy, and telecommunications systems, to establish the obligations of each party for program execution, including the responsibility of these entities for the design, supervision, acceptance, and maintenance of the works (paragraph 3.5); (ii) that reinvestment studies for the works have been presented (paragraph 3.13); and (iii) that the program's Strategic Committee has decided how to execute Component I of the program (paragraph 3.2).				
Special contractual conditions for execution: these are described in the Environmental and Social Management Report (paragraph 2.3).				
Exceptions to Bank policies: None				
Strategic Alignment				
Challenges ^(c) :	SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>
			EI	<input type="checkbox"/>
Cross-cutting themes ^(d) :	GD		CC	<input type="checkbox"/>
			IC	<input checked="" type="checkbox"/>

^(a) 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.

^(b) The weighted average life (WAL) may be shorter, depending on the signature date of the loan contract.

^(c) 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.

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

^(e) 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, problems, and rationale

- 1.1 The Colonial City of Santo Domingo (CCSD) was the first European settlement in the Americas, and has been declared a World Heritage Site by the United Nations Educational, Scientific and Cultural Organization (UNESCO, 1990). It covers 1.06 km² (116 blocks) bounded by a walled perimeter.¹ The city is host to a variety of uses—homes, businesses, tourist attractions, and government offices—that commingle with the country's most important tangible and intangible cultural heritage. While the tangible heritage is the prime attraction, its intangible heritage² is based on the social and cultural diversity of its people, who lead an active urban life while maintaining their customs and traditions.
- 1.2 As in other historic centers of the region, around the mid-twentieth century, residents and businesses moved to more modern areas of the city. The expansion-oriented public investments in Greater Santo Domingo undertaken during the time of the dictatorship without any urban development plan, together with the “revolution of April 65,” led to the deterioration of public spaces and of habitability ([OEL#4](#)), with the resulting exodus of the CCSD's residents, especially those with higher incomes, and insufficient appreciation of its tourism potential. The number of people living in the CCSD dropped from 16,430 in 1981 to 7,750 in 2015, a decline of 53% in 35 years. The population density of the area is 73.11 residents per hectare, substantially lower than that of historic centers such as La Paz and Quito.³ The number of tourists visiting the Colonial City⁴ is only a third of the number who visit Greater Santo Domingo, demonstrating the failure to capitalize fully on the CCSD's tourism potential.
- 1.3 With a view to the economic and social recovery of the city, the Municipal Government of the National District (ADN) drew up a Comprehensive Revitalization Plan for the CCSD (PRICCS, 2006, [OEL#5](#)), which establishes a medium-term development strategy and a physical recovery plan and was financed by operation ATN/SF-7633-DR. After lengthy consultations, the plan was approved by the Municipal Council ([Ordinance 08/2011](#)) and implementation began with the Tourism Development Program (2587/OC-DR, US\$30 million) under the responsibility of the Tourism Ministry (MITUR). That program has helped to halt the deterioration of the CCSD's tangible heritage located in the area of most interest to tourists,⁵ and at the same time attract growing [private investment](#). The program, which will be completed in 2017, is expected to rehabilitate 17% of the surface area of the CCSD ([OEL#30](#)).

¹ CCSD boundaries (Law 492-1969): to the north, Avenida Mella; to the south, paseo Presidente Billini, to the east, Rio Ozama, and to the west, Calle Palo Hincado.

² *Convention for the Safeguarding of the Intangible Cultural Heritage* (2003). Intangible heritage means the practices and values of a symbolic nature (religious events, popular festivals, dances, gastronomy, handicrafts) that are pursued in the CCSD ([OEL#4](#)).

³ Densities of 146.67 and 108.17, respectively.

⁴ In 2015, 5.1 million tourists visited the Dominican Republic and 1.4 million visited Greater Santo Domingo ([OEL#7](#)).

⁵ The program involved interventions in 20 of the 116 blocks: 2.5 km of streets, 120 façades restored, 6 tourism routes designed, 123 security cameras, a monitoring center, 2,000 streetlights, and 3 tourism operation centers operating. PMR, 2015.

The new operation, following the guidelines of the PRICCSA, will expand and complement the urban renewal process.

- 1.4 The principal problem to be addressed by the program is to reverse the deterioration of the CCSD (paragraph 1.2) that is evident in many of its urban, residential, economic and cultural tourism features ([OEL#15](#)). The specific problems are:
- 1.5 **Deterioration of public spaces, poor condition of historical monuments, and inadequate services for recreational and tourism use of the CCSD**, as a result of which 67.8% of residents agree on the need to invest in taking better care of the Colonial City:⁶
- a. Streets (not targeted by loan 2587/OC-DR). The deficits include water supply, storm drainage, and sewage systems, paving, lighting, signage, street furniture, and treescaping, and they are prone to flooding:⁷ 49.6% of residents believe that street rehabilitation will make the CCSD more attractive to tourists.⁸
 - b. Monuments and museums. The ruins of San Francisco and their surroundings, an area inhabited by low-income people, are in a fragile state of conservation. The structure of the ruins is unstable and there is a risk that seismic movements will cause them to collapse. The museums lack air-conditioning to preserve the exhibits, and services (washrooms, cafeterias etc.) are inadequate.
 - c. Mobility. The CCSD is poorly connected to its surroundings and to the east Bank of the river, where the cruise ship terminal is located. According to 77% of tourists, it is difficult to find parking and 74% complain that street signage is inadequate.⁹ There are 10 parking facilities, with capacity for 830 vehicles, which is insufficient to meet growing demand.¹⁰
 - d. Public services. According to 76% of tourists and 40% of residents, the maintenance and cleaning of the CCSD is inadequate.¹¹ When it comes to safety, crime rates are highest in the poorest neighborhoods,¹² in a context where interagency coordination among the various security forces is weak¹³ and territorial coverage of the technological control system is limited: 62% of residents say that security should be improved, and 98.2% believe that a safer city would attract more tourists.¹⁴

⁶ ([OEL#11](#)).

⁷ According to the document [Amenazas y Riesgos Naturales en la República Dominicana \(Bureau of Land Use and Development, IDB and Ministry of Economy, Planning, and Development \(MEPyD\), 2012\)](#), the CCSD is the only area of Santo Domingo that has a "very high" physical risk index.

⁸ ([OEL#11](#)).

⁹ ([OEL#7](#)).

¹⁰ ([OEL#9](#)).

¹¹ ([OEL#11](#), [OEL#7](#)), [OEL#28](#)).

¹² San Lázaro, 27%; Santa Bárbara, 22.98%; San Miguel, 17.81%; and San Antón, 12.71%. ([OEL#10](#)).

¹³ The Specialized Tourist Safety Corps, the National Police, and the Metropolitan Transportation Authority are all active in the CCSD.

¹⁴ ([OEL#11](#)).

1.6 Poor habitability for low-income families and abandonment of buildings in the CCSD.

- a. Of a total of 3,764 dwellings, nearly 10% have no in-house water supply, while 16.9% and 7.8% have roofs or walls made of inadequate materials, respectively.¹⁵ This situation is worse in the north, which has 970 dwellings, where the proportion of substandard construction is double that of the rest of the CCSD.^{16,17} In addition, there are property titling issues, and only 28% of dwellings have legal titles.¹⁸
- b. The vacancy rate of the housing stock doubled between 2002 and 2015 (from 11% to 22.8%),¹⁹ and it was especially high for rental properties (55.8% of the total in 2015 versus 52.9% in 2010).
- c. Plazas and monuments in the north are in decline, affecting 66.7% of the most vulnerable residents²⁰ and 67% of tourists (2015).²¹

1.7 Most micro and small enterprises (MSEs)²² derive no benefit from the economic opportunities in the CCSD generated by the active lives of residents and visitors.²³ This is reflected in:

- a. The competitiveness of the “Mercado Modelo” has declined. It is the main marketplace of Santo Domingo, where some 200 microentrepreneurs are engaged in selling souvenirs. The operating and financial management model does not generate sufficient resources to cover maintenance costs, and this explains why the market's structure is deteriorating.
- b. The services offered by MSEs do not respond to the growing demand for better services that would allow visitors to experience Dominican customs and traditions (gastronomy, dances, etc.). Tourists rate as insufficient the supply of shopping opportunities and handicrafts (58%), bars and entertainment locales (71%), and restaurants (85%).²⁴ In addition, MSE premises do not have adequate physical infrastructure.

¹⁵ [\(OEL#11\)](#).

¹⁶ In Santa Bárbara, 47% have roofs made of tin, cardboard, or wood and 20% of the walls are made of inadequate materials [\(OEL#21\)](#).

¹⁷ In this zone, 62.1% of residents are women over the age of 65, compared with 58.4% in the rest of the CCSD.

¹⁸ Legal titles comply with Property Registration Law 108-2011. Ownership rights to the remaining properties are based on notarized certificates, pending demarcation [\(OEL#12\)](#).

¹⁹ Of the 3,764 private dwellings, 857 are unoccupied [\(OEL#11\)](#).

²⁰ [\(OEL#11\)](#).

²¹ [\(OEL#7\)](#).

²² Of the 1,694 businesses, 70% are retail [\(OEL#13\)](#). According to ECLAC (2011), 40% of the MSEs in the Dominican Republic are headed by women. With support from program DR-M1035 (MIF), a study has been commissioned to determine the equivalent proportion in the CCSD.

²³ Tourism is considered to have a positive impact on the CCSD economy by 87% of the residents, but only 48% say they might benefit from employment opportunities. The proportion of women who work in the tourism sector in the CCSD is 28.1%, while 35.5% of the men do [\(OEL#11\)](#).

²⁴ [\(OEL#7\)](#).

- c. There is no financing available to encourage MSE participation in innovative ventures. There are no systems to promote public-private partnerships, and private investments are focused on the hotel sector.²⁵
- d. The vocational education offered in the technical training schools is focused on teaching theater, music, and painting. There is demand for skilled workers in hotel management, food vending, guided tourism, the production and sale of handicrafts, and languages.
- e. Urban cultural offerings are inadequate and financed primarily by public institutions, with occasional participation by the private sector: 81% of tourists believe that the supply of cultural activities is low.²⁶

1.8 **There are no adequate institutional coordination and management mechanisms to promote the development of the CCSD.** The main reasons are:

a. Governance of the CCSD

- (i) The institutions responsible for the CCSD²⁷ have no governance structure to coordinate management or to generate sufficient resources for its sustainability. Public and private actors lack a forum for planning and coordinating an agenda of urban, cultural, and tourism development.
- (ii) There are no management instruments to integrate the various services in the Colonial City. Although the ADN²⁸ established a “one-stop window,”²⁹ its procedures are still complex and slow: the average time needed for a building remodeling license to be approved is 120 days.

b. Promotion and management of the CCSD as a tourist destination

- (i) Lack of a marketing strategy for the CCSD. The tourism product involves “seeing” more than “doing”³⁰ and it is not disseminated via effective means of promotion.³¹
- (ii) There is no information on seasonal fluctuations, occupancy, or market analysis to support the design of tourism promotion projects in the CCSD.

²⁵ Average of US\$26 million per year (2013-2015, [OEL#29](#)).

²⁶ [\(OEL#7\)](#).

²⁷ The ADN is responsible for the delivery of public services and the regulation of land use and public spaces. The MINC is responsible for protecting cultural assets. MITUR is responsible for developing the CCSD as a tourist destination. In addition, there are important actors such as the church. In 2005, a steering committee was created for coordinated management of the CCSD: it was restructured in 2006 and again in 2012, but is not yet operational.

²⁸ Executive Division of the Historic Center.

²⁹ Created by Decree 635-05, amended by Decree 362-12.

³⁰ [\(OEL#14\)](#).

³¹ Portals with general information on the CCSD (MITUR, ADN, MINC, Spanish Cooperation). Source: MITUR

- (iii) Tourism establishments are not evaluated or classified,³² and this makes it difficult for visitors to choose facilities.
- (iv) There is no official system of tourism routes: According to 63.5% of tourists, the pedestrian circuits offered by tourist guides are inadequate.³³

c. Institutions responsible for management of the CCSD³⁴

- (i) **MITUR.** It has no national strategy for giving priority to cultural tourism and positioning the CCSD as a flagship heritage site. Nor is there any model for managing services that would include certification of tourist guides and taxi services.
- (ii) **ADN.** Urban regulations need to be further developed to encourage residential use and manage commercial activities. There are no instruments for monitoring compliance with regulations or for evaluating service delivery.³⁵
- (iii) **MINC.** The Ministry of Culture has a shortage of qualified staff and effective instruments and procedures for the management, registration, and conservation of the inventory of heritage resources. The museums lack management and maintenance instruments, and they offer no cultural programs.
- (iv) **Communication with social actors.** Worksites and temporary street closures affected merchants, who complained that they were not informed in a timely and proper manner of the interventions that took place in the Colonial City.

1.9 **The Bank's experience.** The objective of operation 2587/OC-DR was to promote tourism in the CCSD through urban recovery interventions. This operation will support sustainable urban development and tourism, incorporating interventions for the improvement of habitability, local development, and institutional strengthening. The design of both these operations has relied on the PRICCS, which was financed by operation ATN/SF-7633-DR. A tourism competitiveness assessment of the CCSD is available (with its action plan), financed from operation ATN/FG-12634-DR. This operation will replicate the pilot project that the Multilateral Investment Fund (MIF) is implementing to support MSEs (ATN/ME-13126-DR) and will draw upon the lessons learned under operation ATN/ME-14172-DR, which seeks to enhance the quality of youth training and employment programs.

1.10 **Lessons learned.** The Bank has supported urban and heritage revitalization projects since the 1970s. However, it was with the Program for the Rehabilitation of the Historic Center of Quito (1994) that the Bank began to gain broad experience. It has now approved 69 operations. The lessons learned from the Quito programs (822/OC-EC and 1630/OC-EC), 2587/OC-DR, and other historical center recovery

³² Information provided by MITUR.

³³ (OEL#7).

³⁴ Information provided by representatives of MITUR, the ADN, and MINC.

³⁵ (OEL#7).

operations³⁶ show that: (i) comprehensive interventions are required, with a territorial and multisector perspective; (ii) institutional mechanisms are needed to coordinate the different levels of government with the private sector and the community; (iii) public funds should be concentrated in interventions that are catalysts for encouraging or complementing private investment; (iv) it is important to promote residential uses and community participation to ensure the sustainability of interventions; and (v) planning, coordination, and scaling are necessary for efficient implementation and to mitigate any potentially adverse social and environmental impacts.

- 1.11 The two phases of the Quito program were analyzed, given their similarity to the current program. In the first phase (1995-2003, US\$47.6 million), the objective was to introduce a process of heritage rehabilitation and sustainable conservation, fostering its economic, social, and cultural development. The components gave priority to rehabilitating public spaces and architectural landmarks, bringing order to street commerce, strengthening institutions, and promoting public-private partnerships for housing and business programs.³⁷ The second phase (2007-2010, US\$10 million) consolidated the efforts to ensure self-sustaining economic and social development, financing activities in the social areas, mobility, delivery of basic services, institutional development, urban infrastructure, and private investment promotion. The results of both phases were successful, in terms of the number of tourists and jobs, and habitability conditions. Following the transformation, the number of tourists has increased by 70%,³⁸ rising from 260,755 tourists in 2006 (baseline) to 446,016 in 2009, and more than 7,000 former street vendors have become microentrepreneurs.
- 1.12 **Rationale.** The program offers a comprehensive response to the needs of CCSD residents and visitors. It is a multisector intervention that requires the participation and coordination of various public institutions while at the same time enlisting the support and collaboration of social and private actors. It seeks to strengthen residential, commercial, and tourism uses through a process of urban renewal and conservation, in line with the objectives of the PRICCS, with a view to attracting visitors, improving habitability for residents, and boosting the local economy. Support for residents and traditional MSEs is important not only for the social implications but also for conserving the intangible heritage of the Colonial City. This program will have an impact on the city's competitiveness³⁹ and on the country's strategy for tourism diversification.⁴⁰

³⁶ Chile (1703/OC-CH; 1587/OC-CH; 1952/OC-CH; 3564/OC-CH) and Argentina (2929/OC-AR), among others.

³⁷ The program rehabilitated 55,000 m² of public space, 11 commercial centers for the relocation of more than 7,000 street vendors, and 14 buildings for residential use (300 apartments) for low- and middle-income families. In addition, a mobility plan, including six parking facilities, was implemented.

³⁸ [\(OEL#16\)](#).

³⁹ Quito (822/OC-EC and 1630/OC-EC), Olinda/Brazil (1200/OC-BR), or Buenos Aires (2929/OC-AR): examples of historical restoration that can convert cities into sources of economic and residential activity and citizen participation.

⁴⁰ [Cultural tourism in the CCSD is key to the diversification strategy for countering the loss of competitiveness of the 'sun and beach' model](#) (Objective 3.5.5 Law 1-12 [National Development Strategy 2030](#)).

- 1.13 **Strategic alignment.** The program is aligned with the strategic objective of the 2013-2016 Country Strategy with the Dominican Republic (document GN-2748) of increasing competitiveness by boosting productivity and access to markets, under the pillar of Productive Development and Competitiveness. It is also consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008), and it is aligned with the development challenges of: (i) social inclusion and equality, by seeking to improve habitability for residents, and (ii) productivity and innovation, by promoting economic activities for the local population. The program is aligned with the crosscutting theme of institutions and the rule of law, through plans to strengthen the ADN, MITUR, and MINC. Thus, the program will contribute to the 2016-2019 Corporate Results Framework (CRF, document GN-2727-6), through the following outcome indicators in the Results Matrix: (i) the ratio of dwellings with inadequate roofing materials to total housing stock, and (ii) the ratio of the number of jobs to the total number of businesses in the CCSD. These are similar and equivalent to the CRF indicators of immediate, direct development outcomes: (i) households benefiting from housing solutions, and (ii) jobs created by supported firms. The indicator “average time needed for a building remodeling license to be approved” is similar and equivalent to the output indicator “government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery.” Furthermore, the program is aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2787-2), with respect to the strategic priorities of “infrastructure for competitiveness and social welfare and institutions for growth and social welfare,” and it is consistent with: (i) the Urban Development and Housing Sector Framework (document GN-2587-1), (ii) the Tourism Sector Framework (document GN-2779-3) and the (iii) Citizen Security and Justice Sector Framework (document GN-2771-3). The program is included in the 2016 programming document, Annex II of the 2016 Operational Program Report (document GN-2849).
- 1.14 **Consistency with Bank policies.** This program and the national sector objectives satisfy the conditions of financial sustainability and economic evaluation of the Public Utilities Policy (document GN-2716-6), and are consistent with its principles. The electricity and water and sanitation works are intended primarily to replace obsolete systems with new ones, which will reduce technical and commercial losses and operating and maintenance costs ([OEL#31](#)).
- B. Objectives, components and cost**
- 1.15 The principal objective of the program is to revitalize the urban, economic, and cultural tourism aspects of the CCSD by: (i) restoring public spaces and historical monuments, (ii) improving habitability for residents, (iii) developing local economies, and (iv) strengthening the management of the CCSD. The program will benefit: (i) the residents of the CCSD; (ii) local merchants, especially MSEs, and (iii) local and foreign tourists. The program is comprised of four components:⁴¹
- 1.16 **Component I. Consolidation of cultural tourism offerings (US\$49.16 million).** The intent is to revitalize heritage buildings and public spaces in the CCSD through:

⁴¹ The contracts include an environmental management plan for works and management of the cultural heritage. The status of the engineering and architectural designs for the works and their financing are described in [OEL#26](#).

- a. **Comprehensive rehabilitation of public spaces on priority streets (US\$24.81 million).** This includes: repairs to the water supply, storm drainage, and sewage systems; electricity and telecommunication cabling; paving; lighting, street furniture, signage, and treescaping, with a focus on climate change adaptation and mitigation, and prioritizing pedestrian traffic;⁴²
 - b. **Rehabilitation and development of the San Francisco Convent (US\$9.59 million).** This includes the restoration and consolidation of the San Francisco Convent and complete alteration of adjacent streets;
 - c. **Restoration of the Ozama River banks – Linear Park Project (US\$1.83 million).** The project includes connectivity and links between the east and west banks, priority access for cruise ship passengers, parking and mobility, and landscaping;
 - d. **Restoration of museums⁴³ (US\$6.02 million).** This includes improvements and museography of the Alcázar de Colón and Casas Reales museums, and museography of the Santo Domingo Fortress and the Cathedral Museum;
 - e. **Implementation of the CCSD urban mobility plan and connection with Santo Domingo (US\$2.68 million).** This includes the design and implementation of works (pedestrian streets, cycling paths, etc.), construction of parking facilities,⁴⁴ placement of signage, and awareness-raising campaigns to improve traffic circulation;
 - f. **Improvement of solid waste management and collection (US\$3.0 million).** This includes the management system, awareness-raising campaigns, and equipment needed for sustainable solid waste management and collection ([OEL#28](#));⁴⁵
 - g. **Consolidation of the video surveillance and lighting system (US\$1.23 million).** This calls for installation of lights and 200 surveillance cameras,⁴⁶ with guaranteed interconnectivity with the 911 system. Support will be provided for the implementation of an interagency coordination system for crime control.
- 1.17 **Component II. Improvement in habitability for residents of the CCSD (US\$11.69 million).** The intent is to maintain the social diversity of the CCSD by improving its habitability for low-income residents. This component will finance:
- a. **[Housing improvement program](#) (US\$2.58 million).** Two hundred low-income family dwellings will be improved in order to forestall gentrification. This program includes: (i) social work for selecting beneficiaries, preparing plans for physical remodeling of dwellings, social monitoring and support and training

⁴² Water and sewage services are the domain of the Corporación de Agua y Alcantarillado de Santo Domingo (CAASD), while the Empresa Distribuidora de Electricidad del Este (EDEESTE) is responsible for public lighting and the burying of cables. Their involvement in the design and supervision of the works will be governed by the agreements described in paragraph 3.5.

⁴³ Air conditioning, conservation, waterproofing, washrooms, and elevator.

⁴⁴ This is expected to involve public-private partnerships ([OEL#9](#)).

⁴⁵ Equipment, containers, works, and trucks ([OEL#17](#)).

⁴⁶ The cameras will be installed at 26 sites ([OEL#15](#)).

for families;⁴⁷ (ii) housing upgrade works; and (iii) technical assistance for titling. The investment per dwelling will be established in the program's Operating Regulations (PORs) and will include support for the titling process and building improvements of varying complexity. The PORs include eligibility and selection criteria.

- b. **Program to restore façades and system of indirect incentives for affordable housing (US\$2.27 million).** With a view to attracting residents, this program will include: (i) beautification of 120 façades, including rehabilitation of external walls and roofs of heritage buildings, with a unit investment per façade established in the PORs. The main selection criteria are: location, thereby limiting the intervention zone of the operation, heritage designation, and owner's income level;⁴⁸ (ii) identification of buildings with the potential for residential use and proposal of profitable business models for affordable housing that do not exceed the value of a low-cost dwelling (according to [Decree 268-15](#), 2.4 million pesos/US\$53,333); and (iii) development of architectural designs for builders' fairs.
 - c. **Recovery of community public spaces (US\$6.89 million).** This will finance the design, implementation, and supervision of upgrades in traditional plazas and recovery of the colonial city wall and neighboring public spaces.⁴⁹
- 1.18 **Component III. Development of the CCSD's local economies (US\$10.05 million).** The intention is to enhance economic opportunities, primarily for MSEs. This component will finance:
- a. **Functional and physical improvement of the Modelo Market⁵⁰ (US\$4.85 million).** This will include: (i) implementation of the business and financial management plan, (ii) training for MSEs, (iii) promotion and development of new services, (iv) remodeling of physical infrastructure, and (v) temporary relocation of merchants, if necessary.
 - b. **Program of incentives for the private sector (US\$3.18 million).** This will include support for developing a range of services that will meet demand, through: (i) support for microbusinesses in the targeted streets; and (ii) assistance to 120 microbusinesses through technical assistance and physical upgrades.⁵¹ The main selection criteria are: (a) a formal/informal economic unit with a fixed place of business, 1 to 15 employees, assets of up to RD\$3 million, and annual turnover of RD\$6 million (for microenterprises), and 16 to 60 employees, assets of up to RD\$12 million, and annual turnover of up to RD\$40 million (for small enterprises); (b) owned by or employing

⁴⁷ Based on the initial social work, a committee will be established with the community to preselect families in accordance with previously defined needs criteria, and an action plan will be prepared for the survey. The proposed social methodology is described in [OEL#18](#) and will be covered in the program's Operating Regulations (PORs).

⁴⁸ There are other technical and legal/ownership eligibility criteria, as set out in the PORs.

⁴⁹ See footnote 15.

⁵⁰ A multidisciplinary team will be established for this program, as described in the PORs.

⁵¹ Operation ATN/ME-13126-DR (MIF) is implementing a program of assistance for microbusinesses in the CCSD, using a methodology that will be replicated for this operation, incorporating good practices and lessons learned.

CCSD residents; (c) located on or near tourist routes; (iii) establishment of a competitive fund for 20 new tourism-oriented microenterprises;⁵² and (iv) implementation of a strategy to promote public-private partnership projects (parking facilities, housing, entertainment activities, etc.);

- c. **Human capital training program⁵³ (US\$0.55 million).** This includes: (i) curriculum design for training in tourism services; (ii) training of teachers under quality standards; and (iii) plan to improve technical and trade schools;
- d. **Urban culture promotion program (US\$1.47 million).** This involves preparation of a cultural activities plan to be implemented through a public-private partnership

1.19 **Component IV. Strengthening of tourism, cultural, and urban management (US\$10.82 million).** The intent is to strengthen interagency coordination, improve urban regulations, and promote the CCSD as a tourism destination. Financing will be provided to:

a. Improve CCSD governance

- (i) **Sustainable management mechanism (US\$0.70 million).** Assistance will be provided for the implementation of a governance system;⁵⁴ a risk management plan (natural disasters, solid waste management, and tourism vessels);⁵⁵ identification of funding sources to finance the maintenance of the investments;⁵⁶ and establishment of rules for public-private partnerships for the CCSD;
- (ii) **Integrated services management system (MITUR, ADN, MINC, and other public institutions) (US\$0.50 million).** Assistance will be provided for the design and implementation of a portal integrating the services management systems of the institutions (online processing platform: delivery of permits, land use and public space, tourism services, etc.).

b. Bolster the promotion of the CCSD and destination management

- (i) **Marketing plan (US\$0.70 million).** This includes marketing activities outlined in the plan (prepared under program 2587/OC-DR), with priority on the use of new technologies;
- (ii) **Tourism Observatory for the CCSD (US\$0.75 million).** Consolidation of the tourism observatory, including the design and implementation of destination programming;

⁵² In the activities under items (ii) and (iii), priority will be given to young people and women. In the context of program ATN/ME13126-DR, a consulting assignment is looking into service gaps, for use as input in the design of the competitive fund.

⁵³ MIF program ATN-ME-14172-DR seeks to enhance the quality of training and employment programs for young Dominicans, in partnership with the Ministry of Labor.

⁵⁴ Activation of the CCSD Steering Committee or some other institutional coordination body would be a goal under this component.

⁵⁵ This plan must be aligned with Bank interventions for natural disaster prevention and mitigation (DR-X1003, in execution, and DR-X1011, in preparation).

⁵⁶ Contributions for improvements (Law 176-07).

- (iii) **Registration, classification, and quality system for tourism establishments (US\$0.76 million).** Design and implementation of a registry system for classifying and rating the quality of tourism establishments, with a pilot in the CCSD and Santo Domingo;
- (iv) **Implementation of a tourist routes plan (US\$0.95 million).** This will include workshops, mainstreaming activities, and establishment of routes and signage.

c. Strengthen the institutions responsible for managing the CCSD⁵⁷

- (i) **Institutional strengthening plan for MITUR (US\$0.90 million).** This will include: (i) preparation, in consultation with public and private actors, of a national tourism strategy, including a strategy for Santo Domingo; (ii) strengthening of the office of institutional planning; (iii) design and implementation of an online tourism services processing system for the CCSD and Santo Domingo, for incorporation into the CCSD's integrated services management system; and (iv) update of the tourism services model;
- (ii) **Institutional strengthening plan for the ADN (US\$1.60 million).** This will include: (i) update of the ADN's legal and regulatory framework applicable to the CCSD, including regulation and promotion of residential and commercial uses; (ii) hiring of consultants and training of technical staff to support ADN management in the CCSD; (iii) establishment of a window for improving operational and management processes; (iv) consolidation of a geo-referenced system for land use, public spaces, and property registry (including titling), for incorporation into the CCSD's integrated services management system; (v) introduction of a mobility management system; and (vi) implementation of the management model for the Modelo Market.
- (iii) **Institutional strengthening plan for the MINC (US\$1.70 million).** This will include: (i) implementation of improvements to the management processes of the National Monument Heritage Bureau (DNPM) to integrate it into the one-stop window; (ii) establishment of an inventory management system for real property; (iii) strengthening of DNPM technical staff; (iv) introduction of a cultural heritage education and dissemination program; (v) design and implementation of a sustainable management system for museums; (vi) a management system for the underwater heritage; and (vii) the Creativity Division's cultural program.

d. Improve communication with social actors

- (i) **Strategic communication plan (US\$1.55 million).** Assistance for: (i) design and implementation of a communication and awareness-raising plan; (ii) design and production of five awareness-raising campaigns during execution; and (iii) dissemination of successful experiences in the rehabilitation of historic centers.

⁵⁷ The project team conducted an evaluation jointly with representatives of MITUR, the ADN and MINC.

- (ii) **Social monitoring and support plan for the program (US\$0.70 million)**. Assistance for: (i) design and implementation of a Community Participation and Relations Plan that includes a social services office to receive community complaints and suggestions and documentation of meetings and agreements reached with the community; (ii) social monitoring and support of the works; (iii) implementation of plans to give the community works-related employment opportunities; and (iv) implementation of the training plan.

1.20 The activities to be financed include consulting services, training, systems, equipment, and works.

C. Key results indicators

1.21 The expected impact is an increase in the gross domestic product of the CCSD.

1.22 The estimated principal outcomes will be: (i) an increase in total annual tourism spending in the CCSD; (ii) an increase in the ratio of tourists visiting the CCSD to those visiting Santo Domingo; (iii) an increase in the number of residents of the CCSD per hectare; (iv) a decrease in the ratio of substandard dwellings in low-income neighborhoods to total housing stock in those neighborhoods; (v) an increase in the ratio of tourists visiting the CCSD who stay overnight to total number of tourists visiting the CCSD; (vi) an increase in the ratio of formal jobs in the CCSD to the total number of businesses there; and (vii) a shortening of the average time needed for approval of licenses to repair or upgrade a building in the CCSD.

1.23 **Economic rationale.** An economic assessment was performed ([OEL#1](#)), comparing the economic and financial costs⁵⁸ and benefits of the program. It was estimated that program interventions will generate an increase in tourism-related revenue in the CCSD, by boosting the proportion of tourists visiting Santo Domingo who also visit CCSD, and the proportion of tourists visiting the CCSD who stay overnight. Using a discount rate of 12%, at the end of 2046 (30 years), program investments will be generating a net present value of US\$44.21 million, with an internal rate of return of 15%. These results are robust to the sensitivity analysis performed.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

2.1 This specific investment loan has a total cost of US\$90 million, of which the Bank will finance 100% from its Ordinary Capital resources.

⁵⁸ Including investments in public service systems.

Table 1. Overall program budget (US\$)

Categories	IDB	Local	Total	%
1. Direct costs	82,166,000	0	81,716,000	90.80
Component I: Consolidation of cultural tourism offerings	49,160,000	0	49,160,000	54.62
Component II. Improvement in habitability for residents of the CCSD	11,692,000	0	11,692,000	12.99
Component III. Development of the CCSD's local economies	10,046,000	0	10,046,000	11.16
Component IV. Strengthening of tourism, cultural, and urban management	10,818,000	0	10,818,000	12.02
2. Program administration	5,684,000	0	5,684,000	6.32
2.1 Technical coordination of execution	4,484,000	0	4,484,000	4.98
2.2 Operating/administrative expenses	600,000	0	600,000	0.67
2.3 Evaluation and monitoring	350,000		350,000	0.39
2.4 Audit	250,000	0	250,000	0.28
3. Contingencies	2,600,000		2,600,000	2.89
Total	90,000,000	0	90,000,000	100
%	100	0	100	

2.2 **Programming of disbursements.** Disbursements will be made over a period of six years, in keeping with the comprehensive and multisector nature of the intervention and the multiple actors participating in execution. There will be no local contribution:

Table 2. Programming of disbursements

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total	%
IDB	4,452,647	8,890,667	12,347,567	16,848,167	23,731,717	23,729,237	90,000,000	100
Local	0	0	0	0	0	0	0	0
Total	4,452,647	8,890,667	12,347,567	16,848,167	23,731,717	23,729,237	90,000,000	100
%	4.95	9.88	13.72	18.72	26.37	26.37	100.00	

B. Environmental and social risks

2.3 In accordance with Policy OP-703, the program is classified as a category B operation, as it may cause localized adverse environmental and social impacts of short duration, for which effective mitigation measures are available. The potential positive social and environmental impacts, all of which constitute additional program benefits, are: (i) employment opportunities, (ii) recovery of the historical heritage, (iii) restoration of public spaces and better access to basic services; (iv) infrastructure that is more resilient to climate change,⁵⁹ and (v) better habitability in the low-income neighborhoods. The potential risks and adverse social and environmental impacts are: (i) damage⁶⁰ to the cultural heritage, (ii) temporary economic damage to businesses, (iii) complaints from the community, and (iv) an increase in social problems related to tourism, especially those that affect vulnerable groups. The special contractual conditions during execution are set out in the

⁵⁹ Such as storm drainage and solid waste collection systems to reduce the risk of flooding, or the burying of overhead cables to reduce the risk of damage during hurricanes.

⁶⁰ Through improper management of works.

[Environmental and Social Management Report](#), which presents the program's risks, management measures, and indicators of environmental and social impact as well as the conditions proposed for mitigating those risks. **As a special contractual condition precedent to the first disbursement of the loan, the Program Operating Regulations will have been approved and will be in force, including environmental and social considerations stemming from the Environmental and Social Management Plan (ESMP) and its associated plans:** Involuntary resettlement of merchants from the Modelo Market (if necessary), a protocol of action for the preservation of the historical heritage for each heritage building targeted, and a contingency plan for business support in the areas of influence of the works. In addition, **as a special contractual condition precedent to the first disbursement of the loan, the Program Coordination Unit (PCU) will have a social specialist responsible for implementing and monitoring the ESMP and its associated plans, including a Community Participation and Relations Plan with a complaints and claims mechanism.** Special attention will be paid to defining mechanisms to give priority attention to vulnerable groups in the area, such as female heads of household.

C. Fiduciary risks

- 2.4 The outcome of the fiduciary capacity evaluation of the executing agency shows a "medium" level of development, associated with a "medium" level of risk. This level reflects MITUR's experience and performance in managing fiduciary processes, but also indicates the need to strengthen its capacity to execute a new operation, given the risks identified: (i) the number of fiduciary specialists may be insufficient to handle the volume of procurement and contracting for the new program; (ii) technical staff may have insufficient experience in preparing terms of reference and technical specifications; and (iii) the number and experience of personnel responsible for contract administration may fall short of requirements. The planned budget calls for the hiring of personnel to strengthen the PCU.

D. Other program risks

- 2.5 The operation is classified as medium risk. The main risks are:
- 2.6 **Public management and governance.** The risk of delays in implementing outputs is rated high, due to poor interagency coordination among the public actors responsible for CCSD management. This risk will be mitigated by creating a program execution mechanism that generates new opportunities for collaboration, clarifies institutional roles, improves governance, and ensures shared responsibility (paragraphs 3.1 to 3.5).
- 2.7 **Development.** The risk of delays in program interventions stemming from delayed action by competent institutions is rated high. This risk will be mitigated by strengthening these institutions through improvements to their operating processes. The risk of delays in works execution due to user complaints is rated medium. This risk will be mitigated through an execution strategy that minimizes possible adverse environmental and social effects caused by the works, and a social monitoring and support plan that includes a community service office. The risk that the reputation of the Bank and the government will be harmed by delays in execution due to lack of consensus on some interventions is rated medium. This risk is mitigated through the establishment of a strategic committee to enhance interagency governance and

ensure shared responsibility; a communication plan to keep public opinion informed; and a monitoring and support plan whereby the community and interested groups can keep informed and take part in the program (see paragraph 1.19 d. and [OEL#24](#)).

- 2.8 **Macroeconomic risks.** There is a medium risk of restrictions on the authorization of expenditures under debt-financed programs, due to a restrictive fiscal policy. This risk will be mitigated by using comprehensive project cycle management tools that can demonstrate performance by results; close coordination with the Ministry of Finance; and the continued presence of the project on the priority list of presidential goals.
- 2.9 **Sustainability.** There is a medium risk that businesses located near the works may be adversely affected. This risk can be mitigated by implementing the ESMP, which includes measures to ensure that establishments can continue to operate, and the Community Participation and Relations Plan. There is a medium risk of interruptions or delays in implementing the program due to changes in the government (with elections coming in 2020). This risk can be mitigated by preparing a strategy that will ensure continuity of program execution in the event of changes in the PCU. There is a medium risk that the entities responsible for the works will not have sufficient funds for their maintenance. This risk will be mitigated through technical assistance to identify additional funding sources (paragraphs 1.19 a (i)).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The executing agency will be MITUR, through the PCU for operation 2587/OC-DR, with the participation of the ADN and MINC. The PCU will comprise at least the following personnel: (i) general coordinator, (ii) monitoring and evaluation specialist, (iii) financial specialist, (iv) two procurement specialists, (v) social specialist, and (vi) area coordinators and technical personnel (engineers, urban planners, etc.). The PCU will be responsible for: (i) preparing, implementing, and updating the following tools: Project Execution Plan (PEP),⁶¹ Annual Work Plan, Procurement Plan, Risks Matrix, and Progress Monitoring Report (PMR); (ii) supervising execution and presenting progress reports; (iii) carrying out procurement processes for goods and works and contracting consultants; (iv) presenting disbursement requests and supporting documentation to the Bank; (v) preparing financial statements; and (vi) presenting the evaluation. The PORs will define the rules, procedures, flow charts, and execution responsibilities and will include regulations for at least: the housing improvement program, the façade recovery program, and the program of incentives for the private sector. The PORs must be approved and in force, as established in paragraph 2.3.
- 3.2 **As a special contractual condition precedent to the first disbursement of the loan, the program's Strategic Committee will have been established,** to ensure that strategic decisions are taken collectively and are not the exclusive responsibility of MITUR. The permanent members will be the senior authorities (or their

⁶¹ The PEP will reflect the work/activities packages, the priorities among them, the execution strategy (e.g. outsourcing), risks (including delays in obtaining permits), and critical path.

- empowered delegates) of MITUR, the ADN, MINC, and the Administrative Ministry of the Presidency, which will chair the Committee. The Strategic Committee may invite other public and private entities to send representatives to its meetings. The Strategic Committee, with MITUR serving as its technical secretariat, will have the following responsibilities: (i) examine the program plans and progress reports; (ii) approve mitigation measures in the case of delays; (iii) assume technical leadership of specific projects;⁶² (iv) resolve conflicts during execution or matters that the Technical Committee did not resolve; and (v) propose the analysis of execution methods to streamline the program's execution and operations, such as establishing a trust or a master contract for the administration and implementation of interventions that so require it, which will be spelled out in the PORs. As a condition precedent to use of the loan proceeds for Component I of the program, the Strategic Committee must have decided on the operational solution for execution of this component. The Strategic Committee will meet at least twice a year, and the agreements reached will be recorded in the minutes, which will form part of the semiannual reports sent to the Bank ([OEL#25](#)).
- 3.3 The Technical Committee will be comprised of two representatives each from the ADN, MINC, and MITUR, which will coordinate it. It will meet every two weeks and may invite other entities to attend when dealing with topics within their competence. The PCU will convene the meetings, provide the technical documents, and prepare the minutes with the decisions.⁶³ **As a special contractual condition precedent to the first disbursement of the loan, interagency coordination agreements will have been signed between MITUR and the ADN and between MITUR and MINC, establishing the parties' execution responsibilities and appointing the members of the Technical Committee.**⁶⁴ The latter will analyze program execution and propose operational solutions to streamline program execution.
- 3.4 The Advisory Committee, comprised of two representatives of academic/cultural organizations, two business people, and two representatives of neighborhood organizations,⁶⁵ will promote community participation and channel community demands. The PCU will be responsible for organizing these meetings and keeping a record of their discussions.
- 3.5 The public service delivery companies receiving financing under the program will be responsible for technical designs and works supervision as well as for the subsequent administration and maintenance of the works once they are completed. MITUR will carry out the works contracting processes. As a special contractual condition precedent to use of the financing for Component I, except for activity (d) in paragraph 1.16, interagency coordination agreements will have been signed with the entities responsible for the water and sewage, energy, and telecommunications systems, establishing the obligations of each party for program execution, including

⁶² Through interagency teams.

⁶³ The members of the Technical Committee will vote and, in case of a tie, the matter will be referred to the Strategic Committee.

⁶⁴ The PORs will spell out the procedures for executing these agreements, defining responsibilities for delivery of the outputs.

⁶⁵ Technical Committee members may participate in the Advisory Committee.

- the responsibility of these entities for the design, supervision, acceptance, and maintenance of the works.
- 3.6 **Procurement.** Procurement will be conducted in accordance with the Policies for the procurement of works and goods financed by the IDB (document GN-2349-9) and the Policies for the selection and contracting of consultants financed by the IDB (document GN-2350-9), and the provisions of the procurement plan.
- 3.7 **Direct contracting.** Pursuant to paragraph 3.10 (d) of the Policies for the selection and contracting of consultants financed by the IDB (document GN-2350-9), the Bank may authorize the direct selection of the nonprofit organization Habitat for Humanity to carry out the activities planned in the Housing Improvement Program (paragraph 1.16a), with the exception of those related to works execution, which the MITUR will put to tender. The justification for the direct selection is based on this NGO's exceptionally valuable experience in executing housing improvement programs that require social monitoring and support. Habitat has methodologies and protocols that have been successfully applied at both the national⁶⁶ and international levels, and therefore this program will benefit from Habitat's experience in initiatives of this kind. None of the institutions evaluated⁶⁷ have experience with implementing housing improvement programs requiring social monitoring and support of the beneficiary families.
- 3.8 **Disbursement period and modality.** The disbursement period will be six years. Disbursements will be made in the form of advances, based on a cash flow of the duly acquired commitments for the following six months and after having justified at least 80% of what was previously advanced.
- 3.9 **Advance procurement/retroactive financing.** The Bank may use the loan proceeds to retroactively finance the borrower's eligible expenses for preinvestment studies and the PCU's operating expenses incurred prior to the loan approval date, for up to US\$1.8 million (2% of the proposed loan amount), provided they have complied with requirements substantially analogous to those established in the loan contract. Those expenses must have been incurred on or after 25 May 2016 (date of approval of the project profile), but in no case will they include expenses incurred more than 18 months prior to the loan approval date.
- 3.10 **Audited financial statements.** The borrower will present the program's annual financial statements to the Bank, audited by an independent firm acceptable to the Bank, and a final one, within 120 days after the close of each fiscal year and after the last disbursement, respectively. 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

- 3.11 **Monitoring** will be based on (i) the Program Execution Plan and the Annual Work Plan, (ii) the Procurement Plan, (iii) the Risks Matrix and the Monitoring Plan, and (iv) the Program Monitoring Report. The PCU will prepare semiannual reports on progress against the outcome, output, and financial targets for approval by the Bank,

⁶⁶ Habitat is executing the MIF's housing improvement program (3421/OC-DR) under an agreement with Banco Ademi.

⁶⁷ The ADN, MITUR, the National Housing Institute, and Secretariat of the Presidency.

which will conduct inspection visits and ex post reviews as part of program monitoring.

- 3.12 **Evaluation** will be based on the measurement of outcomes, using the [reflexive and economic evaluation methodologies](#). The program will be evaluated against the annual targets and indicators of outputs and outcomes that make up the program results framework. At the output level, a baseline will be determined, along with a final target and the respective annual targets.

C. Design activities subsequent to approval

- 3.13 Operation 2587/OC-DR provided partial preinvestment financing for street design, restoration of ruins, physical remodeling and museography, restoration of façades, etc. Work will continue on the engineering designs and on [planning for the gradual execution of the works](#), in accordance with the [preinvestment plan](#). Presentation of the preinvestment studies for the works will be a condition precedent for the use of financing for Component I.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives		Aligned	
Development Challenges & Cross-cutting Themes		-Social Inclusion and Equality -Productivity and Innovation -Institutional Capacity and the Rule of Law	
Regional Context Indicators			
Country Development Results Indicators		-Households benefitting from housing solutions (#) -Jobs created by supported firms (#) -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)*	
2. Country Strategy Development Objectives		Aligned	
Country Strategy Results Matrix		GN-2748	Boosting the productivity of MSMEs with growth potential and increasing their market access.
Country Program Results Matrix		GN-2849	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)			
II. Development Outcomes - Evaluability		Evaluable	Weight
		8.2	Maximum Score
		8.4	10
3. Evidence-based Assessment & Solution		8.4	33.33%
3.1 Program Diagnosis		3.0	10
3.2 Proposed Interventions or Solutions		2.4	
3.3 Results Matrix Quality		3.0	
4. Ex ante Economic Analysis		10.0	33.33%
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0	10
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	
5. Monitoring and Evaluation		6.2	33.33%
5.1 Monitoring Mechanisms		2.5	10
5.2 Evaluation Plan		3.7	
III. Risks & Mitigation Monitoring Matrix			
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		B	
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)		Yes	Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System.
Non-Fiduciary		Yes	Strategic Planning National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality		Yes	The program creates new employment opportunities for women, by prioritizing support to medium and small sized enterprises lead by women. It also prioritizes housing rehabilitation for families with a female head.
Labor			
Environment		Yes	The program generates positive environmental impacts: i) restores and preserves historic and cultural heritage; ii) recovers public spaces; iii) improves access to basic services; iv) provides infrastructure more resilient to climate change; and v) improves habitation conditions in lower income neighborhoods.
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		Yes	The following technical cooperations have been financed: Master Plan for the Colonial City (ATN/SF-7633-DR); Support to the Preparation of the Tourism National Program in Santo Domingo (ATN/FG-12634-DR); Results-based Fiscal Management in the National District (ATN/OC-13168).
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			

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

The main objective of the program is to revitalize the Colonial City of Santo Domingo (CCSD) in its urban, economic and cultural tourism aspects, through: (i) the recovery of public spaces and historical monuments; (ii) the improvement of living conditions for residents; (iii) the development of local economies; and (iv) the strengthening of CCSD's management.

The POD presents the problems being addressed by the project and its dimensions. The beneficiaries are identified. The interventions proposed are linked to the problems identified in the diagnosis. While the POD refers to an impact evaluation study of a similar project, the evidence presented does not have sufficient internal validity due to several methodological limitations. In addition, the study was performed in a very different country context to the one in the Dominican Republic. Similarly, this study does not provide evidence of effectiveness for all outcomes and impacts proposed for this operation.

The results matrix has a clear vertical logic, all indicators presented are SMART, have baseline, targets, and contain a mean of verification. The project was analyzed using a cost-benefit analysis that clearly spells out the assumptions used and presents a sensitivity analysis. The increase in income generated from tourism activities was quantified as the main economic benefit of the project and results show that the project is economically viable.

The monitoring plan is solid. The evaluation plan is based on an ex post economic analysis and a before-and-after analysis, but it is noted that there is not complete consistency with the outcome indicators presented in the Results Matrix of the operation, mainly in terms of the specificity of indicators.

The risk matrix of the operation presents reasonable risks, associated mitigation measures and monitoring indicators.

RESULTS MATRIX

Objective of the Program	The principal objective of the program is to revitalize the urban, economic, and cultural tourism aspects of the Colonial City of Santo Domingo (CCSD) by: (i) restoring public spaces and historic monuments, (ii) improving habitability for residents, (iii) developing local economies, and (iv) strengthening the management of the CCSD.
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EXPECTED OUTCOMES¹

Indicators	Unit of measure	Baseline		Targets						Means of verification	Comments
		Value	Year	2017	2018	2019	2020	2021	2022		
1.1 Increased annual tourism spending in the CCSD											
Total annual tourism spending in the CCSD	US\$ millions	76.53	2015	79.63	81.22	82.85	84.50	94.05	96.81	Tourism Demand Census (MITUR 2019 and 2022)	Baseline²: total tourism spending CCSD ³ = US\$76,534,197
1.2 Increase in the ratio of tourists visiting the CCSD to tourists visiting Santo Domingo (SD)											
Total Tourists CCSD / Total tourists SD	%	35.4	2015	35.4	35.4	35.4	35.4	38.19	38.54	Annual survey (MITUR), Banco Central and Tourism Demand Census (MITUR 2019 and 2022)	Baseline: Total tourists SD (2015) = 1,429,000 ⁴ (27.8% of 5,140,000), Total tourists CCSD 2015) = 505,844 ⁵
1.3 Increase in the ratio of the number of residents in the CCSD to number of hectares in the CCSD											
Residents CCSD / Hectares CCSD	%	73.1	2015	73.1	74	75	77	78	80	Housing Census (MITUR 2019 and 2022)	Baseline: Total residents CCSD 2015= 7,750 ⁶ . Hectares= 106

¹ Interim outcomes are cumulative.

² The nominal increase in tourist spending already represents evidence of higher spending, as this indicator is influenced neither by inflation nor by economic growth.

³ Total tourist spending CCSD = Total tourists CCSD (505,844) * average spending per tourist CCSD (US\$151.3). [Tourism Demand CCSD. 2010 -2015 MITUR.](#)

⁴ Number of tourists visiting SD (1,429,000), of the total who visit the Dominican Republic (5,140,000). [Tourism Demand CCSD. 2010 -2015 MITUR.](#)

⁵ Number of tourists visiting the CCSD. [Tourism Demand CCSD. 2010 -2015 MITUR.](#)

⁶ [CCSD Population and Housing Census 2015.](#)

Indicators	Unit of measure	Baseline		Targets						Means of verification	Comments
		Value	Year	2017	2018	2019	2020	2021	2022		
1.4 Decrease in the ratio of substandard dwellings⁷ to total housing stock in low-income neighborhoods⁸											
Substandard dwellings in low-income neighborhoods in the CCSD / Total housing stock in low-income neighborhoods in the CCSD	%	66	2015	66	60	55	45	45	45	MITUR annual monitoring report	Baseline: Substandard dwellings in low-income neighborhoods = 640 Total dwellings in low-income neighborhoods = 970 ⁹ 200 dwellings will be rehabilitated
1.5 Increase in the ratio tourists visiting the CCSD who stay overnight¹⁰ to total number of tourists visiting the CCSD¹⁰											
Tourists who stay overnight in CCSD / Total tourists visiting CCSD	%	29.00	2015	29.0	29.0	29.0	29.0	29.57	29.57	MITUR annual survey	Baseline: Tourists who stay overnight = 146,694 Tourists who visit CCSD = 505,844 ¹¹
1.6 Decrease in the ratio of vacant dwellings to total housing stock in the CCSD											
Vacant dwellings in CCSD / Total housing stock in CCSD	%	22.8	2015	22.8	22	20	18	17	16	Housing Census (MITUR 2019 and 2022)	Baseline: Existing dwellings = 3,764 Vacant dwellings = 857 ¹²
1.7 Increase in the ratio of jobs to total number of businesses in the CCSD											
Jobs in CCSD / Total businesses in CCSD	%	3.3	2015	3.3	4.0	4.5	5.0	5.5	6.0	Business Census (MITUR 2019 and 2022)	Baseline: Jobs in CCSD = 5,537 Businesses = 1,694 ¹³

⁷ Dwellings with substandard materials or services (qualitative deficit). In the CCSD, 16.9% of dwellings have tin, cardboard, or wood roofs, nearly 10% have no in-house water supply and 7.8% of dwellings have walls of inadequate materials.

⁸ Refers to the poorest neighborhoods in the north: San Lázaro, Santa Bárbara, San Miguel, and San Antón.

⁹ The qualitative housing deficit is worse in the northern zone, with 970 dwellings, where the proportion of substandard construction is double that in the rest of the CCSD. In Santa Bárbara, 47% have tin, cardboard, or wood roofs and 20% have walls of inadequate materials.

¹⁰ This indicator affects the increase in average tourist spending in the CCSD.

¹¹ [CCSD Tourism Demand, 2010 -2015 MITUR.](#)

¹² [CCSD Population and Housing Census 2015.](#)

¹³ [CCSD Business Census and Survey.](#)

Indicators	Unit of measure	Baseline		Targets						Means of verification	Comments
		Value	Year	2017	2018	2019	2020	2021	2022		
1.8 Increase in the ratio of types of in-demand training programs offered by technical schools located in the CCSD to types of in-demand training programs											
Programs in demand offered by technical schools located in the CCSD/Total programs in demand	%	30	2015	30	40	60	80	90	100	MITUR annual monitoring report	Baseline: Programs offered: music, painting, and theater (3) Target: music, painting, theater, hotel and catering services, tourist guides, handicrafts, restoration, and languages (10) ¹⁴ .
1.9 Reduction in average time for a license to remodel¹⁵ a building to be approved											
Average time for license to remodel a building in the CCSD to be approved	Days	120	2015	120	100	80	60	50	45	Independent evaluation with information provided by the ADN	Baseline: Average number of days for approval of license = 90

¹⁴ [CCSD Tourism Demand. 2010 -2015 MITUR.](#)

¹⁵ To perform any type of work on the building (restoration, modification, etc.).

OUTPUTS ¹⁶

Indicators	Unit of measure	Baseline		Targets ¹⁷							Means of verification	Comments
		Value	Year	2017	2018	2019	2020	2021	2022	Target		
COMPONENT I. Consolidation of cultural tourism offerings												
Public spaces recovered in priority streets ¹⁸	Linear meters	0	2015	0	1,000	1,000	2,000	1,000	1,430	6,430	MITUR annual monitoring reports and final evaluation	Linear meters. Responsibility for maintenance
Archaeological ruins restored	Modules	0	2015	0	0	1	1	1	2	7	MITUR annual monitoring reports and final evaluation	(i) Interpretation Center; (ii) Convent; (iii) Archaeological Park; Streets (iv) Restoration; (v) Juan Isidro Pérez; (vi) Hostos; and (vii) Tejera
Ozama river banks restored	Linear Park	0	2015	0	0	0 <i>engineering design completed</i>	0 <i>works executed</i>	0 <i>works executed</i>	1 <i>works executed</i>	1	MITUR annual monitoring reports and final evaluation	2018 engineering design; 2019 works. Landscaping. Priority access and connectivity. Parking. Mobility: linking east and west banks
Museums restored	Museum	0	2015	0	0	1	1	1	1	4	MINC annual monitoring reports and final evaluation	Museums: (i) Alcázar de Colón; (ii) Casas Reales; (iii) Fortaleza; and (iv) Museo de la Catedral
Urban mobility plan implemented	Plan	0	2015	0	0	0	0 <i>works executed</i>	0 <i>signage placed</i>	1 <i>parking designed, implemented and supervised</i>	1	ADN annual monitoring reports and final evaluation	Includes design and execution of works (pedestrian streets, cycling paths etc.), construction of parking lot, placement of signage, and awareness-raising campaigns to improve circulation

¹⁶ Interim results are annual. Each institution is responsible for maintenance of the works, e.g. CAASD for the water and sewage system.

¹⁷ The output milestones are in italics.

¹⁸ Rehabilitation of streets: water supply system, storm drainage, sewers repaired; (ii) electric and telecommunication cables buried; (iii) pavement renewed; and (iv) improved lighting, street furniture, signage and treescaping, with focus on climate change mitigation and adaptation, and priority to pedestrian traffic.

Indicators	Unit of measure	Baseline		Targets ¹⁷							Means of verification	Comments
		Value	Year	2017	2018	2019	2020	2021	2022	Target		
Improved trash collection system	System	0	2015	0	0	0 <i>designed</i>	0 <i>implemented</i>	0 <i>implemented</i>	1 <i>implemented</i>	1	ADN annual monitoring reports and final evaluation	
Expanded video surveillance and lighting system	System	0	2015	0	0 <i>designed</i>	0 <i>implemented</i>	0 <i>implemented</i>	1 <i>implemented</i>	0	1	ADN annual monitoring reports and final evaluation	
COMPONENT II. Improvement in habitability for residents of the CCSD												
Improved housing	Dwellings	0	2015	0	60	60	60	20	0	200	MITUR annual monitoring reports and final evaluation	
Façade restoration program	Façades	0	2015	10	10	10	10	50	30	120	MITUR annual monitoring reports and final evaluation	
Proposed profitable business model prepared with buildings suitable for affordable housing identified	Proposal	0	2015	0	0	0	1	0	0	1	MITUR annual monitoring reports and final evaluation	
Architectural design for affordable housing construction prepared and presented (at builders' fairs)	Design	0	2015	0	0	0	1	0	0	1	MITUR annual monitoring reports and final evaluation	
Community public spaces recovered	Public spaces	0	2015	0	0	1	2	2	1	6	MITUR annual monitoring reports and final evaluation	Plazas: San Lázaro, San Miguel, and Parque Colón. Forts: San Miguel, San Antón, and Santa Bárbara
COMPONENT III. Development of local economies												
Modelo Market upgraded and in operation	Market	0	2015	0	0 <i>Design</i>	0 <i>Works</i>	0 <i>Market upgraded</i>	1 <i>In operation</i>	0	1	MITUR annual monitoring reports and final evaluation	

Indicators	Unit of measure	Baseline		Targets ¹⁷							Means of verification	Comments
		Value	Year	2017	2018	2019	2020	2021	2022	Target		
Microenterprises assisted ¹⁹	Microenterprise	0	2015	5	20	20	40	20	15	120	MITUR annual monitoring reports and final evaluation	
Microenterprises financed through a competitive fund	Microenterprise	0	2015	0	0	0	10	10	0	20	MITUR annual monitoring reports and final evaluation	
Technical schools with job training program implemented	Technical school	0	2015	0	0	1	1	1	0	3	MITUR annual monitoring reports and final evaluation	Technical schools: (i) Workshop school (Ministry of Labor); (ii) Polytechnical school (Ministry of Education) (iii) Fine Arts Schools (MINC)
Urban cultural program implemented	Program	0	2015	0	0	0 developed	0 implemented	0 implemented	1 implemented	1	MITUR annual monitoring reports and final evaluation	
COMPONENT IV. Strengthening of tourism, cultural, and urban management												
Sustainable management mechanism for the CCSD implemented	Mechanism	0	2015	0	0	0 designed	0 implemented	1 implemented	0	1	ADN resolution	
Integrated services management system for the CCSD	System	0	2015	0	0 designed	0 implemented	0 implemented	1 implemented	0	1	Independent evaluation with MITUR support and final evaluation	
Marketing plan implemented	Plan	0	2015	0	0 designed	0 implemented by MITUR	0 implemented by MITUR	0 implemented by MITUR	1 implemented by MITUR	1	MITUR annual monitoring reports and final evaluation	

¹⁹ 120 microbusinesses will receive financial support, technical assistance, and physical upgrades. Operation ATN/ME-13126-DR (MIF) is executing an assistance program for microbusinesses in the CCSD, using a methodology that will be replicated by this operation, which will incorporate good practices and lessons learned.

Indicators	Unit of measure	Baseline		Targets ¹⁷							Means of verification	Comments
		Value	Year	2017	2018	2019	2020	2021	2022	Target		
Tourism Observatory for the CCSD established	Observatory	0	2015	0	0 <i>designed</i>	0 <i>implemented</i>	1 <i>implemented</i>	0	0	1	MITUR annual monitoring reports and final evaluation	
National Registration, Classification and Quality System for Tourism Establishments implemented	System	0	2015	0	0	0	0 <i>Pilot program implemented in a group of establishments</i>	1 <i>system implemented</i>	0	1	MITUR annual monitoring reports and final evaluation	
Tourist route plan implemented	Plan	0	2015	0	0 <i>designed</i>	0 <i>implemented</i>	0 <i>implemented</i>	0 <i>implemented</i>	1 <i>implemented</i>	1	MITUR annual monitoring reports and final evaluation	
MITUR institutional strengthening program implemented	Program	0	2015	0 <i>designed</i>	0 <i>implemented</i>	0 <i>implemented</i>	0 <i>implemented</i>	0 <i>implemented</i>	1 <i>implemented</i>	1	MITUR annual monitoring reports and final evaluation	
ADN institutional strengthening program implemented	Program	0	2015	0 <i>designed</i>	0 <i>improved processing of permits</i>	0 <i>ADN legal framework strengthened</i>	0	0 <i>implemented</i>	1 <i>implemented</i>	1	ADN annual monitoring reports and final evaluation	
MINC institutional strengthening program implemented	Program	0	2015	0 <i>designed</i>	0 <i>improved processing of permits and land use control</i>	0 <i>policy for recovery of heritage and flagship buildings of CCSD implemented</i>	0 <i>implemented</i>	0 <i>implemented</i>	1 <i>implemented</i>	1	MINC annual monitoring reports and final evaluation	
Strategic communication plan for the program implemented	Plan	0	2015	0 <i>designed</i>	0 <i>communication campaign implemented</i>	0 <i>communication campaign implemented</i>	0 <i>communication campaign implemented</i>	0 <i>communication campaign implemented</i>	1 <i>communication campaign implemented</i>	1	MITUR annual monitoring reports and final evaluation	
Social action plan for the program implemented	Plan	0	2015	0 <i>designed</i>	0 <i>creation of the customer service office</i>	1 <i>implemented</i>	0	0	0	1	MITUR annual monitoring reports and final evaluation	

FIDUCIARY AGREEMENTS AND REQUIREMENT

Country:	Dominican Republic
Project number:	DR L1084
Name:	Comprehensive Tourism and Urban Development Program for the Colonial City of Santo Domingo
Executing agency:	Ministry of Tourism (MITUR), with the participation of the Municipal Government of the National District (ADN) and the Ministry of Culture (MINC)
Prepared by:	Willy Bendix (FMP/CDR); Christian Contin (FMP/CDR)

I. EXECUTIVE SUMMARY

- 1.1 The inputs for this document are the 2012 PEFA report¹ and its subsequent monitoring reports, as prepared recently by the Ministry of Finance, which show progress in some areas of the Government of the Dominican Republic's public finance management system. Similarly, it takes into account the results of the last ex post supervision report on program procurement of late May 2016, as well as the financial audit and internal control reports. This information is supplemented by the results of the recent institutional capacity assessment as well as experience with fiduciary supervision in the context of executing loan contract 2587/OC-DR, conducted by the Bank's financial management and procurement specialists.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The Program Coordination Unit (PCU) of MITUR is currently implementing the Tourism Development Program – Colonial City of Santo Domingo (2587/OC-DR) in the amount of US\$31.151 million. For execution of the new operation, the PCU has been established within the Office of the Minister of Tourism and has a functional organization structure that includes technical and administrative execution areas.
- 2.2 Management of both the procurement and the financial aspects of the program under loan 2587/OC-DR has been satisfactory² in terms of applying and observing Bank policies, as confirmed in the last ex post procurement evaluation report and the financial audit and internal control reports for the program.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The results of the fiduciary capacity assessment of the executing agency show a “medium” level of development, associated with a “medium” level of risk. In this context, while the favorable results of the evaluation methodology reflect the

¹ Public Expenditure and Financial Accountability Report.

² Classification from the evaluation: Satisfactory (S) as of May 2016.

ministry's experience and performance in adopting financial, administrative, and technical management mechanisms consistent with Bank standards, they also reveal the need to strengthen fiduciary capacity for the administration of a new contract of the magnitude of this program, which is three times the size of the current program.

- 3.2 In the fiduciary evaluation of the current program, the following weaknesses were identified, and will need to be strengthened for managing a new operation: (i) insufficient number of procurement specialists to handle the volume of purchases and contracts under the new program, leading to delays in procurement processes and in the administration of contracts; (ii) lack of experience on the part of technical staff in preparing terms of reference and technical specifications, meaning that procurement staff are obliged to provide assistance to other units, thereby reducing their effective availability for procurement processes; (iii) inadequate preparation (in terms of the required form and quality) of bidding documents for the program works; and (iv) the possibility that the volume of additional financial and accounting processes will exceed current staff capacities.
- 3.3 The following measures are recommended to mitigate these weaknesses: (i) increase the staffing complement in the procurement unit; (ii) strengthen the planning and monitoring area; (iii) revise the structure and organizational processes of the PCU to achieve better separation of management, technical, and fiduciary functions; (iv) improve the capacities, levels, and functions of the assigned technical assistants, especially those responsible for the infrastructure component, in order to streamline and enable the technical monitoring of investments; and (v) reinforce the Financial and Accounting Unit with support personnel.

IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE CONTRACT

- 4.1 The following agreements and requirements will be considered in the operation:
- a. **Special contractual conditions precedent to the first disbursement of the loan proceeds.** The borrower will present evidence that the Program Operating Regulations (PORs) have been approved and are in force, under terms previously agreed upon with the Bank.
 - b. **Financial statements and other audited reports.** During program execution, the executing agency will present the program's audited annual financial statements, in accordance with Bank policies. In addition, a preliminary audit report covering the first six-month period of each year will be required, to be presented within 60 days after the close of that period. The program's external audits will be performed by a firm of independent auditors acceptable to the Bank. The cost of these audits will be financed with proceeds from the loan.
 - c. **Exchange rate agreed upon with the executing agency for the rendering of accounts.** For purposes of Article 4.10 (b) of the General Conditions of this contract, the parties agree that the applicable exchange rate will be the one indicated in subparagraph (b)(i) of that article. For purposes of determining the equivalence of expenses incurred in local currency as a charge against the local contribution or for reimbursement of expenditures from the loan, the agreed exchange rate will be the exchange rate on the effective date on which the borrower, the executing agency, or any other natural or legal person

authorized to incur expenditures makes the respective payments to the contractor, supplier, or beneficiary.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

A. Procurement execution

5.1 Procurement will be carried out in accordance with policies GN-2349-9 and GN-2350-9, and will be executed by MITUR's PCU.

- a. **Procurement of works, goods, and nonconsulting services.**³ Under this category, procurement subject to international competitive bidding (ICB) will be conducted using the standard bidding documents (SPD) issued by the Bank, while procurement subject to national competitive bidding (NCB) will be conducted using national bidding documents agreed upon with the Bank (or satisfactory to the Bank). The Bank's sector specialist/project team leader will be responsible for reviewing/approving the technical specifications.
- 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 (SRP) issued by the Bank. The Bank's sector specialist for the program 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 UNDB, in order to obtain background on qualified consultants. On the Bank's side, the program's sector specialist will be responsible for reviewing/approving the terms of reference for the contracting of services.
- d. **Procurement planning.** MITUR's PCU 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 real execution needs and the progress achieved.
- e. **Direct contracting.** Pursuant to the Policies for the selection and contracting of consultants financed by the IDB (document GN-2350-9, paragraph 3.10 (d)), the Bank may authorize the direct selection of the nonprofit organization Habitat for Humanity to carry out the activities planned in the Housing Improvement Program (paragraph 1.16a), except for those related to execution of works, which MITUR will put to tender. The rationale for the direct selection is based on this NGO's exceptionally valuable experience in executing housing improvement programs that require social monitoring and support. Habitat has methodologies and protocols that have been successfully applied at both the national⁴ and international levels, and therefore this program will benefit from Habitat's experience in initiatives of this kind. None of the institutions

³ Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-9), paragraph 1.1: Services other than consulting services will be treated like goods.

⁴ Habitat is executing the MIF's housing improvement program (3421/OC-DR and 3421B/OC-DR) under an agreement with Banco Ademi.

evaluated⁵ have experience in implementing housing improvement programs that requires social work in support of the beneficiary families.

- f. **Advance procurement/retroactive financing.** The Bank may use the loan proceeds to retroactively finance the borrower's eligible expenses for preinvestment studies and the PCU's operating expenses incurred prior to the loan approval date, for up to US\$1.8 million (2% of the proposed loan amount), provided they have complied with requirements substantially analogous to those established in the loan contract. Those expenses must have been incurred on or after 25 May 2016 (date of approval of the project profile), but in no case will they include expenses incurred more than 18 months prior to the loan approval date.
- g. **National preference.** For execution of this operation, no national preference will be considered in the procurement processes for the goods envisaged.

B. Thresholds

- 5.2 The thresholds determining the use of ICB and the preparation of the shortlist with international consultants will be made available to the executing agency at www.iadb.org/procurement. The selection method will be determined according to the complexity and the characteristics of the procurement or contract, which must be reflected in the procurement plan approved by the Bank.

C. Main procurement items

- 5.3 MITUR will be responsible for preparing the procurement plan. The Procurement Specialist will provide assistance to ensure that procedures are consistent with Bank procurement policies, and will issue the required opinion for the consideration of the Sector Specialist/Project Team Leader. The main procurement items planned for this operation are detailed below:

Activity	Type of bidding	Estimated date	Estimated amount (US\$000)
Works			
Mobility, streets, and burying of cables	ICB	Years 2, 3, 4, 5, and 6 of the program	US\$27,300
Reconditioning of tourism infrastructure in the Colonial City	ICB	Years 1, 2, 3, 4, 5, and 6 of the program	US\$17,500
Housing and Modelo Market and physical improvement of MSEs	ICB	Years 3, 4, 5, and 6 of the program	US\$7,800
Goods			
Improved trash collection system for the Colonial City.	ICB	Year 3	US\$3,000
Consultants (firms)			
Supervision of the various works contracts.	QCBS	Year 2	US\$2,300

⁵ ADN, MITUR, National Housing Institute, and Secretariat of the Presidency.

Activity	Type of bidding	Estimated date	Estimated amount (US\$000)
Services			
Museography	ICB	Year 2	US\$2,600
Communications plan, awareness-raising campaigns, and community relations plan.	NCB	Year 1	US\$2,250
* To access the procurement plan for the first 18 months, click here .			

D. Supervision of procurement

- 5.4 In accordance with the fiduciary risk level identified for the program, the supervision method will be ex post, and the 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 MITUR's PCU will be responsible for maintaining the files and supporting documentation for procurement processes and all the receipts for payments made with program resources, and will do so 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 Budget Department, in coordination with the Ministry of Economy, Planning, and Development and other government entities. MITUR recently created a strategic and operational planning unit as part of its organizational structure. This area for improvement falls within the scope of the institutional strengthening called for in the program. In addition to the planned institutional strengthening measures, the program's design and execution will use the Bank's planning mechanisms (program execution plan, annual work plan, procurement plan). No provision is made for counterpart resources, and therefore will not be required as part of budget programming.
- 6.2 **Accounting and financial information systems.** MITUR will use the official accounting and budget control system known as UEPEX/SIGEF, which records the accounting transactions and 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) advance of funds, based on a financial plan, which funds 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 (ii) through payments to third parties on behalf 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. A suitable system of financial management and controls will be required 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 rendering accounts.** For purposes of Article 4.10 (b) of the General Conditions of this contract, the applicable exchange rate will be the one used to convert funds disbursed in dollars into the currency of the borrowing country (subparagraph (b)(i)). For purposes of determining the equivalence of expenses incurred in local currency as a charge against the local contribution or for reimbursement of expenditures from the loan, the agreed exchange rate will be the exchange rate on the effective date on which the borrower, the executing agency, or any other natural or legal person authorized to incur expenditures makes the respective payments to the contractor, supplier, or beneficiary.
- 6.5 **Internal control and external audit.** The Office of the Comptroller General of the Dominican Republic (CGRD) is responsible for the government's internal auditing process. To perform this function, the CGRD relies on internal auditing units in each entity of the Dominican government. The Bank maintains ongoing exchanges with the CGRD 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.
- 6.6 The Office of the Auditor General [*Cámara de Cuentas*] of the Dominican Republic is an autonomous entity whose responsibilities include performing external audits of entities that receive or manage State funds (law 10-04), but the Bank has not yet certified it for use in its operations. Consequently, for this 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. The external audits will be performed based on terms of reference previously agreed upon with the Bank and in accordance with the requirements of Bank policies and procedures on this topic. The auditing services must be contracted in a timely manner so that the auditor is able to present periodic preliminary or midterm reports to facilitate monitoring and maintenance of the executing agency's required controls for program management. The costs of program auditing are estimated at around US\$250,000, and will be financed with proceeds from the loan.
- 6.7 **Financial supervision plan.** MITUR already has a PCU, staffed with coordination and 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, and ongoing dialogue and communication, as well as through the external auditors contracted. Nevertheless, a workshop will have to be held to review Bank policies and procedures in the fiduciary area in order to keep PCU staff up to date. In addition, once operations under loan 2587/OC-DR are concluded, and before this new operation gets under way, a meeting will be held between the executing agency and the Bank to review the results of the final audit report, as well as to review and

implement the recommendations identified in the report in order to mitigate possible risks to this new operation. The risks of the operation will be subject to constant monitoring by the project team, especially during the first year of execution.

- 6.8 **Execution mechanism.** As noted earlier, MITUR already has a PCU to carry out its functions. The PCU serves as liaison both with the Bank and with the technical, administrative, and financial units of MITUR and the other participating entities. As work progresses on the institutional strengthening of MITUR, it is recommended that at least one planning specialist and one additional accountant be incorporated into the PCU's current structure in order to improve the quality of the fiduciary service provided by the PCU.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/16

Dominican Republic. Loan ___/OC-DR to the Dominican Republic
Comprehensive Tourism and Urban Development Program
for the Colonial City of Santo Domingo

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Dominican Republic, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Comprehensive Tourism and Urban Development Program for the Colonial City of Santo Domingo. Such financing will be for the amount of up to US\$90,000,000 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)