

Evaluation of EC Country Strategy: The Dominican Republic 1996-2000

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The authors accept sole responsibility for this report. The report does not necessarily reflect the views of the *European Commission*, which commissioned this report.

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List of abbreviations

| | |
|------------------|--|
| ACP | African, Caribbean and Pacific (Lomé Convention) |
| ACS | Association of Caribbean States |
| ADN | Ayuntamiento del Distrito Nacional |
| AECI | Agencia Española de Cooperación Internacional |
| CAASD | Corporación de Acueducto y Alcantarillado de Santo Domingo |
| CACM | Central American Common Market |
| CAFTA | Central American Free Trade Area |
| CARICOM | Caribbean Community |
| CARIFORUM | Caribbean Forum of ACP States |
| CARIMOS | Organisation for Monuments and Sites in the Wider Caribbean |
| CAS | Country Assistance Strategy |
| CBI | Caribbean Basin Initiative |
| CBO | Community-based organisation |
| CDF | Comprehensive Development Framework |
| CDP | Consejos y Comisiones de Desarrollo Provincial y Local |
| CEDA | Caribbean Export Development Agency |
| CERSS | Comisión Ejecutivo para la Reforma del Sector Salud |
| CGCED | Caribbean Group for Cooperation in Economic Development |
| CONAU | Consejo Nacional de Asuntos Urbanos |
| CPRyME | Comisión Presidencial para la Reforma y Modernización del Estado |
| CSE | Country Strategy Evaluation |
| CSP | Country Strategy Paper |
| CTDP | Caribbean Tourism Development Programme |
| CULP | Caribbean University Level Programme |
| DFID | Department for International Development (UK) |
| DG | Directorate General, European Commission |
| DR | Dominican Republic |
| EC | European Commission |
| EC | European Community (aid) |
| EDF | European Development Fund |
| EIA | Environmental impact assessment |
| EU | European Union |
| FTAA | Free Trade Area of the Americas |
| GAD | Grupo de Acción por la Democracia |
| IDB | Inter-American Development Bank |
| IDDI | Instituto de Desarrollo Integral |
| IMF | International Monetary Fund |
| INAP | Instituto Nacional de Administración Pública |
| INPRA | Instituto Nacional de Protección Ambiental |
| INTEC | Instituto Tecnológico de Santo Domingo |
| JAD | Junta Agroempresarial Dominicana |
| JCE | Junta Central Electoral |
| MTR | Mid-term review |
| NAO | National Authorising Officer |
| NGO | Non-governmental organisation |
| NIP | National Indicative Programme |
| OECD | Organisation for Economic Cooperation and Development |
| ONAP | Oficina Nacional de Administración de Personal |
| ONAPLAN | Oficina Nacional de Planificación |

| | |
|-----------------|--|
| PAFI | Programa de Administración Financiera Integrada (IDB) |
| PARME | Programa de Apoyo a la Reforma y Modernización del Estado |
| PASP | Programa de Apoyo al Sector Privado |
| PLD | Partido para la Liberación Dominicana |
| PMU | Project management unit |
| PRD | Partido Revolucionario Dominicano |
| PRIDEP | Programa Integrado de Desarrollo de la Educación Primaria |
| PRISA | Programa Integrado de Salud en la Región Suroeste |
| PROCREBI | Programa Binacional de Crédito Rural |
| PROLINO | Proyecto de Desarrollo Rural Integrado de la Línea Noroeste |
| PROSIP | Programa Sectorial de Importación de Productos Petroleros |
| PUCMM | Pontificia Universidad Católica Madre y Maestra |
| RESURE | Reestructuración Social, Urbana y Económica (UNDP) |
| RIP | Regional Indicative Programme |
| SABAMAR | Proyecto de Saneamiento Ambiental en Barrios Urbanos Marginales de Santo Domingo |
| SAF | Structural Adjustment Facility |
| SCR | Common Service for External Relations, European Commission |
| SEA | Secretaría de Estado de Agricultura |
| SEEC | Secretaría de Estado de Educación y Cultura |
| SESPAS | Secretaría de Estado para la Salud Pública y Asistencia Social |
| STP | Secretariado Técnico de la Presidencia |
| TA | Technical assistance / technical assistant |
| UNDP | United Nations Development Programme |
| USAID | United States Agency for International Development |
| WB | World Bank |
| WTO | World Trade Organisation |

Executive summary

This is the executive summary of the Evaluation of the EC's Country Strategy in the Dominican Republic for the years 1996-2000. It is part of a series of Country Strategy Evaluations of EC aid.

The report is based on a mission to the Dominican Republic that took place from 23 February to 10 March 2000 and a subsequent visit to Washington DC. The mission involved an extensive review of Delegation files, available mid-term reviews and evaluations, and interviews with Delegation staff, other donors, Government officials, and civil society organisations (64 interviews in total, see Annex 2, p. 79).

Ch. 1 focuses on the *relevance* of the EC's country strategy in the Dominican Republic. Key aspects of the country context are reviewed and used to assess the relevance of the EC's country strategy (before implementation). Ch. 2 looks at the *performance* of the EC's programme in the Dominican Republic, focusing principally on its impact with respect to the EC's priority objectives. Ch.3 looks at key factors which *explain the performance* of the programme. Ch. 4 presents *recommendations*.

1. Relevance of the strategy (p. 1)

Country analysis

1. *Political situation.* The transition from an authoritarian, clientelistic system to a more democratic political system has been difficult. However, the transition is consolidating, particularly with the 1996 and 2000 elections. The political system has contributed to long-standing weaknesses in public administration: poor budget management, institutional fragmentation, and a weak civil service. The high discretionality and limited accountability of the executive exacerbate the confrontational nature of party politics.

2. There is recognition of the increasing role of civil society in the reform process. Civil society actors have been involved in a number of efforts at consensus building, the most recent being the 1999-2000 *mesas de trabajo* led by the Catholic university (PUCMM) and the World Bank (see box on page 3) and Foro Ciudadano. There has also been a process of consolidation of community-based organisations, particularly in Santo Domingo.

3. On coming into office in 1996, the Fernández administration moved an ambitious reform programme (including governance) onto the national agenda. However, a clear strategy does not seem to be being followed and governance problems remain.

4. *Economic situation.* The economy has been growing particularly rapidly since 1995, with little inflation. This is partly attributed to the growth of the US economy, to foreign investment, to the success of the 1990 reform measures and the role of the Central Bank. However, there is marked duality and a number of possible sources of vulnerability.

5. *Social developments.* Discussion of poverty is severely limited by the poor knowledge of its extent. The country is middle income, but inequality is high, and the neighbouring country (Haiti) is the poorest in the Americas. There is a perception that high growth has not benefited the poorest.

Expenditure on basic social services has historically been low and inefficient and has not targeted the poor.

6. Environmental problems have increased, particularly deforestation and pollution in coastal areas. Solid waste collection and disposal is weak. Drug trafficking and money laundering appears to have increased.

7. *Integration into the world economy and into the region: good progress.* The economy has become increasingly integrated into the world economy, with significant investment from abroad and diversification away from primary exports, with rapid growth of free trade zones and tourism. Some sectors are still protected, but a

gradual process of trade liberalisation was begun in 1991. The Fernández administration has signed free trade agreements with Central American countries (CACMA) and CARICOM and membership of the WTO, ACS and work for the FTAA. The integration to the world economy has been one of the key priorities (and successes) of the Fernandez administration.

8. Relations with Haiti have historically been difficult, but the two Govts. have become much closer since 1996.

9. *Donors in the Dominican Republic.* The level of official development assistance is relatively low, and the country is not under an IMF structural adjustment programme. However, the IDB and the World Bank have recently increased their portfolios. Relations between the Govt. and donors are motivated in large part by trade and geopolitical objectives.

10. Major donors are beginning to identify weak governance as a key constraint in the Dominican Republic. There has been insufficient focus by donors on the transparency and efficiency of the budget process and public administration reform.

11. The Govt. has weak aid coordination mechanisms. Most aid is handled by the Secretariado Técnico de la Presidencia (STP), but is not integrated with the Government budget planning and implementation process (which is very weak). EC aid is handled by its own Ministry, the NAO office, which in practice has limited interaction with the STP.

Relevance of EC strategy to country needs (p. 10)

Preparation of the strategy

12. The EC's country strategy was prepared under the Balaguer Govt., before the Presidential elections of 1996. However, the Country Strategy Paper (CSP) did not consider the scenario of a change in Govt. Consequently it was revised only a few

months after approval. Reform and modernisation of the State was introduced as a new principal sector, but with limited analysis of the prospects of success of the reform programme.

13. While donor coordination was in general weak at that time, Member States were consulted on the CSP. Consultation with other donors was weaker. The CSP did not present an analysis of complementarity.

14. There was very limited consultation with representatives of civil society.

Assessing the strategy documents (p. 13)

15. The CSP offered a clearly presented analysis of the principal constraints on development, but did not benefit sufficiently from assessments of previous interventions.

16. The revised CSP and the 1997 NIP included 3 focal sectors: reform and modernisation of the State, water in urban areas, and health and education. There was limited justification of the choice of sectors, and concentration was further diluted by including interventions in the private sector, farming, regional programmes with Haiti and interventions (outside the NIP) such as Sysmin.

17. The revised strategy gave emphasis to governance, civil society and poverty. However, there was insufficient analysis of the viability of key interventions (in institutional reform, decentralisation, and financial management) and of their demands on staff. The choice of sectors was not based on the EC's relative advantages.

The EC's programme (p. 17)

18. The Dominican Republic signed the Lomé Convention in 1989. The 1st NIP included € 85 million of project aid, while the 2nd NIP (since 1997) amounted to € 106 million. 7th EDF commitments also included structural adjustment support (€ 31 million) and through the Sysmin (€ 23 million). Budget line contributions have been relatively small.

2. Performance of the EC's programme (p. 21)

The analysis focuses on 7th EDF interventions, and on the likely impact of 8th EDF interventions.

Governance and the rule of law

19. 1st NIP programmes were not targeted at governance or the rule of law, even though weaknesses of Govt. systems and financial controls contributed to significant implementation problems (including in support to the NAO office). Financial management problems affected the EC's relationship with the NAO office and were very time-consuming for Delegation staff.

20. The 2nd NIP includes two major programmes in this area. *PARME* (support for State reform, € 29.5 million) is the most important and includes components for judicial reform, reform of the central public administration, and decentralisation (the largest component).

21. The second largest project in the 2nd NIP, *SABAMAR* (water and sanitation in Santo Domingo, € 21.8 million) has been innovatively designed, with components linking local government and community organisations. It is consistent with a bottom-up approach to improving governance.

22. These programmes increase the relevance of the EC's strategy, but their success may be curtailed by over-complex design, and by insufficient institutional analysis and coordination with other donors (see below).

Poverty reduction (p. 23)

1st NIP

23. 1st NIP interventions focused on poverty through programmes which targeted the poorest areas, though their impact has been limited by the weakness of Govt. institutions and by a somewhat greater emphasis on construction than institutional components.

24. For example, *PRIDEP* (€ 6.2 million), which targeted basic education in 3 of the poorest provinces, was found by evaluations and audits to have weak results and poor management. *Structural Adjustment* support operations appear to have shown similar problems. *PROLINO*, an integrated rural development programme (€ 23.6 million), was relatively more successful, but a mid-

term evaluation still found it to be less successful than initially intended (although findings are disputed by the Delegation). *PRISA* (health-care in some of the poorest provinces, € 10.5 million), had important successes, e.g. working with NGOs in basic sanitation, but institutional strengthening may have been constrained by weaknesses in the Ministry of Health. Interventions supporting the private sector (*PASP*, *Los Toros* and *Sysmin*) did not target poverty.

2nd NIP

25. 2nd NIP interventions continue the poverty focus but with more policy and institutional components, increasing their likely poverty impact. For example, learning from the experience of *PRISA*, the Health Sector Reform programme (€ 12 million) aims to strengthen institutions in the health sector at both central and decentralised levels. However, while the Technical and Professional Education programme (€ 11.8 million) includes institutional components, it does not focus on poverty.

26. *SABAMAR* is a key innovative intervention in this area and targets water and sanitation for approximately 480,000 inhabitants in 16 marginal districts in Santo Domingo. If successful (see section below) it would have a high impact on poverty.

27. Moreover, if successful, the *focus on governance* should also have an important impact on poverty (e.g. *PARME*), through improving the efficiency of service delivery by central and local governments.

28. A number of smaller projects are likely to have a positive (though localised) impact in reducing poverty: Reconstruction of Schools (€ 7.2 million) and Reconstruction of Road Infrastructure (€ 6.5 million). Binational projects with Haiti in the regional programme appear to offer considerable scope for replication (with due care for design and financial controls).

Environment and gender (p. 29)

29. Evaluators found insufficient focus on gender and environment issues in EC aid programmes. However, recent interventions show a greater inclusion of gender equality components and in a few programmes gender equality indicators are being used to monitor the Govt.'s progress relative to its policy commitments.

30. Even though there are significant environmental problems in the Dominican Republic, the EC programme has had a weak environmental focus. The EC lacks an overall strategy and has learned few lessons in this area (q.v. weakness of the Sysmin evaluation). It is expected that *SABAMAR* could begin to redress this imbalance. A few EC projects have included specific activities targeting the environment, including the new Environmental Trans-Border Project (€ 4 million regional programme).

Regional cooperation (p. 31)

Improved cooperation with Haiti

31. The EC's programme is likely to have had a positive impact on relations between the Dominican Republic and Haiti, which in the past have been poor. This is a result in part of the accession of the two countries to the Lomé agreement in 1989, their work in CARIFORUM, and their experiences in the management of bi-national projects in the Regional Indicative Programme.

32. There appear to be benefits from joint project identification and implementation in bi-national projects, though projects have so far been relatively small. They contribute to high-level contacts between Govt. ministers and officials of the two countries, as well as regular meetings between the Heads of the EC Delegations and the NAOs.

Greater integration into the world economy and free trade agreements (p. 32)

33. The Govt. believes that membership of Lomé has supported the Govt.'s strategy of integration into the world economy through a series of free trade agreements, in particular with regional groupings. Lomé is to have contributed by building the country's economic and political relationship with the EU and other ACP countries – in particular other Caribbean states. The negotiations on the free trade agreement with CARICOM also appear to have benefited from experiences within the Lomé framework.

34. However, while the Caribbean regional programme may have contributed to greater mutual understanding, recent evaluations found a number of weaknesses which limit the impact of the Caribbean regional programme on regional integration. It is appreciated by Govts. often for its contribution to national interests. Regional project designs are often fragmented, with limited regional links between components, and complex project management structures. Some of these weaknesses may reflect the weak situation of CARIFORUM.

3. Explaining the EC's performance (p. 37)

Strengthening institutions

Central government

35. The focus on strengthening Government institutions has increased considerably in the 2nd NIP (PARME, Health Sector Reform, Technical and Professional Education) but considerable care is still needed.

36. 1st NIP interventions had limited success in this area and in a number of cases faced financial management problems (including

support to the NAO office, PRIDEP, PROSIP).

37. Factors limiting the effectiveness of EC efforts include: *insufficient analysis of institutional and political constraints, and the inter-dependence of reforms*. The success of sectoral reforms is dependent on the overall reform of the budget process and civil service reform.

38. *Difficulty in selecting appropriate Government institutions for support*. Donors should only support sector reform if there is

already evidence that reform actions have been taken. Selection is also complicated by institutional fragmentation in Government and the duplication of institutions. A specific problem is that donors often work in the same sector with different counterparts. In some cases the fact that the EC works with the NAO has meant that EC programmes do not have the highest institutional support.

- The EC supported State reform before the Government had carried through actions demonstrating commitment to reform. The EC's counterpart is the Presidential reform commission (CPRyME), which has received limited financial support from the Govt., which may indicate limited political support. IDB has a different counterpart.
- EC support to health sector reform has not ensured commitment and management capacity from the Ministry. IDB and the World Bank support reform through a different counterpart.
- In Technical and Professional Education, while the design of the EC's programme recognises institutional constraints, the Directorate General within the Ministry has not yet demonstrated either commitment or capacity.
- SABAMAR – stakeholders suggest that the strength of CONAU (the coordinating counterpart) does not match the demands of this programme.

39. *Over-complex design* contributes to projects with too many components, complex management structures and difficulties in monitoring (e.g. possible problems for *PARME* and *SABAMAR*). Evaluations show that 'hardware' components tend to be given priority over capacity-building (e.g. *PRIDEP*), though some 2nd NIP programmes involve 'phases', with 'hardware' components only beginning on completion of an initial 'software' phase.

40. *Excessive use of PMUs and international consultants and the use of salary supplements to civil servants* have been identified as having a detrimental effect on government institutions and the morale of civil servants. Donors, including the EC,

continue to use project management units. This is compounded by the slowness and lack of flexibility of EC procedures for institutional support (e.g. resulting in critical delays in the support to justice reform)

Civil society and local government (p. 45)

41. EC interventions in the 1st NIP and particularly the 2nd NIP provide important support to civil society, but the EC still lacks an overall strategy in this area.

42. *Some 1st NIP interventions*

- Puerto Plata supported delivery of services through civil society and promoted a process of concertation between local authorities, civil society and the private sector.
- A success of PRISA was the collaboration with NGOs with well-known technical and organisational capacities, which in turn were able to mobilise social participation.

43. However, in some 1st NIP projects, infrastructure components took priority at the expense of community participation elements (e.g. *PRIDEP*).

2nd NIP

44. The EC reinforced its support to local governments and civil society, principally through *PARME*. 60% of *PARME* funds are for decentralisation, strengthening local government and partnerships with civil society.

45. Also *SABAMAR* offers innovative support to local government – civil society partnerships. About half of *SABAMAR* will be implemented either by NGOs or micro-enterprises or will support the capacity of community-based organisations and their partnership with the municipality (ADN). This should empower civil society organisations and contribute to sustainability.

46. *Factors limiting effectiveness.* The EC does not yet have an overall strategy to strengthen civil society organisations in the Dominican Republic, and consultations are not carried out in a systematic manner.

47. In addition, Delegation staff have limited expertise in the analysis of civil society and decentralisation. As a consequence, the EC has had some difficulties gaining the endorsement of ADN within SABAMAR. The EC also needs more resources for better coordination, e.g. to monitor the INTEC-IDB programme and the PUCMM-WB consensus-building exercise.

48. A particular difficulty is selecting appropriate civil society organisations to support, which is usually labour-intensive. The Microprojects programme is supported by a PMU, but EC approval is still required for each project selected.

Donor coordination (p. 49)

Government's coordination role

49. The Government does not have a strong planning and budgetary process in which donor initiatives could be integrated. Moreover, there is no single Government department that coordinates all donor aid. In practice, the Secretariado Técnico de la Presidencia (STP) is in charge of all donors except the EC which has a special ministry dedicated to it. The STP is also in charge of planning and implementation of the Govt. budget.

50. The location of the NAO office affects the coordination of EC programmes because the STP has stronger institutional links with line ministries and the budget and also coordinates other donors. Interaction between the STP and the NAO has been weak. Moreover, in the past, audits of the support to the NAO office and counterpart funds have identified weak internal financial management in the NAO office. This has been time-consuming for the Delegation.

51. At sectoral level, the duplication of Govt. institutions has led different donors to work with different Govt. units on similar tasks.

52. Some donors argue that the Govt. prefers donors to act separately, so that funds can be accessed with fewer conditions of transparency. At the same time, the Govt. notes that donors are often in competition with each other for the allocation of funds.

Coordination at strategic level (p. 51)

53. Coordination has been very weak but has improved since 1998, particularly through the efforts of the new Head of Delegation. However, meetings were only at Ambassadorial level (limiting their technical usefulness). Only now (February 2000) have sectoral coordination meetings begun and lead sectoral donors been selected. Little complementarity was observed between most key donors.

Coordination of specific interventions (p. 52)

54. While relations between the EC and other donors are often good, interventions are designed with little coordination among key donors. This can result in overlap or fragmentation of reform efforts, and in competition for Government resources.

55. The EC and the IDB are working with different counterparts in both public administration and health sector reform. While there may be debate as to which is the most appropriate counterpart, it is more important that donors choose the same counterpart when supporting sectoral reform. In *SABAMAR* and *Technical Education* more coordination between the EC and other key donors is also needed. The EC is trying to coordinate its *private sector support* with other key donors. Sectoral reform should include a mechanism to ensure coordination and complementarity.

56. The EC, IDB and USAID expressed to our mission a keen willingness to improve the coordination of their interventions.

57. The Govt. generally follows each donor's own implementation procedures. Little focus has been given so far to strengthening the Govt.'s budgetary and implementation procedures.

Factors limiting coordination (p. 55)

58. As well as the Govt.'s institutional weaknesses, coordination is also constrained by the limited in-country decision-making and staff resources of the EC and by the EC's extensive use of international consultants.

Commission resources and procedures (p. 56)

EC programme shows weak focus

59. Limited focus has made it difficult for staff to develop expertise in key areas. Each Delegation adviser manages a portfolio of projects often across a wide range of areas.

60. The 2nd NIP further reduced the focus of the EC programme by (a) moving from programmes with a relatively narrow geographical scope to programmes involving institutional strengthening in central Govt. as well as support for civil society, and (b) introducing new sectors (e.g. State reform) and sub-sectors (e.g. technical education).

EC staff resources are over-stretched (p. 59)

61. Staff resources are over-stretched by a high commitment and disbursement requirement, time-consuming administrative procedures, complex projects, reliance on consultants of variable quality, and shortage of staff with specialist skills (in institutional strengthening and support for civil society, poverty, gender, and the environment).

62. Staff therefore have little time to devote to project design, monitoring either projects or wider developments in the country, or consultation with beneficiaries.

Weak learning systems (p. 60)

63. Learning and knowledge-creation within the Commission is weak. As a result of the pressure on staff time, insufficient analytical work is carried out by the EC in the Dominican Republic. Most analysis is tied to projects.

64. Monitoring and evaluations are not carried-out systematically and there are important gaps in financial audits. There have so far been few final evaluations, mid-term reviews are often carried out too late in the project (allowing for limited possibility of changes to the project), and the use of impact indicators is weak.

65. Nevertheless, in a number of cases mid-term reviews and evaluations have given important feedback to Commission staff, which has acted on this information.

4. Key recommendations (p. 65)

These recommendations (to help prepare the Country Support Strategy) take into account the Cotonou Agreement and its emphasis on good governance, on a new partnership that embodies the participation of civil society, and on poverty reduction as the central objective of the new partnership. They also take into account the Commission's guidelines on the 9th EDF programming process.

A. Ensuring relevance of the strategy

66. The EC's country support strategy should focus on two principal objectives: (i) good governance, (ii) the reduction of poverty.

67. *Flexibility* in financial allocations needs to be built into the strategy, with different scenarios specified, as well as EC responses to these scenarios.

68. The strategy should be closely linked to *specific actions* in institutional reform (e.g. implementation of budget reform law, progress in public administration reform) and the Govt.'s focus on poverty, which should trigger a 'high case' scenario if carried out.

69. The *trigger actions* should be assessed critically and should help determine both:

- *amount of aid* to the country.
- *type of interventions*. The weaker the Govt.'s performance, the greater the emphasis on supporting local governments and civil society.

70. Preparation of the country support strategy should be linked to the results of civil society processes that are working to build a consensus around a national development agenda (e.g. the PUCMM-led *mesas de trabajo*, Foro Ciudadano).

B. Increasing the focus of EC aid (p. 66)

71. The EC should *focus* its programme in a small number of *narrowly defined* areas in which it has – or can develop – a comparative advantage. Our analysis suggests that the EC should focus its programme in two areas:

1. sectoral reform in the *health sector*, and
2. strengthening *governance, civil society and local governments*.

A secondary area of intervention should be:

3. bi-national projects with *Haiti*.

72. The EC should be cautious in the use of *programme aid*. Structural adjustment funds are not contemplated for the new strategy because the country is not eligible. If this was to change, there should be a careful evaluation of previous experience, and budget support should only be used in a joint approach by major donors that focused on simple and clear benchmarks of progress in the transparency and efficiency of the budget and public administration reform (e.g. possibly linked to health sector reform). If *Sysmin* and *Stabex* are to be used, they should be targeted at good governance and poverty reduction. A more careful evaluation of *Sysmin* is also important.

73. *Areas of intervention to reconsider:*

- *education*. EC projects have been varied, with mixed results and limited poverty focus. The EC has not been involved in sectoral reform, backstopping support from Headquarters has been limited.
- *private sector support*. Analysis does not provide a clear case for EC support to the private sector. If, in the context of a future Regional Economic Partnership Agreement with the EU, it is seen as necessary, it should target poverty reduction.

C. Health sector reform (p. 67)

74. The EC should take a lead role in supporting *health sector reform*, but support should be based on assessments of progress in Govt. management capacity and commitment to reform.

75. The EC should support other donors which take the lead on public administration reform. Support to core areas of governance reform (such as in PARME) should continue only as part of a larger reform programme drawn together by key donors.

76. Donors should work together, deciding *jointly* their support to sector reform and using the *same* Govt. counterpart.

77. Support should work within *existing Govt. structures*, avoiding creating project management units or other new institutions. It should focus on incentive systems and local structures, minimising the use of international consultants.

D. Governance and civil society (p. 69)

78. The EC should support good governance through:

- *local government – civil society partnerships* (support to capacity of local governments and to capacity of civil society organisations as partners to governments in service delivery).
- supporting *civil society* independently of government (to strengthen governance from the bottom up).

79. Support to *justice* reform and *public administration* reform should continue, but should be integrated into other donors' programmes.

80. Support for local government – civil society partnerships should focus on *one sector* – possibly either water and sanitation or sustainable rural development. The choice should depend on evaluation results.

81. Support for civil society should be directed through *funding intermediaries* with operational independence from the Commission and clear and transparent funding criteria. This would limit the workload of the EC Delegation, allowing the EC to provide support across *many sectors* (with objectives of good governance and poverty reduction).

82. The EC should focus more on local delivery systems and incentives, and should limit the input of international consultants. PMUs should be accountable to decentralised institutions or community-

based organisations, and should be subject to regular external financial audits and evaluations.

E. Improving aid coordination practices (p. 72)

83. The EC and other donors should support the reform of the Govt.'s *aid coordination institutions, including the NAO office*. Ideally, external assistance by all donors should be coordinated by a single Govt. unit with a direct link to budget planning and implementation.

84. The EC should allocate more staff resources to supporting more efficient coordination at technical level (e.g. using web-sites, piloting knowledge networks).

85. The EC and other donors should jointly support consensus-building processes for a national agenda and try to use the results of these in their strategy preparation.

86. The EC should continue its support to the recent process of selecting *lead donors* for each sector, possibly revising some of the current selections.

87. The EC should be particularly active in sectoral coordination in the health sector, where complementarity and joint operations should be actively sought.

88. The EC should work actively towards joint pools for technical assistance, common funds to support sector reform (if the Govt. meets common benchmarks of progress), and co-financing.

89. The EC should support joint monitoring of macro developments and evaluations. Systematic consultation on project preparation should be piloted with the IDB and USAID.

F. Using EC resources and procedures more efficiently (p. 74)

90. Flexibility between programme components is needed to respond to changing conditions in a sector.

91. Procedures should be *simplified*, through deconcentration of authority from Headquarters to the Delegation, systematic and rigorous ex post audits, service delivery standards, and to facilitate the recruitment of international consultants.

92. *Specialist skills* should be reinforced within the Delegation and the Delegation should be provided with rapid funds to support its own technical capacity (including for non-project support). Projects for which an individual staff member is responsible should all be related to one another.

93. A position of *programme administrator* should be created, to focus on financial administration and programme performance. *Contact* staff on gender and the environment issues should be nominated in the Delegation. A *quality support group* at Delegation level should be introduced.

94. Delegation advisers should become more involved in (and have greater ownership of) *project design*, and ensure closer supervision of consultants' work.

95. The EC should *avoid complex projects* or projects with too many components.

96. There should be systematic *monitoring and evaluation, including rigorous audits* – by international accredited companies when necessary- of all key interventions, with participation of other donors and civil society.

| Table of evaluators' recommendations |
|---|
| <p>A) Ensuring relevance of the strategy: the EC's strategy objectives should be good governance and poverty reduction. Flexibility should be built into the strategy, with different scenarios. The strategy should be closely linked to trigger actions in institutional reform and in the Government's focus on poverty, which should help determine the amount of aid and the type of interventions (support to central Government or local governments and civil society). The EC strategy should be linked to civil society processes working to build a national consensus.</p> |
| <p>B) Increasing the focus of EC aid:</p> <ol style="list-style-type: none"> i. the EC should focus on 2 narrowly defined areas of intervention: (1) health sector reform, and (2) strengthening governance, civil society and local governments. ii. a secondary area should be bi-national projects with Haiti. iii. if the Dominican Republic became eligible for <i>structural adjustment support</i>, there should be a careful evaluation of previous experience, and support should only be given in a joint donor approach focusing on clear benchmarks of progress in budget and public administration reform. iv. if <i>Sysmin</i> and <i>Stabex</i> were used, they should target good governance and poverty reduction. A careful re-examination of <i>Sysmin</i> would also be needed. v. the EC should reconsider its support for education and for the private sector. |
| <p>C) Health sector reform: the EC should take a lead role in health sector reform, but support should be based on assessments of progress in capacity and commitment. Donors should work jointly and use the same Government counterpart. Support should work within existing Government structures, focusing on incentive systems, not international consultants. EC should support the lead of other donors on public administration reform and other sectors (justice).</p> |
| <p>D) Governance and civil society: The EC should support good governance through:</p> <ol style="list-style-type: none"> i. local government – civil society partnerships. Support should focus on one sector – possibly water and sanitation or sustainable rural development . ii. supporting civil society independently of Government. This should be through funding intermediaries, which would allow support across many sectors. <p>PMUs should be accountable to decentralised or community-based institutions and be subject to regular financial audits and external evaluations..</p> |
| <p>E) Donor coordination: the EC should:</p> <ol style="list-style-type: none"> i. support (with other donors) reform of the Government's aid coordination institutions, including the NAO office. Ideally, all external assistance should be coordinated by a single Government unit. ii. allocate more staff to coordination at technical level. iii. support consensus-building processes in civil society, with other donors, and use the results in strategy preparation. iv. be particularly active in sectoral coordination in the health sector, seeking complementarity. v. work actively towards joint pools of TA, common funds to support sector reform, and co-financing. vi. support joint donor actions in monitoring and evaluation. Systematic consultation on project preparation with the IDB and USAID should be piloted. |
| <p>F) Resources and procedures: the EC should:</p> <ol style="list-style-type: none"> i. simplify procedures, including deconcentration and ex post audits. ii. reinforce specialist skills in the Delegation. iii. create a programme administrator position, nominate contact staff on gender and environment, and a Delegation-level quality support group. iv. allow Delegation advisers more involvement in project design. v. avoid complex projects or projects with too many components. vi. Introduce systematic monitoring and evaluation, including rigorous audits –by internationally accredited companies when necessary- of all key interventions, with participation of other donors and civil society. |

1. Relevance of the strategy

The first part of this chapter reviews key aspects of the political, economic and social context and the role of donors in the Dominican Republic. The second part is an assessment of the relevance of (and constraints on) the EC's strategy *before* implementation.

A. Country analysis

Key characteristics of the Dominican Republic are reviewed to identify factors which should underlie the EC's strategy choices. The analysis includes both factors which were present when the last Country Strategy Paper was prepared (1995-96), as well as more recent developments.

Political situation

As with most political transitions, the Dominican Republic's transition from an authoritarian, clientelistic political system to a more democratic political system and the rule of law has been difficult.³ However, recent developments have been encouraging.

Though there has been a formal democracy since the mid-1960s, elections have been crisis-ridden as recently as 1994. Opportunities to overhaul the political system (in particular following the election of the PRD in 1978) were lost as a result of the incentives faced by parties reaching the executive to use the power of the executive to maintain their position. Until recently there has been little change in the control of the executive, with the Trujillo administration remaining in power for three decades, followed by President Balaguer (president for 22 of the last 34 years).

The extensive power, high discretionality and limited accountability exercised by the executive office (the 'winner takes all' in elections- as described in the World Bank CAS, Annex E paragraph 12) exacerbate the confrontational nature of party politics.⁴ This political system has contributed to long-standing weaknesses in public administration:

- *poor budget management.* The budget is not institutionalised and lacks transparency and accountability.⁵ There are weak internal and external controls (Independent Auditor's office and Government General Accounting Office), and in procurement there are often non-competitive practices.⁶ The high level of executive discretion in the budget process further reduces the transparency and political accountability of the budget.⁷ Under this system, it is very difficult to allocate resources to the reduction of poverty efficiently (see below).
- *institutional fragmentation.* There is low accountability in public administration, and a very high duplication of functions. There are an estimated 143 government institutions that depend directly on the Office of the Presidency. On a bureaucracy

³ See J. Hartlyn, 'The Struggle for Democratic Politics in the Dominican Republic', University of North Carolina Press, 1998 and Moya Pons, F. 'The Dominican Republic', Hispaniola 1995.

⁴ The WB Country Assistance Strategy 1999 includes an annex on The Political Economy of Reform that cites as key structural elements affecting reform: the strong presidency, the culture of confrontation, and the aversion and resistance to parties alternating in power.

⁵ See p.47 of the most recent IMF Staff Country Report, October 1999.

⁶ See chapter IC of the recent World Bank Country Assistance Strategy 1999.

⁷ For a discussion on the discretionality in the budget see A. Dauhajre, 'Programa Macroeconomico de Mediano Plazo para la Republica Dominicana: 1996-2000', pp.353-367.

development index, the Dominican Republic scores 2, among the lowest scores in the developing world (compared with 13 for Singapore and 1 for Kenya).⁸

- *weak civil service.* The civil service has very limited capacity, and wages have been low. A career civil service has not been developed and a high proportion of civil service positions are political appointments, giving the executive powers of patronage, but resulting in very high turnover after a change in the executive.
- *human rights.* According to the US Department of State, the country's human rights record is mixed.⁹ Civil liberties and workers' rights are well established, and politically motivated killings or imprisonment are not reported. However, according to the State Department, the police reportedly committed well over 200 extra-judicial killings in 1999, prison conditions are particularly harsh, and Haitian immigrants are poorly treated.¹⁰

Recent developments in political situation

The political situation, however, appears to have considerably improved with the 2000 elections, the increased role of civil society organisations and some progress on the reform agenda and consensus building (including the PUCMM-WB initiative).

Elections: The elections in 1996, 1998 and 2000 were carried out without a major crisis, and this could point to a less confrontational political system. The state of democracy in the Dominican Republic now appears considerably more secure than it did prior to the 1996 elections.

- In 1996, Balaguer kept his promise to hold new Presidential elections after 2 years, following the controversial 1994 election. The PRD was defeated in the second round by the smallest party, the PLD – a party with a reform agenda but which was supported by Balaguer.
- In 1998, a constitutional change of 1994 came into play, creating a 2-year lag between Presidential and Congressional elections, and for the first time different political parties have controlled the executive (PLD) and the legislature (PRD). This could contribute to a less confrontational political system, but not without difficulties.¹¹
- In 2000, the PLD decided not to take the Presidential election to a second round even though they had a constitutional right to do so, since the PRD had captured 49.6% of the vote, short of the 50% threshold. The PLD justified its decision in terms of a desire to maintain social peace.

Increased role of civil society organisations. Civil society organisations have been important in ensuring electoral integrity (the Grupo de Acción por la Democracia in 1994-1996 and Participación Ciudadana). There is also recognition by the State, by political parties and by

⁸ Rauch, J and Evans, P: 'Bureaucratic Structure and Bureaucratic Performance in Less Developed Countries', National Bureau of Economic Research, NBER, May 1997. Quoted in IDB project report for its Programa de Apoyo a la Reforma y Modernización del Poder Ejecutivo (DR-0073).

⁹ 1999 Country Reports on Human Rights Practices: Dominican Republic, U.S. Department of State, February 2000.

¹⁰ Suspects are frequently detained without trial for extended periods, prisons are seriously overcrowded, and torture and physical abuse are reported. Possibly tens of thousands of Haitians, including children born in the Dominican Republic of Haitian parents, are deported each year as illegal immigrants, often unfairly and often after being maltreated.

¹¹ 1999 was marked by a number of political disputes between the Government and the PRD, for example in the nomination of the Camara de Cuentas, the JCE ('Central Electoral Committee) and the Liga Municipal Dominicana.

donors of the increasing role of civil society in the reform process (e.g. see consultation process for the World Bank's Country Assistance Strategy). More generally, recent years have seen the consolidation of community-based organisations, particularly in Santo Domingo where they have recently been recognised legally by the municipality (e.g. see the process of consolidation through the Foro para la Participación Municipal and the role of the Comisión para el Desarrollo Barrial and Confedejuntas).¹²

Donors (particularly USAID) have used civil society organisations for the implementation of projects and have benefited from greater linkages between NGOs (e.g. Red de Redes, Insalud, Alianza ONG). The Government has also discussed poverty programmes with Red de Redes, through DIAPE.

Reform agenda.¹³ On coming into office in 1996, the Fernández Government laid out an ambitious programme of reform and nominated a number of Presidential Commissions (including the Comisión Presidencial para el Reforma y Modernización del Estado – CPRyME). While this has moved governance reform (e.g. budget and public administration) onto the national agenda, a clear strategy of public reform does not seem to be being followed and governance problems remain.

A privatisation process has been initiated with the aim of reducing Government control. In addition, there has been reduction in *discretionary expenditure* by the Office of the Presidency, although this has not been accompanied by institutional changes in the budget process and the number of agencies that depend directly on the Office of the Presidency has increased.

The power and discretionality of the executive has not been significantly reduced by the country's first experience of *cohabitation* with an opposing majority in Congress (1998-2000), although Congress has blocked a number of bills.

There has been a significant increase in *civil servants' remuneration* (e.g. 40-100% in the health sector in 1997), but without any links to improved recruitment and performance.¹⁴

The process of *decentralisation* is slowly progressing and offers potential. Some progress is seen particularly in the health sector, in the creation of CDPs (Consejos y Comisiones de Desarrollo Provincial y Local) in all provinces, and in the allocation of 4% of the budget to municipalities. The Santo Domingo municipality appears committed to improve its budgetary management (with IDB support).

Efforts at consensus building. An obstacle to reform has been the extremely conflictual nature of politics and the incentives to retain power. There have been a number of efforts at consensus building in the past (e.g. leading to the Constitutional changes of 1994, and the work of the GAD on building a national agenda from a civil society perspective). More recently President Fernández initiated a dialogue with other political parties and civil society but in which the PRD did not participate. Both the Foro Ciudadano and the PUCMM are important current initiatives for creating consensus and for building a national agenda (see Box).

¹² See Articulacion y Coordinacion entre las Organizaciones de la Sociedad Civil Dominicana', Cela, J.sj y Pedrazuela, I. Consultancy for INTEC-IDB, 'Fortalecimiento de las Organizaciones de la Sociedad Civil en Republica Dominicana'. The Comisión para el Desarrollo Barrial has institutional relations with the municipality of Santo Domingo, the Health ministry and the Comisión Presidencial para el Desarrollo Barrial.

¹³ In comments on our draft report, the former Desk Officer emphasised the importance of reform measures of the Fernández administration.

¹⁴ While this reverses a long-term negative trend, these salary increases do not advance the civil service reform process.

National agenda dialogue: PUCMM-WB initiative

An important recent (1999-2000) consensus-building initiative has involved a series of *mesas de trabajo* (work groups) discussing key reform areas with a view to achieving cross-party consensus on an agenda for national development.

The process was led by the PUCMM (including Monsignor Nuñez, who has had an important role in previous consensus-building initiatives), and participants included representatives of the main political parties and key civil society organisations. Some donors (including the World Bank, which funds the exercise, as part of the Comprehensive Development Framework initiative) were invited, as observers only.

The *mesas de trabajo* covered 5 areas: social policies to combat poverty, economic policies for development, reform of the State, politics and management of the environment, and cross-border development and relations with Haiti.

Interviews with Government, civil society and other donors suggest that this initiative is generally viewed as positive - particularly in a difficult election year. Moreover, some working groups, e.g. on Haiti, have made important contributions to the national agenda. However, some concerns were also expressed:

- Need for greater transparency and more participation from grass-root organisations.
- Need for greater links with other consensus building initiatives (e.g. Intec, Foro Ciudadano)
- In some cases, specific Government proposals and measures have not been taken into account by working group discussions.
- Need for more participation of other donors to avoid a perception of a WB-driven process¹ and to allow for the conclusions of the process to be incorporated in donors' support strategies.
- Some expressed doubts whether the conclusions will be acted on by the political parties.

1. Co-financing by other donors is already being contemplated for the second phase of this initiative.

Economic situation: very rapid growth and price stability

The country is lower-middle income, with a GNP per capita of US\$ 1,800.¹⁵ The economy has been growing very rapidly since 1992, with very little inflation. Growth has been particularly high since 1995 (7.8% per annum). This growth is partly attributed to the growth of the US economy, to foreign investment and to the success of the 1990 reform measures. It is expected that recent privatisation measures will also strengthen economic growth. Growth has been particularly strong in services (communications and tourism sectors), construction, and within the free trade zones. Protectionist barriers are gradually being reduced, and key sectors of the economy are *well integrated into the world economy* (see page 8 on the country's recent participation in regional trade agreements):

- net exports from free trade zones (US\$ 1,500 mill) are one and a half times the value of other goods exports (excluding free trade zone exports).
- receipts from tourism (US\$ 2,500 mill) are two and a half times 'other goods exports'.
- remittances from workers living abroad reach US\$ 1,500 million, mostly from the USA.

¹⁵

World Bank classification is: low income up to \$760 GNP per capita, lower-middle income up to \$3,031, and upper-middle income up to \$9,360.

- foreign direct investment reached US\$ 1,300 mill. in 1999 (up US\$ 650 mill. from 1998, with a 47% rise in the power sector and a 23% rise in tourism), with the Central Bank expecting a level of US\$ 1,000 mill over the next few years.

The macro-economic balance has been maintained during this period mainly by measures taken by a strong and competent Central Bank.¹⁶ The Central Bank has played a key stabilising role given the strong political cycle in the Dominican Republic. This role has been made possible by the autonomy which the Government has allowed the Central Bank. However, the Central Bank does not have statutory independence, and its operational autonomy could be removed by the Government. Other economic institutions in the Government and budget management are very weak. Future macro-economic stability depends on the continuing centrality of the Central Bank after the May 2000 presidential elections.

The performance of the economy has been very impressive, and economic growth and stability have been maintained in spite of a major hurricane in 1998. However, some areas of potential difficulty are worth noting:

Duality of the economy. First, strong growth is concentrated in economic sectors which are more open to competition and where there are more transparent government policies (e.g. free trade zones, tourism, communications). Growth in other sectors could be limited until reform measures are introduced. Second, some of these high growing sectors have limited links with the local economy and/or a limited effect in generating shared growth (e.g. not labour-intensive).

Possible sources of vulnerability. According to the Bretton Woods institutions, the economy appears increasingly stable. However, as in any economy there are a number of potential sources of vulnerability: e.g. the fact that macro-stability depends almost exclusively on the Central Bank while there is a marked political cycle in the economy. High interest rates, growth in the US economy, and oil prices also affect growth in the Dominican Republic significantly. Similarly, the growth of tourism might depend on environmental measures and might be affected by competition from Cuba, while free trade zones might be affected by changes in trade rules.

Social developments: poverty and inequality remain an issue

While the country as a whole is middle income, there is high inequality (a Gini coefficient of 0.50) – the poorest 40% receive only 12% of income. The proportion of people living under the international **poverty** line is similar to South Africa (20% below \$1 a day and 48% below \$2 a day, at PPP).¹⁷ Moreover, the Dominican Republic shares an island and a porous border with the poorest country in the Americas, Haiti, which has a GNP per capita of US\$ 410.

Discussion of poverty is severely limited by the poor knowledge of the extent of poverty (e.g. whereas the incidence of poverty is 56% according to ONAPLAN, it is as low as 15% according to a recent WB concept paper, using Central Bank data). Moreover, no donor has contributed to reviews of public expenditure in the social sectors.¹⁸ Nevertheless, there is a perception that high growth has not benefited the poorest of the poor, in particular unskilled workers, individuals with little education, and landless agricultural workers. Poverty is concentrated in the border areas with Haiti, in rural areas especially in the south-west, in bateyes, and in the Yuma and Ozama districts in the capital. The incidence of poverty in rural areas may be 4 times as high as in urban areas.

¹⁶ However, international reserves are quite low.

¹⁷ *World Development Report 1999/2000, draft.*

¹⁸ A partial exception is the *Gasto Publico en Servicios Sociales Basicos en la Republica Dominicana*: as part of the Initiative 20/20 by the UN system, Dominican Republic 1999.

Evidence from *Gasto Publico en Servicios Sociales Basicos en la Republica Dominicana* - taking into account poor transparency and accountability of the budget and weak implementing capacity (discussed above) – suggest that Government spending has not been an effective tool to reduce poverty. Expenditure in basic social services has historically been low and inefficient and has not targeted the poor (see Box).¹⁹ However, the weakness of official statistics makes a sophisticated analysis in this area difficult. Governments have given priority to expenditure on infrastructure, and social sector spending has been particularly curtailed during stabilisation periods.²⁰

Immigration from Haiti affects poverty. Possibly 500,000 Haitian immigrants live in *bateyes* – sugar cane worker camps – in particularly poor physical conditions, with limited access to social services.²¹ While the Government has traditionally had a tough policy on Haitian immigrants (see on human rights above), at the same time the economy has used Haitians as low-paid agricultural and construction workers, which has depressed wages for the unskilled.

Low expenditure on basic health and education ¹

Education

Expenditure on education has risen recently, but expenditure is low, particularly on basic education. Overall spending on education in 1980-1995 averaged 1.7% GDP, and by 1997 had risen to 2.3% GDP. Expenditure is relatively high on tertiary education and low on secondary education and non-salary current expenditures. Expenditure on basic education fell from 0.7% GDP in 1980 to 0.3% of GDP in 1991, before rising to 0.9% in 1995 and 0.96% of GDP in 1997.¹ While current expenditure per student on primary and secondary education is about US\$ 85-92, technical education costs US\$ 462 and university (US\$ 432).

As a result, although statistics show some improvement in the coverage of primary education, 10% of school children that should attend primary school and 50% of children that should attend secondary school are permanently outside the school system (more than 1 million Dominicans).² Moreover, there is very low coverage of secondary education (particularly in rural areas) and more than 50% of Dominicans are defined as functionally illiterate. Indicators of internal efficiency are also very poor: only 2.5% of entrants finish primary education without repetition, and in 1991 31% of 15-18 years olds were behind their formal studies, while this proportion increased to 38% in 1996. Finally, as a final indicator of poor quality, for each graduated secondary student (11 years) the State had to invest 42 years of school fees.

Health

Expenditure on health has risen from a 1980-1995 average of 1.1% GDP, to spending in 1997 of 1.4% GDP. However, it remains very low, particularly on basic health services – only 0.3% GDP in 1990-1997, rising to 0.4% GDP in 1997.¹ This compares with the World Bank's estimated basic health package which requires 1.5% GDP. As a result, 40% of Dominicans mention health as the principal problem in the country.²

1. **Source:** *Gasto Publico en Servicios Sociales Basicos en la Republica Dominicana*; Iniciativa 20/20: UNDP, UNICEF, UNPF, 1999. Note that the results may be influenced by the fact that the methodology excludes expenditure by the Office of the Presidency.

2. See UN System Report on La Republica Dominicana, 1998, (October 1999), page 55.

¹⁹ See also discussion of poor quality education and poorly targeted health services in section III.C of the World Bank's Country Assistance Strategy.

²⁰ After the preparation of the draft report of this evaluation, the World Bank published a new report, *Dominican Republic: Social and Structural Policy Review*.

²¹ *1999 Country Reports on Human Rights Practices: Dominican Republic*, U.S. Department of State, February 2000.

Gender inequality

The official statistics do not show gender disparities in primary and secondary school. However, the Dominican Republic has a poor record on physical abuse of women. Physical violence is the second cause of death for women.²² Laws have been passed in 1994 and 1997 to prevent violence within the family, but their application is slow. The trafficking of women is also a serious problem,²³ and sex tourism is a large and growing industry.

Crime, drug trafficking and money laundering²⁴

A rise in crime rates has been attributed in part to convicted Dominicans living in the USA who have been deported to the Dominican Republic. In 1998, there was a marked increase in the number of homicides, with 14 homicides per 100,000 people, compared to 9 in the USA. The UN report notes also that the country is severely affected by the activities of international drug traffickers (who are becoming armed), illegal persons trafficking, and money laundering.²⁵ It is suspected that this is a factor behind the increased crime-rates and drug consumption in the country. As in other countries it could also further weaken institutions and encourage widespread corruption.

Environmental degradation²⁶

Environmental problems have increased, in part as a result of the weakness of the Government's planning. *Deforestation* in the last 50 years has reduced the forest cover from 30% to less than 15%, principally because of the demand for wood for energy and because of the expansion of agricultural areas. There have also been substantial losses from the country's *rich biological diversity* (for example, 52 vertebrates are threatened with extinction as a result of poverty and of tourism development in coastal areas). *Pollution* is a major problem: 90% of rivers have serious problems of degradation, many rivers are biologically dead, and there is inadequate treatment of waste disposal. There has been a significant reduction in *water resources*, because of increasing demand, deforestation, extraction of sand and pollution.

Solid waste collection and disposal is weak (with disposal in rivers and the sea, and open-air combustion) and has a serious environmental impact. This is particularly important given population growth, the existence of pockets of poverty and the increasing number of tourists in the country. The supply of drinkable water and sewerage is also weak.

The country is in the process of preparing a national environmental action plan.

²² *La Republica Dominicana: 1998. Vision del Sistema de las Naciones Unidas sobre la Situacion del Pais desde la Perspectiva de los Derechos Humanos.* Sistema de las Naciones Unidas, Santo Domingo, October 1999. page 21.

²³ In March 1999, the Government created the Inter-institutional Committee for the Protection of Migrant Women (CIPROM), bringing together Government bodies and NGOs, to reduce social and economic problems in those regions from which most of the trafficked women originate.

²⁴ See footnote 22, see page 19.

²⁵ In 1998, confiscations of cocaine doubled.

²⁶ See footnote 22.

Integration into the world economy and into the region: good progress

The Dominican economy has become increasingly integrated into the world economy, with significant investment from abroad (e.g. US\$ 1,352 million in 1999) and diversification away from primary exports, with very rapid growth of free trade zones and tourism. Some sectors of the economy still have a relatively high level of protection, but a gradual process of trade liberalisation was begun in 1991. On most indicators, the Dominican Republic has been successful in its strategy of integration into the world economy. The present administration has made this one of its key policies.

The Government joined the WTO and the Association of Caribbean States in 1995. In 1999 it signed free trade agreements with CAFTA and in April 2000 it signed another with CARICOM.²⁷ It is also active among ACP countries, within the Caribbean Basin Initiative and in the FTAA. Its strategy consists of alliances with smaller countries in the area (Central America and CARICOM) in order to gain influence in negotiations with larger trading blocks (see next Chapter). It is argued that these free trade agreements should allow for a gradual opening of the economy and increased competitiveness with countries with a similar productive structure.²⁸

The economic links with the USA have always been strong and they have been strengthened through the CBI and the Free Trade Zones, and the (possibly) 1 million Dominicans living in the USA.²⁹ Politically, in recent years the USA has played an important role in guaranteeing the democratic process in the Dominican Republic (e.g. the 1994 election), and is now supporting a number of key democratic initiatives and civil movements, e.g. Participación Ciudadana. The USA is also targeting the Dominican Republic in its strategy for the control of drug trafficking.

The signing of the Lomé Convention in 1989 appears to have contributed to an opening of the country to Europe, as well as to other ACP countries especially in the Caribbean, including Haiti (see Chapter 2.D for further discussion). The Dominican Republic has worked closely with the EU on preferences to ACP countries in the context of the latest WTO negotiations.

Relations with Haiti: substantial improvement

Relations with Haiti have historically been difficult, and are strongly affected by the contrast between the two countries on the island, with GNP per capita in Haiti at about one quarter of the Dominican level and the effective absence of a functioning State in Haiti. However, the two Governments have had better relations since 1996. A bilateral commission (*comisión mixta*) has met several times. There is much interaction (Governments and civil society) in the design and planning of bi-national programmes within the EC's Regional Indicative Programme – both this and more generally the participation of both countries within ACP institutions are likely to have had a positive impact on relations between the two countries (see pages 31 to 32). Furthermore, there has been a recent donor meeting on bi-national programmes, presided over by both the Dominican Republic and Haiti. The Dominican Republic also appears to be in the process of approving an immigration law.

²⁷ Congressional approval is still pending.

²⁸ Only 14 products were included in the negative list with CAFTA and 50 products with CARICOM. However, trade with these countries is at the moment very small, e.g. US\$ 30 mill. imports from Guatemala.

²⁹ In 1998, approximately 2/3 of all exports went to the USA.

Donors in the Dominican Republic: low level of aid, new focus on governance, weak coordination.

The level of official development assistance (concessional) is relatively low, at 0.5% of GNP. Including lending from multilateral banks such as the IDB and the World Bank,³⁰ this figure increases perhaps to 1% of the GNP. However, relations between the Dominican Republic and donors – including the EC – are motivated in large part by trade and geopolitical concerns, not just by aid objectives. Indeed, given the relatively small scale of aid, the Government is more interested in trade arrangements (e.g. through membership of Lomé) and in attracting foreign investment than in aid. Because of the low priority given to aid by the Government, a number of donors have faced difficulties in securing counterpart funds. However, aid is often focused in sectors where Government expenditure is low, and therefore its potential impact is higher than would be expected given its relative magnitude.

The IDB has recently expanded its portfolio significantly and the World Bank has doubled its annual commitments. The World Bank portfolio is relatively new and has expanded significantly in the last two years. Operations have moved from infrastructure to institutional development, regulation and the social sectors.

The country is not under a Bretton Woods structural adjustment programme, and therefore monitoring by the IMF is limited. However, the IMF maintains an informal advisory role to the Central Bank. Article IV consultation documents are not made public by the IMF and most other donors seem to have a limited capacity to monitor macro developments (with the exception of the IDB). In the past, neither the IMF, World Bank or the IDB programmes have given sufficient focus to the transparency and efficiency of the budget process. There is no Consultative Group for the Dominican Republic and this seems to have contributed to the weak degree of donor coordination (see Chapter 3.B).³¹

Donors' new focus on Governance. The major donors have recently identified weak governance and the political context as key constraints to development in the Dominican Republic. In particular, experience with project implementation, low Government capacity and lack of budget planning and transparency is leading key donors to a strategy that includes an increasing role for civil society in their programmes and helping the Government to leave some sectors of the economy:

- ***IDB.*** In interviews the IDB indicated that it has recently given priority in its programme to budget and civil service reform. It also recognises the need for consensus with all political parties in managing its country programme (in part because loans require congressional approval³²). It has also an important programme aimed at strengthening civil society, and supporting local governments.
- ***USAID.*** As a result of the low transparency and accountability in the Dominican budget, USAID channels approximately 90% of its funds through civil society organisations. A major component of this is a democratisation programme.
- ***World Bank.*** It has chosen the Dominican Republic as one of the pilot countries for its Comprehensive Development Framework (CDF) approach, showing a recognition of the need for consensus on development priorities within the Dominican Republic (see page 3 above). Its CAS (Country Assistance Strategy) not only involved a participatory approach (Government, civil society, other donors), but also included an analysis of the political economy of the difficulties of reform (see Annex E, CAS). The World Bank identified poor public sector management and governance as a key

³⁰ Mostly not concessional for the Dominican Republic.

³¹ A noteworthy forum for dialogue between donors and Governments in the Caribbean region is the Caribbean Group for Cooperation in Economic Development (CGCED), coordinated by the World Bank. It meets every 2 years and last met in June 2000.

³² However, in many cases there have been delays in obtaining this approval.

constraint on development. More importantly, it has closely linked this analysis to its strategy by including in its new CAS a Low Case lending scenario that depends on the non-approval of the Budget Reform law by January 2001. The World Bank's strategy focuses on regulatory reform.

Donor coordination by the Government. The Government has only weak aid coordination mechanisms. Most aid is handled by the Secretariado Técnico de la Presidencia (STP), but is not integrated with the Government budget planning process (which is also very weak). Moreover, EC aid is handled by its own Department, which in practice has limited interaction with the STP. By contrast, in an ideal aid coordination set-up all external assistance would be coordinated by a single Government unit (normally within the Ministry of Finance) which would ensure that assistance fits the Government's expenditure planning and budgeting. The division of aid between the STP and the NAO is discussed further on pages 12, 40 and 50.

B. Was the EC's 1996 strategy relevant to the country's needs?

This section assesses both the strategy preparation process and the documents of the EC's current support strategy for the Dominican Republic (the 1996 Country Strategy Paper and the 2nd NIP). The CSP and the NIP have both been amended, following the Presidential elections in mid-1996 and Hurricane Georges in 1998.

Preparation of the strategy

Careful processes of consultation and analysis during the preparation of a strategy are needed to ensure that the strategy is grounded in analysis of the country, the experience of other donors, best practice, and the Commission's own strengths and weaknesses.

Consultations with Government

The EC's country strategy paper was prepared before the 1996 presidential elections. However, it did not include alternative scenarios to cope with the uncertainty of a change of Government. The country strategy was prepared during 1995 and early 1996 under the Balaguer administration. This issue illustrates the need to take the political context carefully into account when preparing the strategy. The CSP was presented to the EDF Committee on 18 June 1996, *between* the two rounds of the Presidential election.³³ The CSP therefore had to be changed a few months later when the new Government stated that its priorities were different from those of the Balaguer administration (see Box).³⁴ While there may have been little flexibility in the timing of the CSP, given EC aid procedures, the CSP could have included alternative scenarios depending on the direction taken by the next Government.

³³ The 2 rounds of the presidential election were held on 16th May and 30th June 1996. The CSP was presented at the meeting of the EDF Committee on 18th June.

³⁴ The EC was not alone in this. The World Bank, which prepared its CAS in 1995 with the Balaguer administration, had to reassess its strategy in 1996 when Fernández was elected.

Consultations on the CSP took place with the Balaguer administration through 1995 and early 1996. The EC provided the office of the NAO with funds for TA to help prepare a Government strategy document.³⁵ This facilitated the identification of the Government's priorities for the EC, but it may have also reflected weak links between the NAO and other Government departments and institutional weaknesses of the NAO office at the time (see Box on the NAO). This affected the Government's input into the 1996 CSP.

Discussions were held also with *opposition parties* prior to the elections. During a mission to the country in January 1996, the Desk Officer held discussions on the EC's future strategy with the Presidential candidates for the two main opposition parties (PRD and PLD). The discussions

were informal, and the draft CSP was not distributed. While this attempt to open up discussions with opposition parties was valuable, the EC might have been better able to identify realistic alternative scenarios if the process had been more formal.

After the elections the Fernández administration presented to Congress an ambitious reform programme. President Fernández visited Brussels to clarify the new Government's priorities. The EC agreed to revise the CSP – introducing Reform and Modernisation of the State as one of the three areas of concentration – but this early change in the strategy reflected the insufficient consideration of a reform-scenario (see below).

Consultations with other donors

Discussions on the draft CSP were held with Member States in the Dominican Republic while consultation with other donors was weaker. Member States have indicated that while general coordination at that time was weak, consultations on the CSP were carried out (see Chapter 3.B on donor coordination).

A draft CSP was presented informally in Santo Domingo (February 1996) to the Member States and also to the EDF Committee on a visit it made to the Dominican Republic. In May, more consultations were carried out and minor adjustments were discussed prior to presentation at the EDF Committee. In June, before the EDF Committee meeting, the Head of Delegation and the Desk Officer travelled to Madrid to discuss the CSP with representatives of the Spanish Government.³⁶

Member States noted that they appreciated these consultations but that they did not feel they had much real input into the process. The CSP itself summarises the activities of other donors (Annex 3.a presents summary data by sector) but it does not present an analysis of complementarity, and the EC's choice of sectors and choice of strategy within each sector do not appear to have been determined by a need for complementarity with other donors' strategies.

CSP and NIP: the timing of changes

The CSP was approved by the EDF Committee on 18th June 1996, just 2 weeks before the 2nd round of the Presidential elections, at which a new Government was elected.

Following discussions with the new Government, the CSP was then revised and a *corrigendum* was approved by the EDF Committee in November 1996.

On the basis of the revised CSP, the 2nd NIP was drawn up, and was signed in March 1997.

In the wake of the damage caused by Hurricane Georges in September 1998, the NIP too had to be slightly revised. Following requests from the Dominican Government, a number of amendments to the NIP (changing the allocations to different sectors) were approved by the EDF Committee in February 1999.

³⁵ A draft of the document was received by the EC in December 1995: *Estudio para la Determinación de los Objetivos y Areas de Desarrollo*, Maritza Amalia Guerrero, Oficina del Ordenador Nacional para la Convencion de Lomé IV, Santo Domingo, 1995/96.

³⁶ Representatives of the Ministry of Economics and Finance, the Ministry of Trade and Tourism, and AECI.

The NAO office in the DR

Following the accession of the Dominican Republic to the Lomé Convention in 1989, an NAO office was established within the Dominican Government. The office was created by the Balaguer administration to deal only with Lomé programmes. This is an institutional arrangement not usually found in other ACP countries.

Whereas other donors' programmes are coordinated through the Secretaría Técnica de la Presidencia (STP), the NAO office was created as an independent unit, in practice responsible only to the President. The NAO himself was given the title of Government minister with special responsibility for the Lomé Convention. (The first NAO minister was moved to this office from being the Finance minister.)

There is a perception that the current NAO has in many cases facilitated innovative EC programmes in support of civil society. However, a number of donors (including the EC Delegation) and some Government officials express concern over the fact that both the NAO office (EC aid) and the STP (all other donors) have responsibility for coordinating aid while there is often limited coordination between them, and a weak link with the planning and budgeting process. The weakness of Government planning and budgeting, compounded by this institutional fragmentation, limits the impact of foreign aid. The STP is currently responsible for budgeting.

Initially EC links with plans and budgets were also weakened by the fact that the NAO office and its personnel – which now has a staff of about 40, of whom 20 are professionals – were financed by EDF funds and not by the Government budget. At this time, weak internal financial management (and weaknesses in the management of counterpart funds) were also identified, concluding with an external audit and EC inspection missions carried out in 1996-97. Responding to this situation was a time-consuming activity for the EC Delegation.

The NAO office states that improvements have since been made to its financial management, and the NAO office is now financed through the Government budget. After initial disagreements, there is now a good working relationship between the NAO office and Delegation staff. However, the NAO reports increasing difficulties with the slowness of EC procedures (particularly since the creation of the SCR).

Consultations with civil society

There was very limited consultation with representatives of civil society during the preparation of the strategy,³⁷ and the CSP contains no analysis of the development of civil society even though its discussion of areas of intervention outside the focal sectors included institutional strengthening through decentralisation in order to promote greater participation of local communities (CSP, page 14).

³⁷

As part of its Comprehensive Development Framework initiative (facilitating the preparation of its own country strategy for the Dominican Republic), the World Bank supported the recent consensus-building process led by the PUCMM. While some concerns have been expressed about this initiative, it constitutes an important attempt to draw civil society into a strategy-setting process (see box on p.3).

Assessing the strategy documents

Clear country analysis but insufficient assessment of previous interventions

The CSP offered a clearly presented analysis of the principal constraints on development in the Dominican Republic, placing an appropriate emphasis on insufficient social, economic and institutional development (see Box).

This analysis is mostly still valid (see country analysis in section A. above). However, with hindsight, more emphasis should have been put on the difficulties of implementing programmes in a context of poor public expenditure management and weak financial controls. Only the competitiveness of the economy has proved to be not such a strong constraint on development – the economy has experienced very high growth rates with minimal structural reform since 1996 (although it remains a dual economy, see p.5).

The country strategy did not benefit sufficiently from assessments of previous projects,³⁸ which is partly explained by the timing of the projects (most 7th EDF projects were still not completed) and partly by weak project monitoring. Because of the insufficient level of information available, in the CSP the EC could only argue that the EC should primarily continue working in the same sectors as the 1st NIP, to avoid excessive dispersion. Also the strategy could not be informed by lessons learned from the past (e.g. the financial management weaknesses in PRIDEP, or the need to focus more on policies and institutions, as seen in PRISA and PROLINO). However, the CSP correctly identified the need to continue the focus on primary health and education in the poorest areas and on decentralisation (CSP, page 8).

Limited justification for the choice of principal sectors

The initial CSP (produced under the Balaguer administration) was not significantly different from the previous EC programme. The expressed aim was to avoid dispersion and to maintain a focus on working in the poorest regions (as in PRIDEP, PRISA and PROLINO). The CSP also concluded that the possibility of institutional reform and improvements in governance was limited because they required a very gradual process of consciousness-raising.³⁹ The CSP therefore proposed that institutional strengthening and good governance should be simply a cross-cutting theme.

Analysis in the CSP

The 1996 CSP identified the following constraints on development in the Dominican Republic:

Social constraints

- High incidence of poverty in rural and marginal urban districts
- Deficient health and education services
- Deficient access to water and sanitation
- Environment damage (waste disposal, deforestation, sewage in coastal areas, etc.)

Economic constraints

- Vulnerability of economic stability, and delays in structural reforms
- Insufficient competitiveness of the productive sectors (institutional weaknesses in the public sector, low skills of employees, deficient provision of electricity and transport, etc.)

Institutional and administrative constraints

- Centralisation
- Institutional weakness of the State
- Weakness of the judicial system.

³⁸

As was noted by the Spanish government in discussions with the EC in June 1996.

³⁹

See *Programación del 8º FED: Estrategia de Cooperación, República Dominicana*, Brussels, March 1996, page 9

The initial CSP proposed 3 principal sectors: *basic services in health and education, improving access to water and sanitation in marginal urban areas, and electricity*.⁴⁰ The latter 2 sectors match the ‘conservation and use of natural resources’ area of the 1st NIP. There was also some continuity in the secondary sectors (private sector development and agriculture). The CSP also mentioned support for regional programmes of cooperation with Haiti.

In the revised CSP and the corresponding NIP, the reform and modernisation of the State sector replaced electricity as a principal sector (at the request of the new administration). It had previously been a secondary sector. However, it would appear that this was done with limited analysis of the real prospects of success for the implementation of a reform programme⁴¹ and without a clear appreciation of the high demands on staff resources made by interventions in this area.⁴² This may significantly affect the performance of the EC programme in supporting Government reforms.

Focus on poverty, and the amended CSP puts governance at centre-stage

The 1996 CSP included *governance* and *institutional strengthening* as key areas in the country, but initially as cross-cutting areas, given the different priorities of the Balaguer administration. In the *corrigendum* of November 1996, however, governance was moved to centre-stage. However, this move was perhaps made too quickly, before concrete reform actions had been taken by the new Government⁴³ and before an assessment could be made of the Government’s capacity to implement institutional reforms and of the political constraints on reform.

The initial CSP of 1996 failed to identify a governance programme in partnership with civil society and local governments (a ‘bottom-up’ approach to strengthening governance) and only included a general call for greater decentralisation (CSP, page 14). However, the subsequent *corrigendum* included strong support for the process of decentralisation and for local communities.⁴⁴

⁴⁰ With transport infrastructure as a reserve sector, if the condition of restructuring the electricity sector were not met (in particular the need for passing of the Ley General de Electricidad, which had been submitted to Congress in December 1993 but had not yet been passed).

⁴¹ The IDB studies on the political economy of reform are examples of the form such analysis could take.

⁴² The Delegation is understaffed. The area of public administration reform places particularly large demands on the time of advisers. It is very difficult for one adviser, with a number of other responsibilities, to provide effective supervision.

⁴³ The Fernández administration committed itself to provide adequate financial, human and material resources to the Comisión Presidencial para la Reforma del Estado (created 30 September 1996). However, this Commission has received insufficient Government resources, possibly indicating limited political support (see Chapters 2.A and 3.A).

⁴⁴ In the event, PARME had a significant component of support for decentralised cooperation, including support for civil society.

| Sectors of concentration in the 1st NIP (1992 ff.) and 2nd NIP (1997 ff.) including changes to CSP 1996. | | | |
|--|--------------|--|--------------|
| 1st NIP | | 2nd NIP | |
| Sector and specific objectives | % NIP | Sector and specific objectives | % NIP |
| Conservation and use of natural resources <ul style="list-style-type: none"> • Improving use of water resources • Improving infrastructure, including rural roads • Rural land management, especially forestry | 55 % | Water and drainage in marginal urban districts <ul style="list-style-type: none"> • Improve water and waste disposal services • Strengthen institutions involved and promote community participation | 25 % |
| Social sectors <ul style="list-style-type: none"> • Health, especially public sanitation • Education, especially construction and equipment for primary schools | 20 % | Basic health and education <ul style="list-style-type: none"> • Strengthening institutions, including support for decentralisation and training • Health: institutional reform, with priority to primary and preventive health care • Education: basic and primary education, infrastructure, vocational education | 25 % |
| Sectoral import programme (support for structural adjustment) | 10 % | Institutional reforms and modernisation of the State <ul style="list-style-type: none"> • Reform of public administration • Reform of the legal system • Decentralisation • Restructuring of public enterprises • Modernise the legislature • Improve statistical apparatus for foreign trade | 25 % |
| Outside the sectors of concentration <ul style="list-style-type: none"> • Development of trade and tourism • Private sector development • Financial and technical cooperation • Cultural cooperation • Support regional programmes | 15 % | Outside the sectors of concentration <ul style="list-style-type: none"> • Farming sector competitiveness • Private sector competitiveness • Support regional programmes of cooperation with Haiti • TA for studies and programme management | 25 % |

The 1996 strategy (*before* implementation) also had a very strong **poverty** orientation. Two of the focal areas directly targeted poverty (basic social services and water in marginal urban districts), absorbing 50% of 2nd NIP funds. Within the social sectors, the CSP and the NIP both explicitly stated that priority would be given to primary and preventive health care, and to basic education. In its geographical focus, the CSP proposed retaining the targeting of the poorest regions of the country (in particular, the rural south-west and north-west as well as Salcedo in the north-east), and identified support to regional programmes of cooperation with

Haiti as an area for support ‘outside the areas of concentration’. The selection of private sector development as an area for support corresponds to the weaknesses in competitiveness identified in the CSP. There were doubts at the time as to how sustainable growth would be. However, the economy has grown very rapidly since 1996 and the private sector now appears much more stable. With hindsight, support to the private sector appears less urgent.⁴⁵

Finally, the CSP did not focus on **environmental** protection or **gender** equality. While the CSP contains a brief analysis of environmental problems, the environment only appears within the EC’s strategy as an aspect of the water sector, and gender equality is not considered.⁴⁶

The modified CSP reduces the focus of interventions

The 1st NIP and the initial 1996 CSP included similar sectors, including water and electricity. While the 1st NIP appeared to be heavily concentrated in one area (‘conservation and use of natural resources’), this was in practice a broad area (including projects of integrated rural development programme (PROLINO) and electricity (Los Toros)).

The revision of the CSP reduced the focus of the strategy by introducing institutional reforms and decentralisation as principal areas. The 1996 CSP also called for interventions across a dispersed range of other sectors: support to the private sector, support to farming, and regional programmes with Haiti.

This dispersion reflects many pressures: the large number of instruments of EC aid (including Sysmin and structural adjustment), the interests of different Government departments, the EC’s own varied priorities at Headquarters and in the Delegation. The role of the Government in favouring this dispersion is particularly important.

Strategy lacks realism and does not include alternative scenarios

Insufficient analysis of the viability of key interventions (in institutional reform, decentralisation, and financial management) and of their demands on staff affected the realism of the strategy. Realism was limited by the lack of ‘learning tools’ during strategy preparation, including consultation with beneficiaries and with civil society. Complementarity was limited by the weakness of coordination with other donors. The choice of sectors did not reflect the EC relative advantages.

Amendments to strategy documents were made: to the CSP in 1996 and to the NIP in 1998 (after Hurricane Georges – see Box). While the amendments may be seen as an

Hurricane Georges and the NIP

In response to the damage caused by Hurricane Georges, in September 1998, the Government requested assistance from the EC for a number of specific projects in the reconstruction process.

In order to accommodate these projects, adjustments were made to the sectoral allocation of funds set out in the NIP. In February 1999, the EDF Committee approved amendments to the indicative allocations: 30.5% of programmable funds are now allocated to the social sectors, 20% to water and drainage, and 23.5% to the reform and modernisation of the State. The allocation to projects outside the sectors of concentration has been raised from 25% to 26%.

The Government also requested expanding the decentralisation component (including support to civil society organisations) in the proposed State reform programme (PARME).

⁴⁵ However, private sector interventions carefully targeted to reduce poverty may be more relevant. See the recent report, issued after the preparation of the draft report of this evaluation, *Diagnostic Report: April 2000*, Diagnos.

⁴⁶ In June 1996 the Spanish Government questioned the EC on its lack of focus on the environment in the Dominican Republic, and the EC responded by pointing to the danger of spreading its resources across too many sectors. Mission report, consultation with Spanish Government on the CSP, 5 June 1996.

indication of flexibility⁴⁷ in the EC aid planning process,⁴⁸ the strategy did not include contingencies or alternative scenarios (e.g. changes in Government).⁴⁹

C. EC programme in the Dominican Republic

The Dominican Republic signed the Lomé Convention in 1989. Most EC funds have been project aid within NIPs. The 1st NIP included € 85 million of project aid, while the 2nd NIP (since 1997) amounted to € 106 million. Under the 7th EDF commitments were also made for structural adjustment support and through the Sysmin facility. Budget line contributions have been small.

The Table below summarises the major 7th and (approved) 8th EDF projects and programmes (above € 5 million). Annex 1 (p77) contains a more comprehensive version of this table.

⁴⁷ Flexibility is a characteristic of NIPs that is expressly called for in Article 282, paragraph 3, of the Lomé Convention.

⁴⁸ An effort was made to keep the administrative requirements of the 1998 change as small as possible (e.g. by including reconstruction projects within existing focal sectors – school reconstruction within the education sector, etc.)

⁴⁹ Flexibility in the allocation of funds in the case of natural disasters should be facilitated by the new programming envelope in the context of the Cotonou Agreement.

| 7th and 8th EDF interventions (> € 5 million) | | | |
|---|--|---------------------------|--|
| Indicative program. | Project | Amount | Main activities |
| | | 7th EDF | |
| National | Integrated rural development programme on the North-West Line (PROLINO) | € 23.6 million | <ul style="list-style-type: none"> • Irrigation, water, electricity, roads, schools, clinics and the environment in an area in the NW, with community participation |
| National | Los Toros hydro-electric project | € 18.9 million | <ul style="list-style-type: none"> • Constructing hydro-electric power-station and supporting local irrigation |
| National | Integrated health programme in the south-west (PRISA) | € 8.8 million | <ul style="list-style-type: none"> • Strengthening facilities and capacity in 2 health regions • Also primary health care, and water and sanitation (through NGOs) |
| National | Integrated local-level primary education programme (PRIDEP) | € 7 million | <ul style="list-style-type: none"> • Strengthening primary schools in 3 provinces |
| Structural adjustment (SAF) | Sectoral import programmes, petrol products (PROSIP I) | € 13.5 million | <ul style="list-style-type: none"> • Balance of payments support through sectoral import programmes |
| Structural adjustment (SAF) | Sectoral import programmes, petrol products (PROSIP II) | € 9.3 million | <ul style="list-style-type: none"> • Balance of payments support through sectoral import programmes |
| Structural adjustment (NIP) | Sectoral import programmes, petrol products | € 8.3 million | <ul style="list-style-type: none"> • Balance of payments support through sectoral import programmes |
| Sysmin | Geological and mining development programme | € 23 million | <ul style="list-style-type: none"> • Stimulating growth of the mining sector, while ensuring environmental protection |
| Regional | Caribbean agriculture and fisheries programme | € 22.2 million | <ul style="list-style-type: none"> • 8 components supporting agriculture and fisheries across the Caribbean |
| Regional | Caribbean university level programme (CULP) | € 21 million | <ul style="list-style-type: none"> • Master's degree programme with scholarships at 5 universities (3 in DR) |
| Regional | Trade development programme | € 14 million | <ul style="list-style-type: none"> • Supporting the Caribbean Export Development Agency |
| Regional | Tourism sector programme | € 12.8 million | <ul style="list-style-type: none"> • Training, support for Caribbean Tourist Organisation, strengthening CARIMOS, etc. |
| | | 8th EDF | |
| National | Programme to support the reform and modernisation of the State (PARME) | € 29.5 million | <ul style="list-style-type: none"> • Judicial reform • Strengthening public administration • Support to decentralisation |
| National | Water and sanitation in marginal districts of Santo Domingo (SABAMAR) | € 21.8 million | <ul style="list-style-type: none"> • Water and sanitation supply • Solid waste collection (micro-enterprises) • Institutional strengthening |
| National | Programme for reform of the health system | € 12 million | <ul style="list-style-type: none"> • Capacity-building (central and decentralised) • Restructure medicine regulation / distribution • Human resource management |
| National | Technical and professional education programme | € 13.25 million | <ul style="list-style-type: none"> • Institutions and policies in the sub-sector • Equipment and facilities at polytechnics |
| National | Reconstruction of schools and disaster relief, San Pedro de Maconis & Higüey | € 7.2 million | <ul style="list-style-type: none"> • Reconstruct hurricane-damaged schools • Build local capacity for disaster prevention |
| National | Reconstruction of road infrastructure in the south-west | € 6.5 million | <ul style="list-style-type: none"> • Re-building of hurricane-damaged roads and bridges, with preparation of a plan for environmental conservation |

2. Performance of the EC's programme

The assessment of the performance of 7th EDF projects is based on available mid-term and final evaluations.⁵⁰ Since the implementation of 8th EDF projects has only recently begun, the assessment of these interventions is based on their *likely* impact. This assessment is based on analysis of the quality of project preparation and some indications of implementation.

Performance is assessed in terms of *impact* on EC objectives such as governance and democratisation, poverty, gender equality and the environment. Key factors contributing to the EC's performance are analysed in Chapter 3 (institutional strengthening, the degree of donor coordination, and the Commission's resources and procedures).

A. Governance and the rule of law ⁵¹

The post-Lomé negotiations saw the EU taking a leading role in linking cooperation to governance and the rule of law. Also, in a number of countries EC aid has had an impact in this area.⁵² In the Dominican Republic, until recently few EC interventions have addressed governance and the rule of law, while some other donors have interventions supporting the electoral process, civil society groups (as a bottom-up approach to improving governance) and public administration reform – see box.

Other donors' governance programmes

Given the importance of this area for the development of the country (see Chapter 1), some other donors have chosen to work in this area.

- USAID has supported the electoral process through its support to Participación Ciudadana, an important civic movement (see Chapter 3.A.2).
- Although the lack of transparency and accountability of the budget process has been known for a number of years, the World Bank and the IMF have done little work in this area. The World Bank has now realised the importance of the budget to good governance (and to the efficient delivery of social services to the poor) and has identified non-approval of a budget reform law by January 2001 as one of the triggers for a 'low-case' lending scenario.
- The IDB has been the only donor trying to focus on the budget process, mainly through the Integrated Financial Management Programme (PAFI, DR-0094), and through its comprehensive Programme of Support for Reform and Modernization of the Executive Branch (DR-0073). The IDB, however, has encountered a number of difficulties and implementation of the programmes has been delayed by lack of congressional approval. An IDB programme supporting institutional capacity and budgeting in municipalities (especially in Santo Domingo) appears to be in a position to make faster progress.

⁵⁰ A report compiling some of the results of EC development cooperation in the Dominican Republic, carried out at the same time as this evaluation, was available to the evaluators. However, the current evaluation has had access to more documents and interviews than did the compilation exercise.

⁵¹ Including democracy, the rule of law and respect for human rights.

1st NIP programmes did not focus on Governance interventions

The EC programmes from the 1st NIP were not targeted at governance or the rule of law.⁵³ However, the weaknesses of the Government budget process, financial controls and duplication of functions contributed to implementation problems in a number of EC interventions (particularly PRIDEP, structural adjustment counterpart funds, and support to the NAO office). Problems in financial management also affected the EC's relationship with the NAO office in 1996 and were very time-consuming for Delegation staff.

Other projects appear to have had more successful financial management (e.g. PRISA and PROLINO), but this was in part because of the use of implementation units that were given considerable autonomy. However, this approach does not contribute to institutional strengthening and the projects were limited by weak links with weak government departments (SESPAS and SEA) – see Chapter 3.A.1.

2nd NIP includes two major programmes in Governance

PARME was introduced after a request from the Fernández administration in late 1996 for support for its state reform and modernisation programme (the initial 1996 CSP did not envisage governance as a focal sector). PARME was only approved in November 1999, and has become the flagship project of the 2nd NIP in the area of governance and the rule of law. The design of PARME includes components for judicial reform, reform of the central public administration, and decentralisation – which is the largest component (see Box). The financial proposal specifically sets as a general objective the aim of 'deepening democracy and fostering respect for human rights and building institutions more conducive to human, social and economic development'. The judicial component is expected to address governance and human rights directly (e.g. through support to the Ombudsman and care for young offenders), while elements of public administration reform are designed to have a direct or indirect impact on governance.

PARME: targeting governance

The **judicial** component of PARME is expected to support citizen's rights and participation (including support for the office of the Ombudsman) for greater oversight of the executive, and improved management of prisons (including care for young offenders, an important human right issue in the Dominican Republic) as a means of improving rehabilitation and human rights.

The **public administration** reform component aims to improve both the efficiency and neutrality of the public administration (including increasing information to the public).

The **decentralisation** component is intended to strengthen the capacity of city halls and other bodies that can support decentralisation (e.g. provincial development boards), as well as supporting the role of public, private and civil society institutions in decentralisation (as seen in Puerto Plata and Salcedo). Support includes municipal legislation, training systems, information systems, and support for the Dominican Municipal League and the Institute for Municipal Administration Studies. Key geographical areas for support are the municipality of Santo Domingo and local development in Salcedo and Puerto Plata, with replication to other provinces.

SABAMAR (water and sanitation in Santo Domingo) is the second largest project in the 2nd NIP and has been innovatively designed to incorporate components in support of linkages between local government and community organisations (e.g. juntas barriales and micro-enterprises), and to strengthen the capacity of central and local government to respond to community demands in the sector. The approach was made possible in large part because of the collaboration in design with highly regarded NGOs: IDDI (with experience in service

⁵³

An important exception is the support to civil society in local development and decentralisation through a relatively small project in Puerto Plata province (€ 1.6 million). See chapter 3.A.2

delivery) and Centro Montalvo (with a long history of links with community-based organisations and local government). SABAMAR is consistent with a bottom-up approach to improving governance – increasing transparency and accountability in the delivery of services and empowering and supporting pro-poor institutions.⁵⁴

...but PARME and SABAMAR might be over-ambitious

While PARME and SABAMAR are relevant to governance and the rule of law, their designs appear over-ambitious and complex (with too many distinct components) and there are a number of issues which could curtail the impact of these interventions – discussed in more detail in Chapter 3:

- These interventions would place large demands on staff time and there is insufficient back-up from expert staff. Also, the political context (including commitment of stakeholders) has been insufficiently analysed, and coordination with other donors (including the donor with the largest involvement in some of these areas⁵⁵) has some weaknesses (see page 54). Commission procedures are slow and have limited flexibility, and, while Government counterparts are weak, these interventions contemplate significant use of international consultants and implementation units.

Particular care is needed in interventions in this area. See, for example, *Civil Service Reform: a Review of World Bank Assistance* (World Bank OED, 1999), and *Aiding Democracy Abroad* (see footnote 23).

B. Poverty reduction

In a middle income country such as the Dominican Republic where the incidence of poverty is presumed to be high,⁵⁶ a strategy to reduce poverty consistent with best practice (see box) requires: measures to increase empowerment (including decentralisation), actions to protect the poor from sources of vulnerability (e.g. in terms of natural disasters), and to increase their access to physical and human capital and the return to their assets (including infrastructure, education and health investments, and targeting growth in areas with a high poverty-incidence).

⁵⁴ See *Aiding Democracy Abroad*, T. Caruthers, Carnegie Endowment, Washington DC, 1999, and *World Development Report 2000-1*.

⁵⁵ The IDB has a project implemented by INTEC ('Strengthening Civil Society Organisations in the Dominican Republic'), which has produced key documentation (e.g. inventory of civil society organisations), and a project to support the transparency and accountability of the budget process in the municipality of Santo Domingo.

⁵⁶ As noted in Chapter 1, there is only limited understanding of poverty in the Dominican Republic, both in Government and among donors.

Reducing poverty: Pillars to attack poverty (WDR) and Making aid work for the poor (OECD)

According to the *draft World Development Report 2000/1*, the pillars to attack poverty are:

Empowerment:

- make institutions pro-poor. This involves strengthening formal democratic processes, and more detailed processes of accountability, especially legal procedures.
- remove the social barriers to poverty reduction. This requires strengthening the social institutions of the poor, reducing social barriers against particular groups (e.g. through building up assets of poor women), stopping their exclusion from the market place, and increasing their voice through legal and other steps.

Security: protect the poor against negative shocks, and manage these shocks. This requires a broad safety net (but with modular implementation), and a pro-poor macroeconomic policy where there is volatility.

Opportunity: make it possible for the poor to increase their access to physical and human capital, and increase the rates of return of these assets. This may involve land reform, rural and urban infrastructure investment, and investments in education and health.

The recent **OECD report, *Making Aid Work for the Poor***, advises that the mainstreaming of poverty reduction requires: changes in donors' own policies, procedures and organisational culture; changes in their country assistance strategies and interventions; and improving country-level dialogue to effect changes in developing countries' institutions, policies and socio-cultural environments.

In particular, aid agencies should assess their incentive-systems and internal organisation (do they reward poverty reduction? Are country programme managers held accountable for their performance in reducing poverty?), and their monitoring and evaluation systems (are they poverty-oriented?).¹

The OECD report also argues that **country assistance strategies** are the main vehicle for translating poverty reduction goals into effective actions on the ground, but that their success in this requires:

- participation by partner governments and civil society - closer cooperation with selected governments and building partnership with civil society
- strong mechanisms of coordination and dialogue.
- targeting, particularly in the productive sector (private sector interventions)
- a return to area-base interventions
- decentralisation measures
- high quality poverty data and analysis, and the monitoring of progress

1. 'The contribution of monitoring systems towards accountability and lesson-learning is currently seriously constrained by their widespread failure to provide evidence on how the poor in particular have benefited from outputs or impact.'

1st NIP interventions focused on poverty, but impact is likely to have been limited

Programmes targeted the poorest areas, especially those bordering on Haiti, in the South west (PRISA, PRIDEP, Microprojects) and also in the rural north-west (PROLINO) – see box on 1st NIP projects. The support of structural adjustment was also intended to support Government expenditures on education and health. However, the weakness of Government institutions and poverty reduction policies may have limited the impact of these interventions (see Chapter 3). Moreover, the weakness in financial controls and in implementation units severely affected the poverty impact of *PRIDEP* and structural adjustment interventions.

PROLINO and *PRISA*, while relatively more successful, have seen their poverty impact limited by the weak capacity (and policies) of Government departments (SEA and SESPAS) and a somewhat greater emphasis on construction than on institutional components (see box

Poverty impact of interventions (1st NIP)

PROLINO is an integrated development programme supporting poor households in a deprived rural area in the north-west of the country, close to the border with Haiti. The mid-term evaluation argued that the impact of the project was considerably less than initially intended (*PROLINO: Evaluación Medio Termino, Informe final*, Nethconsult, 1997): that it benefited a smaller area than it should have been done (only 2 to 3,000 families, rather than the 23,000 envisaged at the time of the reorientation of the programme in 1995 – see executive summary 5c) and that the implementation of construction components was given more priority than the involvement of beneficiaries in identifying and prioritising activities (4a, 5a, 5b). However, the Delegation has disputed the findings of this evaluation. An attempt has been made since the mid-term evaluation to expand the impact of the programme and to ensure it works closely with decentralised Government institutions.

PRISA targeted some of the poorest provinces in the country (in the south-west), and according to the mid-term review (*Informe de Evaluación Intermedia del PRISA*, Euro Health Group, 1997) had some significant successes in basic sanitation (working with NGOs in improving drinking water systems and constructing latrines) and primary health care (in particular the provision of solar-powered refrigerators). However, institutional strengthening may not have been given sufficient weight, although there was some success in training and decentralisation (pp.39, 46-47), and the weakness of SESPAS created important constraints. A subsequent DGVIII mission reported that the impact of PRISA was lower than the MTR suggested, with low levels of real access to facilities and under-usage of new infrastructure (DGVIII Mission Report, May 1997).

PRIDEP was intended to have a strong poverty focus, but had serious implementation weaknesses. It targeted basic education, at decentralised level, in 3 of the poorest provinces of the country (all near the Haiti border). However, the audit reported 'a lack of financial, administrative and organisational discipline' (Coopers & Lybrand, draft audit, 1997). And according to the evaluation (Carl Bro Management, *Informe final*, 1997), contrary to programme design, the programme focused on construction and equipment (although these were in fact well behind target), rather than community participation. Weak monitoring, weak TA and a poor commitment from the ministry (SEEC) meant that these problems were not addressed. Therefore, impact on poverty was probably low.

Micro-projects. The Micro-projects Programme (for which implementation only began in September 1999, after long delays in selecting and appointing the Project Director) will focus on projects with strong beneficiary involvement in the rural south-west of the country and the border area with Haiti. Priority will be given to the needs identified in 2 previous studies carried out for the EC: one on possible projects in the border-zone with Haiti (some of these were then agreed upon with the NAO), and the other on ways to improve the quality of life in *bateyes* in Barahona province.

for evaluation findings). However, according to its evaluation, the relatively small *Puerto Plata* project appears to have achieved a number of positive results (both in governance and poverty reduction objectives). Similarly, while *Microprojects* is only now beginning to be implemented, it is likely to have a significant impact on poverty.

Private sector support had limited poverty impact

Some other recent 1st NIP EC projects linked to the private sector – such as *Sysmin*, *PASP*, *Los Toros* and some regional programmes which supported the private sector (*CEDA and tourism*) – have not targeted poverty (contrary to the recommendation of the OECD report quoted above) and appear to have had a limited impact in this area – see box on private sector projects.

Poverty impact of support to the private sector (1st NIP)

PASP (Programa de Apoyo al Sector Privado): The recent evaluation¹ did not focus on the project's impact on poverty. However, the institutional component was weak as a result of the absence of a Government counterpart, and the component providing financial support to SMEs excluded micro-enterprises.

Los Toros involves principally the construction of a hydroelectricity scheme but as a by-product provides water for a regional irrigation project supported by the World Bank (Ysura project) and the sale of power generates funds for reinvestment in development projects. The evaluation and the Delegation note that this has been a self-financing project (and therefore could have received funding from the EIB). It does not appear to be an efficient way to target poverty reduction.

Sysmin: The evaluation – which a number of Commission staff consider to be of insufficient quality – did not assess the impact on poverty.² The institutional and policy components and sustainability appear weak. A number of the components support the mining industry, and have little direct impact on the poor.

Regional programmes: (1) Regional trade development programme (CEDA): the mid-term review finds only a very small positive impact on trade.³ (2) Regional tourism programme: the recent mid-term review did not assess the programme's impact on poverty, and argued that 'it is too early to try to determine if the 7th EDF programme has had any quantitative effect on European visitors arrivals' which would boost revenues from tourism.⁴

1. *Evaluación del PASP y elaboración de las bases para identificar un nuevo proyecto de apoyo al desarrollo del sector privado*, BMB, draft report, January 2000.

2. *Evaluation of the Dominican Republic's SYSMIN Programme*, De Souza Investments Ltd, October 1997.

3. 1% increase in growth-rate of targeted export products. The impact in terms of economic growth and employment is reported to be minimal, *Evaluation of the European Commission's Caribbean Regional Trade Sector Programmes*, Geomar International, August 1998, p.56

4. The project covers a range of activities – historic site restoration, marketing, training, trade fairs. *Final Evaluation of the 6th EDF Tourism Programmes and Mid-Term Review of the 7th EDF Tourism Programme*, draft final report, December 1999, p.37

2nd NIP interventions continue the poverty focus but with more policy and institutional components

The poverty impact of more recent EC interventions cannot be assessed yet since implementation is only now beginning. However, their design gives some indication of their likely impact. These interventions maintain a relatively strong poverty focus and now include much stronger policy and institutional components. This is intended to improve the poverty impact of 1st NIP interventions.

The institutional focus can be seen in the health, education and water sectors (see box) as well as in interventions focused on governance (including support to local governments and civil society, as discussed in the previous section, through *PARME* and also *SABAMAR*). If successful, these interventions would have a significant impact on poverty. This would be through an improvements in the efficiency of the Government's service delivery, through allowing a more efficient delivery of services by local governments with the participation of civil society, and through helping citizens to pressure Government for better services (empowerment, making institutions 'pro-poor').

Innovative intervention: SABAMAR

SABAMAR is a key innovative intervention in this area, supporting local government-civil society partnerships and targeting the poor. It targets water supply and sanitation (sewage and solid waste) for approximately 480,000 inhabitants of 16 marginal districts in Santo Domingo. Water and sanitation have been identified as one of the most important problems facing the poor and are a pre-condition for effective health-care. If successful (see discussion on difficulties in chapter 3), this project would have a very high impact on poverty.

Poverty impact of interventions (2nd NIP)

Health

The Health Sector Reform programme reinforces institutional strengthening in the health sector (both central and decentralised – continuing support to the provinces targeted in PRISA). The largest component involves reform of the system of regulation and distribution of medicines (€ 6.2 mill). The second largest component supports strategic planning, decentralisation and information systems (€ 3.2 mill). The third component addresses human resource management and training systems (€ 2.6 mill). Implementation is in 2 phases, the first phase (two years) focusing on design and the second on practical application, with a mid-term evaluation after the first phase. The poverty impact of the programme could be limited by weak capacity in SESPAS and a limited commitment to reform.

Education

The Technical and Professional Education project involves building capacity in polytechnics (to a large extent through providing equipment - € 8 mill out of € 11.8 mill of allocated funds) preceded by a 1st phase in which a 'Master Plan' will be developed for the sub-sector. The project has only just been approved by the EDF Committee. However, support of Technical Education is not an area which targets poverty.

Water and sanitation

SABAMAR is concerned with the supply of water and sanitation in 16 marginal districts in Santo Domingo, and with the strengthening of associated institutions (central and local government and civil society). It has a high potential impact on poverty, given the large numbers of urban poor (though the incidence of poverty in rural areas is higher). It is an innovative programme following a demanding approach (decentralised cooperation), but project design could have been made simpler (and more support from other donors could have been achieved). Impact could also be limited by: (a) a large and complex range of activities, and a danger that (as often happens) priority will be given to 'hardware' components, (b) a requirement for highly sensitive and time-consuming involvement with local government, NGOs and community associations, and (c) the choice of counterparts. (See chapter 3 for more detailed analysis of these institutional aspects.)

Poverty impact of a number of smaller projects

A number of somewhat smaller projects have recently been designed by the EC and are likely to have a positive (although localised) impact in reducing poverty. There are a number of new projects that support reconstruction (Reconstruction of Schools, € 7.2 mill, and Reconstruction of Road Infrastructure, € 6.5 mill) which compensate for negative shocks on the poor (e.g. hurricanes) and some of which include important education components. Bi-national DR-Haiti projects in the regional programme also belong to this area and they appear to have a considerable scope for replication (see Box). Given the poverty in Haiti and in the border areas, these interventions seem to merit priority consideration from a poverty reduction point of view. They also require particular care in their design (including financial controls).

Poverty impact: other projects

Post-hurricane projects. As noted in the recent World Development Report, a key area for poverty reduction work is security, protecting the poor against negative shocks. In the Dominican Republic, this requires not only reconstruction after the damage done by Hurricane Georges, but also increasing preparedness for future hurricanes. A number of EC projects are supporting hurricane reconstruction. One of the largest is the Reconstruction of Schools project. The project is principally concerned with re-building damaged primary schools, but also includes a component of community training in disaster preparedness (implemented through NGOs) and at least 20 micro-projects in disaster prevention and mitigation, involving community-based organisations.

Cross-border projects. There are several components of regional programmes which focus on cross-border relations with Haiti. While it is too early to evaluate these projects, they appear to have been prepared in a participatory manner and to target poor areas. Not only is the incidence of poverty far higher in Haiti than in the Dominican Republic, but also the border region is one of the poorest regions in the Dominican Republic. Potential for expansion of these types of projects exists given the severe poverty in Haiti.

The two new components of the Regional Agriculture and Fisheries Programme both have a poverty focus: PROCREBI (offering credit in the rural frontier area) and classical swine fever eradication (of strong concern to many poor rural households). In addition, the Environmental Cross-Border Programme, though its focus is on the environment, offers scope for local economic benefits in a very poor frontier region through the development of eco-tourism.

C. Environment and gender

Insufficient focus gender equality and environment protection

The evaluators found still insufficient focus on gender equality and on the protection of the environment in EC aid programmes in the Dominican Republic. Analysis, policies, monitoring and evaluation in these areas were found to be weak. However, the recent interventions of the 2nd NIP show a greater inclusion of gender equality components and SABAMAR could contribute to environmental protection.

This weak focus on gender and environment objectives is attributed partly to the high workload of Delegation staff, weak support from headquarters and lack of specialised expertise and clearly defined responsibilities in these areas. It also reflects the Government's weak focus in these areas⁵⁷ – including the *weakness* of environmental institutions and regulation.

...but some recent progress in gender equality. Recent steps at headquarters to mainstream gender equality have not yet had an impact on projects. However, a number of recent EC projects include some components which address in part this priority objective (e.g. SABAMAR, PARME and Technical education – see Box). Also, in a few programmes gender equality indicators are being used to monitor the Government's progress relative to its policy commitments (e.g. Technical and Professional Education and PARME).

Gender activities in EC projects

SABAMAR. In some of the education and awareness-raising activities, it is proposed that a special emphasis will be placed on gender issues. A small number of training courses will be specifically targeted at women in the areas of nutrition, the environment and leadership, with for example the aim of increasing women's participation in the *juntas barriales*.

PARME As a condition of the programme, the Government and other institutions involved committed themselves to an active gender equality policy in implementing the programme. Monitoring indicators will be established within the programme to assess progress in this area.

In addition, specific activities are (a) In the support for INAP (responsible for training civil servants), a 6-month research project (one researcher) will analyse the gender situation in the public administration at both central and municipal level. (b) Within the sub-components for institutional strengthening in the provinces of Puerto Plata and Salcedo, support for Oficinas Provinciales de la Mujer will be included.

Technical and Professional Education The Government has a policy commitment to promote gender equity across the education system. One of the first tasks of the PMU is to establish a monitoring system that includes monitoring the Government's progress with regard to this policy commitment (within technical education), although implementation will not be conditional on progress.

...and SABAMAR could contribute to environmental protection. The Dominican Republic faces significant environmental problems (see Chapter 1) but the EC programme has had a weak environmental focus in both the 1st and 2nd NIP. Little evidence was found of a strategy for integrating environmental objectives into the programme or into specific projects. Moreover, few lessons have been learned through evaluations (q.v. weakness of the Sysmin evaluation – see page 27 above).

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The recent World Bank Country Assistance Strategy ranks the Fernández administration as giving gender issues a low priority and environmental issues a moderate priority. A law has recently been approved on the protection of women and the Government has created a Ministry for Women.

Environmental activities in EC projects

SABAMAR In addition to the general objective of improving waste management and improving the quality of water, specific small environmental actions are included in the programme: (a) environmental education at community level (€ 60,000), and (b) a 4-month TA to the Instituto Nacional de Protección Ambiental (INPRA) to help seek appropriate solutions for the decontamination of the rivers Isabela and Ozama.

Sysmin Of the 10 studies funded through Sysmin, one has an exclusively environmental focus, while the various feasibility studies for new mining operations have included environmental impact assessments. The environmental study (study 'I') examines the possible reforestation of the sites of old bauxite mines on the Sierra de Bahoruco in the province of Pedernales, as well as analysing the legal and institutional framework for environmental protection in the mining sector. The evaluation was weak and involved limited analysis of environmental impact. Sysmin I is now being restructured and Sysmin II is in preparation. The EC must work to ensure that lessons from Sysmin I contribute to a greater environmental focus in these interventions.

PROLINO One of the major components of PROLINO was the construction of earth dams, facilitating irrigation for agriculture, and environmental protection measures were envisaged in connection with these earth dams. According to the mid-term evaluation, the environmental measures had 'limited' impact (*PROLINO: Evaluación Medio Termino, Informe final*, Nethconsult, 1997, executive summary 3.2h), but it is not clear that the evaluation examined this aspect in detail. PROLINO also aimed to reduce deforestation, through establishing village woodlots and introducing improved wood-burning stoves in order to limit the use of forests for domestic use, as well as through replanting previously forested areas.

Environmental impact assessments have been carried out in a number of programmes, but they have not been applied systematically. *Los Toros* received a full Environmental Impact Assessment (EIA) in 1996, one of only 3 EIAs undertaken by DGVIII in 1996.⁵⁸ The mining studies carried out with *Sysmin* funds have included a number of EIAs (see box). Also, the preparation of the Reconstruction and Rehabilitation of Road Infrastructure programme included an EIA and measures to reduce the potential damage done by natural disasters,⁵⁹ while the financial proposal for *PASP* specified that the criteria for selecting projects for funding should include their environmental impact. Financing proposals address the environment as one of the 'factors ensuring sustainability' but this is often treated at a cursory level.

The recent approval of an urban environmental programme (*SABAMAR*) could contribute to beginning to redress the weak environmental focus. It addresses key urban environmental problems linked to sewage and solid waste and may have an important positive impact,⁶⁰ although its feasibility study includes limited analysis of the potential environmental impact.

Specific project activities targeting the environment

A number of EC projects include specific activities targeting the environment (see Box). Most notably, the new *Environmental Trans-Border Project* (a € 4 mill regional programme) addresses environmental protection and sustainable development (particularly through eco-tourism) of the region of the Enriquillo Lake and the Etang Saumatre lake (which lie in the Haiti border region).⁶¹

⁵⁸ *Evaluation of the Environmental Performance of EC Programmes in Developing Countries - Synthesis Report*, December 1997, ERM.

⁵⁹ The project includes environmental measures, including the removal of the make-shift fords currently being used to cross rivers.

⁶⁰ In addition, the decentralisation component of PARME is intended to support local planning processes, which may facilitate protection of the local environment.

⁶¹ The design work for a regional environment programme has been under way for several years, but this project was approved only in January 2000.

D. Regional cooperation

Commitment to regional cooperation appears higher in the Caribbean than in other regions where the EC has supported regional cooperation. In this context, the accession by the Dominican Republic to the Lomé agreement, and the EC's regional programme in the Caribbean, appear to have contributed positively to:⁶²

- a) improved cooperation with Haiti
- b) the Dominican Republic's strategy of integration into the world economy (which includes free trade agreements with CARICOM and Central American countries (CACMA), and their membership of the WTO, ACS and work for the FTAA).

a) Improved cooperation with Haiti

The EC's programme is likely to have had a positive impact on relations between the Dominican Republic and Haiti, which in the past have been poor. In part, this is a result of the accession of the two countries to the Lomé agreement, their work in CARIFORUM and their experiences in the management of a number of bi-national projects in the Regional Indicative Programme (RIP).⁶³

The accession of both countries to Lomé in 1989, and their subsequent joint membership of CARIFORUM,⁶⁴ have brought the Dominican Republic and Haiti into closer cooperation, particularly since 1996. The Dominican Republic's support for cross-border relations with Haiti has also been recently strengthened through the consensus-building national agenda meetings organised by the PUCMM (see Chapter 1). The work of the Church and civil society organisations in the area have also assisted in defining priorities for EC interventions.

The most recent regional strategy, prepared in 1996, included an emphasis on support for bi-national programmes of cooperation between the Dominican Republic and Haiti. The Governments of the two countries argued forcibly within CARIFORUM for the importance of bi-national programmes. This request received the backing of the Joint EU-ACP Assembly in September 1996.⁶⁵ The 2nd NIP for the Dominican Republic also supported these bi-national regional programmes.⁶⁶

Cross-border programmes

Preliminary evidence from bi-national (regional) cross-border programmes indicates likely benefits from joint project identification and implementation efforts – see Box. These programmes require high-level contacts between Government ministers and officials of the two countries. There are bilateral technical meetings between officials, as well as regular meetings between the Heads of the EC Delegations and the NAOs from the two countries. Initially, much of the coordination work for these programmes appears to have been supported by the NAO office, though more recently there has also been an important involvement from the STP (seen in the February 2000 donor meeting – see below).

⁶² The findings in this section are based mostly on interviews in the Secretaría de Estado de Relaciones Exteriores, in the NAO's office, and with experts on Haiti from the Facultad Latinoamericana de Ciencias Sociales, as well as review of Delegation files.

⁶³ However, the funds available and the size of these projects have been relatively small.

⁶⁴ For the programming and implementation of the EC's regional programme in the Caribbean.
⁶⁵ *Resolución sobre los esfuerzos conjuntos de desarrollo de la República Dominicana y Haití*, EU-ACP Joint Assembly, Luxemburg, 26 September 1996.

⁶⁶ Bi-national regional programmes are one of the possible areas for support 'outside the areas of concentration' in the 2nd NIP.

Recent cross-border interventions

The **Environmental cross-border project** (€ 4.8 million) was approved in January 2000. The project preparation process was very slow. The initial design was prepared in 1995-96 for a Caribbean-wide environmental programme. However it was rejected as being too complex and lacking a regional dimension to pull together the national components. It was then proposed to design two separate programmes, for DR-Haiti and for the rest of the Caribbean. While the focus of the project is environmental, it may also strengthen bi-national cooperation: both Governments were closely involved in project preparation, and the participatory involvement of the local population is foreseen in the component of preparing a regional development plan.

Regional Agriculture and Fisheries Programme. After a number of criticisms in the Mid-Term Review in 1999, a major programme component (the € 9.8 mill Revolving Credit Fund) has been stopped and the funds reallocated. In response to the new emphasis on bi-national DR-Haiti programmes, some of the funds are now allocated to two cross-border projects. Both these projects have a strong poverty focus:

- **PROCREBI** (€ 2 mill) is a rural credit fund for the DR-Haiti border region, which is just beginning implementation.
- The **Eradication of Classical Swine Fever** is a cross-border agriculture project which is now at the study stage.

Puerto de Manzanillo. This transport infrastructure project, currently at the feasibility study stage, involves the development of a border port, which should facilitate the shipping of exports from both sides of the border.

It is expected that the cross-border nature of the projects will also foster cooperation between communities on either side of the border. The on-going policy support from the Governments and civil society organisations (including the Church, NGOs, universities and the PUCMM-WB consensus-building exercise) should favour programme sustainability.

Bi-national projects have so far been relatively small in size, and limited by the EC's regional funds available for this purpose. Given that they could target an area where the incidence of poverty is very high,⁶⁷ it would appear that there is a strong case for more EC support in this area. To stress the need for more funds for cross-border projects, in February 2000 the Governments of the Dominican Republic and Haiti convened a joint-meeting with the leading bilateral and multilateral donors in Santo Domingo. In this meeting, both countries presented a range of possible cross-border projects across a wide range of sectors (agriculture, environment, transport, communications, electricity, water, health, education and sport, and pre-investment studies), to a total value of US\$ 280 million.

b) Greater integration into the world economy and free trade agreements

A strategy for integration into the world economy supported by Lomé

The Dominican Republic under the Fernández administration has been developing *a strategy of integration into the world economy through a series of free trade agreements*, in particular with regional groupings. It has adopted an innovative strategy of initial alliances with relatively small groupings (e.g. with CARICOM and the Central American Common Market) as an intermediate step (which includes the improvement of the negotiating position of the region) towards negotiation with larger trade agreements or groupings (e.g. FTAA and the WTO). The Government also believes that these free trade agreements allow them to obtain trade benefits without the constraints of becoming a full member of the trade groupings

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Relative to the rest of Haiti, the rest of the Dominican Republic, and also relative to other member countries of CARIFORUM.

(CARICOM or the CACM). It also believes that this approach will help meet its objective of further opening the economy in a gradual way, while increasing domestic competitiveness and attracting more foreign investment.

This Government strategy of integration into the world economy through regional blocks is subject to considerable debate inside and outside the Dominican Republic. The Fernández administration has however been very committed to this strategy and has appreciated the supportive role played by EC aid.

The Government argues that membership of *Lomé* has supported the Government's trade integration goals by building the country's economic and political relationship with the EU and other ACP countries, and to some extent counter-balancing the very strong political and economic dependence of the Dominican Republic on the USA. Aside from the important trade arrangements it brings with other ACP and EU states, membership of *Lomé* has contributed to newer and greater contacts with the other Caribbean states, which has facilitated negotiations with CARICOM (e.g. through the management of regional programmes in agriculture and tourism).

The negotiations on the free trade agreement with CARICOM (signed on 28 April 2000) appear to have benefited from experiences derived from working within the *Lomé* framework (e.g. the use of negotiating machinery which allows for a significant participation by civil society and the private sector – Foro ACP model) and from the trade studies carried out for the Post-*Lomé* negotiations. In addition, the Government holds that CEDA improved its information on Caribbean trade and therefore supported the formulation of its trade strategy.

The NAO office believes that the EC's *Caribbean regional programme* as a whole has strengthened the Dominican Republic's links with other Caribbean states. Interaction between Caribbean Governments in CARIFORUM and within specific projects may have brought the diffuse but important benefits of greater mutual understanding. This cooperation may have facilitated the adoption of a common Caribbean position in the FTAA and the WTO. Caribbean countries – including the Dominican Republic – have supported the EU positions in WTO negotiations on the customs and protocol waivers embodied in *Lomé*.

Regional programme has a number of weaknesses which limit its support to regional integration

The analysis of the role of *Lomé* and the regional programme should also include the analysis of specific interventions within the Caribbean regional programme and of their management institutions. In this area, recent evaluations have found a number of weaknesses which limit the impact of the Caribbean regional programme on regional integration (see Box).

While the Caribbean regional programme might have contributed to greater understanding of countries in the region (see above), it appears that the programme is appreciated by Governments mostly for its contribution to their national interests rather than for its contribution to the region as a whole.⁶⁸ Project designs are often fragmented, with limited regional links between different components, and complex project management structures (with multiple programme management offices, in part reflecting political motivations).⁶⁹ Some weaknesses can be attributed to the implementation machinery. A recent evaluation found CARIFORUM (see Box) to have a weak capacity and an unclear institutional role (in the context of other Caribbean bodies).

⁶⁸ The bi-national DR-Haiti projects may constitute an exception (see above).

⁶⁹ See Box below.

Impact of regional programmes on regional integration

CULP (Caribbean University Level Programme). While recording some successes in establishing Master's courses, the mid-term evaluation questioned the sustainability of the programme (on the grounds of limited policy support), and argued that the most obviously 'regional' component (joint research projects and academic exchanges) has, with a few exceptions, had 'disappointing' results (p.7).¹ In addition, the evaluation felt that the complex management structure (divided between the Dominican Republic and Jamaica) should be made more 'robust' but that this was made difficult by 'the complex politics of the region' (p.7). The evaluation questions the degree to which the CULP is a 'regional integrated programme' (p.7). However, the NAO of the Dominican Republic has argued that there are regional benefits arising from the interaction of academics and students from across the region.

Regional Tourism Sector Programme. While holding that the programme has had some success in facilitating regional integration, the mid-term review (MTR) noted that the programme has a number of weaknesses, in particular weak links between components.² This follow up programme 'was driven mainly by political considerations – primarily the need to include the Dominican Republic, Haiti and Suriname as both beneficiaries and implementers of the programme', with a complex management structure (p.4), and no clear rationale holding the various components together (the MTR describes the programme as 'a 'mixed bag' of activities with no clear focus'). The MTR suggests that during project identification there was not sufficient attention to whether components were best at regional or national level.

Regional Trade Development Programme. According to the mid-term review,³ while there has been a slight positive impact on trade, there has been minimal perceived impact from CEDA activities to promote regional economic integration (in part because of the limited length of time elapsed, p.18), and the large institutional development component (€ 5 mill) would have been more efficiently implemented through national programmes (p.vi). Part of CEDA's weakness is attributed to the lack of political backing through CARIFORUM – the previous 6th EDF programme (CTDP) received stronger backing through CARICOM (see Box on CARIFORUM).

Caribbean Agriculture and Fisheries Programme. The recent mid-term review describes the programme as 'a project on the verge of paralysis, affected by a large number of problems that included: poor preparation, large time overruns and procedural and implementation inefficiencies'.⁴ The evaluation was critical of both the project design and the project management structure, with weak coordination and weak links with stakeholders.

1. The CULP supports Master's degree programmes at three universities in the Dominican Republic and two in Jamaica. *Caribbean University Level Programme (CULP): Mid-Term Evaluation*, draft final report, Proman, January 2000.
2. Two components directly involve the Dominican Republic: various training programmes implemented through PUCMM, and support for CARIMOS, which is based in Santo Domingo (although the specific heritage sites that have received extensive support are not in the Dominican Republic). *Final Evaluation of the 6th EDF Tourism Programmes and Mid-term Review of the 7th EDF Tourism Programme*, draft final report, December 1999.
3. *Evaluation of the European Commission's Caribbean Regional Trade Sector Programmes*, Geomar International, August 1998.
4. *Caribbean Agriculture and Fisheries Programme: Mid-Term Review*, final report, Agrotec, September 1999, summary p.1

CARIFORUM

CARIFORUM was established soon after the Dominican Republic and Haiti signed the Lomé Convention in 1989, to provide a mechanism for the preparation and implementation of regional Caribbean programmes.

Previously, the EC's regional counterpart had been CARICOM, which at the time included only the English-speaking Caribbean countries. However, Haiti recently joined CARICOM¹ and the Dominican Republic has just signed a free trade agreement with CARICOM. In functional terms, CARICOM is the more significant of the two institutions. In addition, the Dominican Republic is particularly close to Central American countries and has signed a free trade agreement with them.

In this context, the role of CARIFORUM and its political support appear unclear. CARIFORUM received a critical evaluation in 1997, in which the need for CARIFORUM as a separate entity was questioned.²

1. With the exception of the Dominican Republic, the memberships of CARIFORUM and CARICOM are now the same.
2. *CARIFORUM Evaluation Study: Final Report*, Rambøll, October 1997, page 40.

3. Explaining the performance of the EC's aid programme

This chapter examines the key determinants of the performance of the EC's aid programme in the Dominican Republic: the role of EC aid in strengthening institutions, both Government and civil society; donor coordination, and the Commission own resources and procedures.⁷⁰

A. Strengthening Government and civil society institutions

Strengthening Government institutions

The focus on strengthening Government institutions has increased considerably in 2nd NIP interventions but considerable care in implementation is still needed.

Governance has been identified as a key constraint on sustainable development in the Dominican Republic. However, strengthening Government institutions is a difficult activity. A recent global evaluation of civil service reform programmes carried out by the World Bank between 1980-1997 concluded that such interventions were largely ineffective.⁷¹ Success is hampered not only by political difficulties but also by adopting a narrow technocratic approach, with insufficient institutional analysis and without a coherent framework for intervening in administrative systems (see Box). Interventions in this area in the Dominican Republic require Government leadership and demonstrable commitment but also quality (and time-consuming) support from donors.

The difficulty of civil service reform

The World Bank's recent evaluation of civil service reform programmes identified four key factors which explain the weakness of such interventions:

1. Institutional and labour market constraints were insufficiently appreciated.
2. Institutional arrangements for coordination between government bodies, or for providing checks and balances against arbitrary action, were neglected (e.g. civil service hiring remained a primary mode of dispensing patronage). There was insufficient civil society participation.
3. The role of strategic management (reorganisation of work) and cultural change in improving incentives to perform was neglected (e.g. detrimental impact of expatriate consultants and project implementation units).
4. Poor monitoring (and information) of performance (which contributed to a lack of accountability)

Source: *Civil Service Reform: A Review of World Bank Assistance*, Operations Evaluation Department, August 1999

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This discussion refers also to the EC's efficiency in aid management.

⁷¹

Civil Service Reform: A Review of World Bank Assistance, Operations Evaluation Department, August 1999. A summary of this report can be found on the World Bank's web-site. See also the recent review *Aiding Democracy Abroad*, T. Caruthers, Carnegie Endowment, Washington DC, 1999.

1st NIP interventions had limited success in strengthening Government institutions

Interventions such as *PRIDEP*, *PROLINO*, *structural adjustment*,⁷² or in support of the private sector (e.g. *Sysmin*, *PASP*, *Los Toros*) – placed little emphasis on improving the policy environment or the institutions of central Government, either by their design or through their implementation. This probably contributed to the limited impact and sustainability of these interventions, while some of them also faced financial management problems (see Chapter 2).

However, in the case of *PRISA*, important components of the programme were intended to strengthen the process of decentralisation of health services towards the provinces. The mid-term evaluation reported successes in training in management skills and improvements in planning and budgeting at a decentralised level,⁷³ while the internal programme report noted that the provinces supported by the programme were at the forefront of the process of health decentralisation in the Dominican Republic.⁷⁴ The mid-term evaluation also argued that capacity remained constrained by limitations in the process of decentralisation and in the resources made available by the Government.⁷⁵

2nd NIP interventions increase the emphasis on strengthening Government institutions and the policy environment.⁷⁶

Most of the programmes reviewed by the evaluators included institutional strengthening components. In particular:

- *PARME* – the largest programme in the 2nd NIP. One component of *PARME* is concerned with the strengthening of the State administration as a whole, through improving the law on public administration, improving information systems, supporting the management of personnel, and strengthening civil service training by INAP (the National Institute of Public Administration). Another component – judicial reform – also involves considerable institutional strengthening, through helping institutionalise the office of the Ombudsman, training judges and magistrates, and improving the management of the prison system.
- *Health Sector Reform*. As a result of the lessons learned by the *PRISA* evaluation, this new intervention focuses more strongly on institutional strengthening. This intervention supports: (1) institutional strengthening at central and provincial level (including support for strategic planning and information systems); (2) restructuring the system of regulation and distribution of medicines (contracting with the private sector); and (3) human resource management (including systems for planning, evaluation and accreditation).
- *Education*. The Technical and Professional Education project involves an institutional strengthening component (including capacity-building within the relevant Directorate General within the Ministry, and the preparation of a Master Plan for the sub-sector) that will take place before the construction and equipment phase

⁷² PROSIP I and II and a SIP were intended to support social expenditures in the budget. However, the budget process is poor in the Dominican Republic, and the programmes have also faced difficulties in the management of counterpart funds. The mission found little analysis or evaluations of these programmes.

⁷³ *Informe de Evaluación Intermedia del Programa de Salud Integrado en el Suroeste (PRISA)*, Euro Health Group, 1997, p. 39.

⁷⁴ *Informe Final del Programa Integrado de Salud en el Suroeste 1994 – 1999*, *PRISA*, August 1999, p. 20.

⁷⁵ P. 39-40. No other evaluation was available.

⁷⁶ The strengthening of the institutions of civil society and local government – for instance through *SABAMAR* and through the decentralisation component of *PARME* – is addressed in the next section.

begins (except for pilot works). This marks a change from PRIDEP, which was largely concerned with construction.

Factors limiting the effectiveness of EC efforts to strengthen Government institutions

Given the difficulty of institutional interventions, the impact and sustainability of these programmes will depend on the capacity of the EC to follow 'best practice'. The discussion below identifies some elements which, if not corrected, could limit the impact of these interventions:

- Insufficient analysis of institutional and political constraints
- Reforms at sector level depend on overall public administration reform
- Difficulty in selecting appropriate Government institutions for support
- Over-complex designs, excessive use of PMUs and international consultants
- Slowness and lack of flexibility of EC procedures for institutional support

1) Insufficient analysis of institutional and political constraints

Success in public administration reform depends on demonstrable political commitment from the Government and some consensus in society, rather than on the narrow technocratic approach of conventional civil service reforms. In this context, the EC's support to public administration has been weakened by the lack of analysis of the political economy of reforms (see Chapter 3.C).⁷⁷ This could affect the success of most of the key projects in the 2nd NIP (e.g. PARME and Health Sector Reform).

Studies in these areas have been carried out by the IDB⁷⁸ and the World Bank⁷⁹ and have influenced the design and implementation of their interventions. For example, the IDB study advised that no financing of public administration reforms should be available until the Government takes concrete reform actions. As a consequence, the IDB and the World Bank (independently) have strategies in which support to the Dominican Republic in this area is to be contingent on the adoption of a budget reform law. The benefit of this analysis has not influenced the design or implementation of EC interventions (see section on donor coordination below – pages 49 to 55).

Use of international consultants weakens the analysis of institutional constraints

There is some evidence that the insufficient consideration of institutional and political constraints in EC interventions is also a consequence of the use of international consultants in designing projects. For example, in the formulation of the Technical and Professional Education project, the consultants tended to underestimate the institutional and political constraints on the project. It was necessary for a Delegation adviser to intervene forcefully in order to include these considerations in the project. Similarly, the initial consultants for SABAMAR – which involves support for local government and civil society – adopted an over-technical approach that neglected political and institutional considerations. Such considerations were only included at the insistence of a Delegation adviser. These are

⁷⁷ Such assessments would address questions such as: which groups would lose more from a more transparent budget process? Who are the most politically strong forces that could introduce reform? What is the likelihood of success in reforms?

⁷⁸ See for example two studies carried out during preparation of the IDB's State reform and modernisation programme by the University of Maryland (see footnote 116).

⁷⁹ See the work carried out in September-October 1998 by a political economy consultant, interviewing political leaders' attitudes towards economic reform (summarised in Annex E of the World Bank's Country Assistance Strategy).

important contributions. However, Delegation advisers do not have the time to follow project preparation closely and systematically, given limited staff resources, time-consuming administrative procedures, and limited focus in the EC's programme (see pages 59 to 60).

Location of the NAO office weakens the Delegation's understanding of political constraints

The fact that the EC's counterpart in Government (Oficina del Ordenador Nacional) is a ministry dedicated exclusively to the Lomé Convention has also contributed to reducing the exposure of the Delegation to sectoral policy discussions with line ministries and to public expenditure management (planning and execution) – see Box. This may have limited the EC's understanding of institutional and political constraints in the Dominican Republic.

The location of the NAO within central government

The NAO is the EC's main counterpart in the Government and in a number of cases has relatively high ownership of EC projects.

However, given the fragmentation and duplication in Government institutions, the institutional links of the NAO office with line ministries and the Secretariado Técnico de la Presidencia (STP) appear to be weak. The STP is institutionally responsible for budgeting and for coordinating line ministries. However, budget planning and implementation is also very weak. The funds of other donors are coordinated by the Secretariado Técnico de la Presidencia.

The location of the NAO thus appear to weaken the integration of EC projects in national development plans and the budget process. The limited interaction of the EC delegation with the STP and the line ministries would also appear to reduce the EC Delegation's understanding of the institutional capacity and developments in different ministries.

Towards public administration reform and a national development agenda

The Fernández administration has placed the reform of public administration and the budget on the national agenda. However, actual progress has been very limited. Key donors argue that this reform can only succeed with the support of the main political parties. Recent consensus-building processes (including the PUCMM-WB CDF exercise) are making small contributions to this process. Given the partnership and political dimension embodied in Lomé and relations with EU countries, EC support for consensus-building processes would contribute to public administration reform.

2) Reforms at sector level depend on overall public administration reform

One difficulty which may constrain EC interventions aimed at institutional strengthening is the inter-dependence of reform measures. The Government's long-standing institutional weaknesses mentioned in Chapter 1 (lack of transparency and accountability in the budget, fragmentation and duplication in Government departments, politicisation and low capacity of civil servants) mean that the success of *sectoral* reforms is dependent on the overall reform of the budget process and civil service reform. Institutional strengthening in specific sectors, for instance in technical education, is only likely to succeed if reforms are carried through to wage structures and career paths throughout the civil service, for example. Specific sector reforms (health or education) are unlikely to be effective if implemented in isolation.

For this reason, close monitoring of the budget process and civil service reform, as well as strong coordination with other key donors engaged in institutional strengthening, are essential to ensure that the minimum conditions for effective sector reform are present and that all donors complement each other's efforts (see section 3.B).

3) Difficulty in selecting appropriate Government institutions for support

Donor interventions to support public administration reform should work with institutions that are demonstrably committed and have the highest political support. Donors should support the reform process only after the Government has taken decisive reform actions. In sector reform, it is important that the EC works with counterparts that have the capacity to manage reforms (e.g. absorbing funds efficiently and with ownership) and have demonstrated commitment to reform.

The difficulty of selecting the appropriate institution for support is compounded in the Dominican Republic by the high institutional fragmentation and duplication of offices within Government (which includes, in addition to line ministries, the Office of the President, which operates across sectors, and *presidential commissions for reform*) together with weak donor coordination. This applies both to support for overall public administration reform and to support for sectoral reform (see Box on health sector reform).

Donors working in the same sector with different counterparts

In this context, the EC and the IDB have chosen different counterparts in a number of areas (see also Chapter 3.B). In some cases, the fact that the EC works with the NAO office and not the STP has meant that EC programmes work with counterparts that do not have the highest institutional support. While there may be a discussion as to which is the most appropriate counterpart, it is clear that donors should work with the same counterpart when supporting sectoral reform within a single sector. Donors should meet together on a regular basis to see how they can each best fit in with the Government's reform programme.

Supporting sector reform only when reform actions have been taken

This is very difficult for donors given their internal pressures to disburse aid.⁸⁰ Donors often support sectoral reform processes even when commitment and Government ownership are weak. The EC's record in this area is mixed:

- The EC incorporated State reform and modernisation (PARME) into its strategy before the Government had carried through actions demonstrating its commitment to reform.⁸¹ Meanwhile, the Government has not implemented budget reform or the IDB programme for public administration reform.
- In the health sector, the EC decided to support reforms even though there were already two large donor-supported sector reform programmes (IDB and World Bank). However, the ministry (SESPAS) appears not to be institutionally capable of managing this process, and both the IDB and the World Bank note that few reform measures have been taken (see Box).
- In the agriculture sector, where the institutional weakness of the ministry (SEA) was recognised in the PROLINO evaluation, the EC included a new project (Technical Support for the Banana Sector) which is to be implemented by a producer's organisation (the JAD – the Junta Agroempresarial Dominicana).

⁸⁰ Note, however, that the IDB made approval of its State reform programme conditional on Congressional approval of its PAFI programme.

⁸¹ The *Corrigendum* to the CSP (November 1996) notes that the Government committed itself to financial support for CPRyME. However, the Government appears not to have given CPRyME sufficient financial and staff resources for its activities, possibly indicating limited political support

Difficulties in identifying Government institutions to strengthen

PARME. PARME has 3 very different components and supports a large number of counterpart institutions – the Financing Proposal specifically mentions 13 major institutions directly involved in the implementation of the programme. This alone introduces management and monitoring difficulties. While public administration reform is inevitably a complex area which impacts on many institutions, the EC could possibly have designed a more focused programme with fewer areas of intervention.

In the public administration component, the EC is working principally with CPRyME, the Commission established by the Fernández administration to push the State reform agenda. The IDB, in its comparable programme, has chosen to support the STP, mainly because of its higher political and institutional status. CPRyME was meant to have a wide representation and has certainly had a positive impact in helping to put State reform on the national agenda. However, the Commission members have met very infrequently and CPRyME has received little Government financing, which may indicate limited political support. In a programme such as PARME, it is important both that the EC should only support an institution that has the clear backing of the Government (with an exit strategy if there is not sufficient commitment), and that support should be carried out jointly with other donors (particularly the IDB). The EC and the IDB should be working through the same counterpart.

Health sector reform. Several donors have programmes to support health sector reform, including the IDB (€ 60 million) and the World Bank (€ 30 million), as well as the EC (€ 20 million), in spite of few reform actions in the sector and perceptions of limited capacity to absorb these funds efficiently. The EC was aware of the difficulties of working in the sector before preparation of its programme began – a DG VIII health unit mission in 1997 reported that there was not clearly a strong will to reform within SESPAS, and that there was a lack of policies for translating overall objectives into practice.

The EC is working with a different counterpart from the IDB and the World Bank. Whereas the EC's direct counterpart is SESPAS, the IDB and World Bank's counterpart is the CERSS – the Comisión Ejecutiva para la Reforma del Sector Salud. (CERSS includes representatives of the STP, SESPAS, IDSS, CPRyME, other ministries, NGOs, etc.) While there may be a discussion as to which is the most appropriate counterpart, it is perhaps more important that donors choose the same counterpart.

Technical and Professional Education. The EC has designed a project to support the Directorate General (DG) for Technical and Professional Education within the ministry (SEEC). This is in a context of weak management within the DG (and SEEC more widely), with little coordination with other sub-sectors and no coherent sub-sector policy. The EC programme recognises these institutional constraints, but it expects that the 1st phase of the programme – preparation of a Master Plan for the sub-sector (drawing stakeholders together into a National Council) and capacity-building within the DG – will overcome these problems.

However, the DG has not yet demonstrated either its commitment to reform or its capacity to manage this process of institutional development. The feasibility study identified a wide range of weaknesses: the DG has poorly defined objectives, its lack of human and financial resources results in failure to implement projects, it has difficulties communicating with regional directorates and with other educational institutions at the centre, it has administrative weakness, lacks information, and is weak in supervision and control. In such an environment (without progress in a comprehensive civil service reform or reform of the budget process), it is not clear how effective or sustainable the EC's institutional strengthening measures will be.

SABAMAR. SABAMAR is a complex programme in which half the components should contribute to institutional development of local government, civil society and micro-enterprises. It also works with CAASD and SESPAS. The project has benefited from design contributions from important NGOs, but the knowledge within the Delegation of ADN and the political context are limited (e.g. many difficulties were experienced in bringing the ADN on board). Given the complexity of the project and the number of institutions involved, the choice of main counterpart was difficult (CONAU, the Consejo Nacional de Asuntos Urbanos). However, a number of stakeholders suggested that the political and institutional strength of CONAU was not commensurate to the importance of the project. CONAU has few permanent staff and basically consists of project personnel from other donors (e.g. RESURE financed by UNDP). For the success of the programme, the counterpart will need to coordinate closely with both ADN and CAASD. A smaller number of project components might have facilitated coordination with the various institutions involved.

Private sector (1st NIP). The PMU for PASP had no effective Government counterpart at all, other than the NAO. The institutional set-up of PASP as a separate operation with no operational, policy-related Government counterpart clearly made any impact on policies difficult, significantly weakening the policy dialogue component of the project. The evaluation (carried out by BMB) stresses explicitly that the lack of a genuine Governmental counterpart has had a serious effect on the sustainability of the project.

4) Over-complex designs, excessive use of PMUs and international consultants

Over-complex design of institutional strengthening interventions

Project and programme design is often over-complex and includes too many components, contributing to complex management structures and to difficulties in monitoring performance (and therefore to amending projects).⁸² While both PARME and SABAMAR (see box on p.42) operate in complex institutional environments, they could have benefited from addressing a smaller number of activities. PARME, for example, has 3 components and 17 sub-components, with 13 counterpart institutions,⁸³ covering many areas of intervention.

Evaluations of EC projects have also shown that where construction / equipment components are combined in a single programme with capacity-building components (rather than the best practice of stand-alone institutional TA projects),⁸⁴ there is a high risk that the 'hardware' components will be given priority, since they are more readily monitorable.

The evaluation of PRIDEP, for example, noted that although the programme was intended to be 'integrated' (with community participation), in practice the emphasis within the programme was given to the physical infrastructure and equipment components, with little involvement of the community, teachers or pupils (pp. 10, 33-36). In part as a response to this problem, new interventions divide the programmes into phases, with 'hardware' components only beginning on completion of an initial 'software' phase (e.g. Technical Education, Health Sector Reform).

Implementation through PMUs and the use of international consultants

Evaluations have identified a number of donor practices that have a detrimental impact on institutional strengthening. Most importantly, the use of international consultants and project management (or implementation) units (PMUs) has a detrimental impact on standard government procedures and on the morale of civil servants.⁸⁵ A further negative practice which some donors engage in is giving salary 'supplements' to civil servants to facilitate the implementation of their own projects.

⁸² This is particularly problematic in regional programmes. Complex project management structures in regional programmes are driven by the political necessity of having programme managers in several different Caribbean countries. The mid-term review of the Caribbean University Level Programme criticised the complexity of its management structure (divided between the Dominican Republic and Jamaica), but recognised the political difficulty of changing this.

⁸³ The financing proposal lists the following as the main parties involved in the programme: the Presidential Commission for Reform and Modernisation of the State (CPRyME); the Commissioner to support the Reform and Modernisation of the Justice System; the Supreme Court of Justice; the Ombudsman; the Attorney-General's Office; the Presidential Commission for the Definition, Execution and Supervision of the Prisons Policy; the Governing Body of the System for the Protection and Justice of Children and Adolescents; the National Office for the Administration of Staff (ONAP); the National Institute for Public Administration (INAP); the Dominican Municipal League; the Association for the Development of the Province of Salcedo; the Social Forum of Puerto Plata; the City Hall of the National District (ADN).

⁸⁴ It is now generally recognised that successful strengthening of Government capacity depends on an existing commitment to reform and not on the pressure or leverage of donors (e.g. offering increased volumes of aid). See, for example, *Civil Service Reform: A Review of World Bank Assistance*, World Bank OED Report No.19599, August 1999.

⁸⁵ See the global evaluation, *Evaluation of European Aid to ACP Countries*, Montes, Migliorisi, and Wolfe, European Commission, November, 1998 (ref. 951338, available on the web-site of the Evaluation Unit, SCR, European Commission also on the DG Development web-site), *Civil Service Reform: A Review of World Bank Assistance* and *Aiding Democracy Abroad* (see footnote 23).

This is important in the Dominican Republic, because the EC's increased focus on institutional strengthening has not resulted in a shift away from the use of PMUs. In fact, few projects focus their support only on the civil service. This is a reaction to the weakness of financial controls in Government institutions. However, it does not contribute to institutional strengthening or sustainability, but to more fragmentation. Within the Government, ONAPLAN notes that donors are always in favour of creating new institutions or units rather than supporting existing ones. All donors use implementation units and require use of their own procedures.⁸⁶ Even the IDB state reform programme includes a number of units and consultants that are only to be integrated into the civil service (Government payroll) at a latter stage. The requirement to use donor procedures places a burden on civil servants, and reduces the pressure to improve Government procedures.

These problems are compounded by the use of consultants (in particular international ones) by donors, who receive relatively high fees from donors, affecting the morale of the civil service as well as the labour market.⁸⁷

5) Slowness and lack of flexibility of EC procedures for institutional support

The Delegation and the Government have noted that EC procedures for the selection of consultants are often slow and unreliable (with high variation in the quality of consultants).⁸⁸ This affects the likely impact of institutional interventions by the EC. Moreover, in the Dominican Republic the EC is constrained relative to other donors because it normally cannot recruit Latin American consultants.⁸⁹

A number of Government officials emphasised that while they appreciate the EC's openness to dialogue, the slowness of procedures (particularly since the formation of SCR) has created a number of problems for the implementation of the reform programme – see Section 3.C. Particularly serious problems were noted in the support to the justice and public administration reform components of PARME. In justice reform, the Government argues that the EC has performed poorly compared to other donors (e.g. Spain) and has contributed to delays in the implementation of key actions (e.g. introducing a system for the care of young offenders).

The problems created by the slowness of procedures is compounded by insufficient back-up resources or and insufficient flexibility in the use of resources either for reacting to Government requests or for monitoring closely the political and technical evolution of programmes (see section 3.C).

⁸⁶ However, see Box below on how the IDB and the World Bank integrated their PMU into SEEC.

⁸⁷ Also note that the use of international consultants in the design of EC projects has resulted in a number of cases in an insufficient emphasis on the political and institutional context (as discussed above).

⁸⁸ The IDB has been able to recruit high quality consultants for a number of its interventions and studies.

⁸⁹ Except in the case of PARME, where the EC obtained a derogation from country of origin rules (EDF).

Strengthening civil society and local government

The Cotonou agreement has opened EC development cooperation to civil society. It is recognised that civil society can play an important role both in supporting better governance and in supporting efficient service delivery to the poor, complementing Government efforts to reduce poverty.⁹⁰ In the Dominican Republic, donors (see Box) and the main political parties increasingly recognise the importance of civil society.⁹¹

Civil society support

Possible roles in support of civil society and local government

- building the capacity of local governments in the poorest areas and supporting partnerships with civil society organisations. Civil society organisations may help Government agencies to develop more participatory and pro-poor approaches and to pilot innovative projects that the Government can then replicate.¹
- building the capacity of community-based organisations in poor areas as a means of ensuring a pro-poor focus to interventions, through their knowledge of local conditions, and as a means of empowerment, strengthening the social institutions of the poor.
- supporting advocacy organisations and civic groups – in particular those trying to make State institutions more pro-poor and those involved in focusing on issues of better governance, democratisation, environment and gender issues.

Support of other donors in the Dominican Republic

The increasing role of civil society in the Dominican Republic (see Chapter 1) has led other donors to see civil society as an essential element in reform.

USAID (which has chosen to channel 90 % of its funds through civil society because of low transparency and accountability in the Government budget) has been financing Participación Ciudadana (as part of its democratisation programme) and PUCMM (as a channel to finance civil society organisations).

The IDB has a programme to strengthen civil society organisations through INTEC. This has included work on an inventory of civil society organisations, their mechanisms of articulation and the legislative framework in which they operate. The IDB also has a programme for the institutional strengthening of municipalities, in particular Santo Domingo, which includes TA to help restructure service delivery, investment financing, rationalising the legal and regulatory framework, and improving the accountability and transparency of municipalities.

In addition, while the recent consensus-building exercise initiated by the PUCMM, forming part of the World Bank's CDF, is mostly directed at political parties, it has also included a number of key civil society organisations and representatives of the private sector.

Civil society organisations are also increasingly being consulted by donors during strategy preparation and project design (e.g. consultations as part of the World Bank's Country Assistance Strategy – see Annex D of the CAS).

1. Such support must not duplicate or undermine Government efforts – the aim is to support collaboration between Government and non-governmental service providers. See '*Strengthening DFID's Support for Civil Society*', P. Scotland and S. Phillips, report of responses to the Consultation Paper, February 1999. See also '*Thinking strategically about politics and poverty*', M. Moore and J. Putzel, CIIR, London 1999.

⁹⁰ The draft *World Development Report 2000-2001* also focuses on the importance of civil society and the process of empowerment.

⁹¹ The classification of civil society organisations used here reflects that proposed recently by consultancies for the INTEC-IDB programme of support to civil society, *Clasificación actual y agrupación de las Organizaciones de la Sociedad Civil Dominicana (OSC): Descripción de sus características*. It divides Dominican civil society organisations into 4 groups: organisations delivering services to third parties, organisations for civic participation and the defence of human rights, community-based organisations, and 'corporate' organisations (defending the interests of their own members, e.g. professional bodies, trade unions).

EC interventions in the 1st NIP and particularly the 2nd NIP include programmes that provide important support to civil society, but the EC lacks an overall strategy in this area

However, while the EC does not yet have an overall strategy to strengthen civil society organisations in the Dominican Republic, it has a number of experiences which, if properly evaluated, would provide an important basis for a future strategy in this area. Moreover, consultations with civil society have not been carried out in a systematic manner,⁹² and Delegation staff do not have sufficient time to devote the necessary resources to this area.⁹³

A number of 1st NIP interventions provided support to civil society organisations, including a few programmes which according to their evaluations have had some success in supporting the role of civil society in the delivery of social services, particularly Puerto Plata and PRISA (see Box). The Puerto Plata project was not only about delivery of services through civil society organisations but also promoted a process of participation and concertation between local authorities and different actors in civil society and the private sector (though this process faced some challenges as a result of the newly created Consejos de Desarrollo Provincial, CDP).⁹⁴ PROLINO has attempted to achieve a high level of involvement of beneficiaries in planning and implementation and to work closely with decentralised Government institutions.⁹⁵ In a number of 1st NIP projects, infrastructure components often took priority at the expense of community participation elements (e.g. PRIDEP).

EC projects with components implemented by civil society organisations

Reconstruction of Schools (2nd NIP)

One important component of this post-hurricane project is community training in disaster preparedness which will be implemented through NGOs. Twenty disaster prevention and mitigation micro-projects will be implemented and executed by communities.

Technical Support for the Banana Sector (2nd NIP)

This project, still in preparation, is to be implemented through the Banana Producers' Committee of the JAD (Junta Agroempresarial Dominicana) – a producers' organisation – in conjunction with the Government. The strong role of JAD in the sector reflects the institutional weakness of the ministry of agriculture (SEA) (reported in the PROLINO evaluation). The beneficiaries (producers – many of them small-scale) will be involved in directing the project (through the JAD) and will also be financially involved (supplying 1/3 of funds).

PRISA (1st NIP)

The mid-term review of PRISA praised the collaboration with NGOs with well-known technical and organisational capacities, which were able to mobilise social participation (particularly for environmental health activities, e.g. basic sanitation). According to the evaluation, success in this area benefited from not having to work with SESPAS's political and institutional constraints (although mobilising social participation was itself reported to be a time-consuming process).¹ However, an internal evaluation written at the end of the programme noted that the criteria for selecting NGOs were not transparent and that the monitoring of community activities was insufficient.²

1. In addition, preparation of the feasibility study had included two working groups which included civil society representatives, to test the feasibility of community involvement.
2. *Reflexiones sobre la experiencia: Lecciones aprendidas del Programa Integrado de Salud del Suroeste – PRISA 1994-1998*, PRISA/SESPAS, p.22.

⁹² However, the Delegation reports that in October 1999 a consultancy was recruited to promote decentralised cooperation in the Dominican Republic, and a number of meetings were held with key stakeholders, at provincial and national level.

⁹³ Other donors have used resource in INTEC and the Centro Montalvo to help prepare strategies for interventions in this area (e.g. IDB).

⁹⁴ The evaluation noted that the institutional strengthening of provincial planning and of local health services were weak relative to other components.

⁹⁵ However, the mid-term evaluation questioned the effectiveness of community participation within the programme, arguing that beneficiaries had remained 'beneficiaries' and had not

2nd NIP interventions have increased support to local government and civil society, particularly through PARME and SABAMAR.

The experiences in the 1st NIP have led the EC to reinforce its support to local governments and civil society, principally through *PARME*. In addition, some *SABAMAR* components build capacity in civil society organisations, through using community-based organisations and NGOs for implementation. The EC has prepared a number of interventions which are implemented through civil society organisations (see Box), partly because the weaknesses of Government institutions has in the past reduced the impact of its interventions (e.g. *PRIDEP*, *PROLINO*, *PASP*).

PARME offers significant support to civil society and local government: Initially the EC had been considering components to support not only decentralisation but also civil society (NGOs and CBOs, political parties and trade unions). However, in the end, the civil society component became incorporated as a cross-cutting theme with the general aim of increasing the ability of citizens to challenge the actions of the State, and strengthening community involvement in local politics.⁹⁶

The largest component of *PARME* is support for decentralisation (about 60% of funds), although other components also include some small support of civil society:

- *Decentralisation component* (the largest *PARME* component, with €14 million): The bulk of funds (€ 10.3 mill) are for institutional strengthening of local government and civil society (including partnerships between the two) in the provinces of Salcedo and Puerto Plata, with replication of successful projects in other provinces. Funds are also allocated to institutional strengthening of the municipality of Santo Domingo (€1.2 mill) and to providing training, information systems and technical support for all municipalities (€2.4 mill) Puerto Plata and Salcedo were selected for support since they were perceived to have high capacity and potential for further development.⁹⁷
- *Justice component:* Activities aimed at strengthening civil society include improving the legal framework for monitoring administrative activity (€ 0.4 mill), strengthening the Ombudsman's office (€ 0.4 mill), and increasing civic involvement in the administration of justice (€ 0.5 mill).
- *Public administration component:* support for civil society consists of increasing public awareness of the activity and services of the public administration (€ 0.2 mill).

SABAMAR offers innovative support to local government-civil society partnerships. This programme includes an innovative approach to improving access to water, sanitation and the collection of solid waste. The main project *components* are:

- *construction and rehabilitation of water and sanitation infrastructure* (about 70% of funds). This component includes a training and health education element as well as sub-components for the legalisation of illegal outlets, the construction of latrines and rain water drainage, all of which will be implemented by NGOs (in total about half of this component).

become 'actors' (*PROLINO: Evaluación Medio Termino, Informe final*, Nethconsult, 1997, executive summary 5a). This has been disputed by the Delegation.

⁹⁶ It should also be noted that during the design of *PARME*, although there were a number of difficulties, a significant effort was made to use workshops with active participation by civil society actors.

⁹⁷ However, in its comments on our evaluation draft report, the Delegation noted that this choice of provinces is somewhat arbitrary and is the result of insufficient planning and national strategy.

- *support for interaction between community based organisations and local government* (about € 2 mill, estimate). This includes not only support for capacity-building in communities (to foster the participation of civil society organisations in public debate, through democratic education at community level and support for the legal recognition of the Juntas Barriales) but also financial support for micro-enterprises for the collection and elimination of solid waste.
- *support to organisations responsible for basic services*. This component includes a small element of TA support for ADN.⁹⁸

SABAMAR is to be managed by a PMU, but about half of the activities will be implemented either by NGOs or micro-enterprises or will support the capacity of community-based organisations and their partnership with the municipality (ADN).⁹⁹ This should contribute to empowering institutions such as the community-based District Committees (Juntas Barriales), while the use of micro-enterprises for solid waste management should contribute to sustainability. This approach was possible thanks to the collaboration in the design with organisations with experience in this area.¹⁰⁰ International consultants initially presented an over-technocratic approach with limited role for civil society in implementation or for ensuring the sustainability of the project. Delegation advisers were able to give directions to change the initial approach.

Success in *SABAMAR* will depend on good working relations with the civil society organisations involved in the project design. Also the roles of CONAU and a PMU with (possibly) insufficient support from the municipality raise potential difficulties and will need to be addressed at a later stage. Project should be more integrated to broader plans to reform in the water sector (IDB support).

Factors limiting the effectiveness of EC efforts to strengthen civil society and local government

- *Limited EC expertise in the analysis of civil society and decentralisation in the Dominican Republic* (including knowledge on the institutional and political environment affecting the municipality of Santo Domingo). This is necessary to reduce the likelihood of difficulties (e.g. such as the initial reluctance of the ADN to endorse *SABAMAR*). A closer monitoring of developments in local government and civil society, as well as more systematic consultations with civil society are essential. This is not a once-off event, but a time-consuming process. The development within the Delegation of specific expertise will require the building of on-going relationships with civil society organisations.
- *Limited EC coordination with other donors active in this area* (e.g. with the IDB's support for the ADN, in particular its budget management). More coordination should also facilitate gaining knowledge of civil society organisations – lessons could be learned through monitoring the INTEC-IDB programme and the PUCMM-WB consensus-building exercise.

⁹⁸ Support is also given to central government agencies such as INPRA (examining waste in rivers) and SESPAS.

⁹⁹ Given that the counterpart for this project is CONAU and that the PMU appears to have been given considerable autonomy, the EC will have to work hard to gain a more comprehensive endorsement from the ADN.

¹⁰⁰ For example, IDDI has worked with CONAU's RESURE, another water and sanitation project in marginal areas of Santo Domingo. The Centro Montalvo (which has a long history of involvement with community-based organisations in the area) also contributed to the project design. Indeed, the intermediation of Centro Montalvo seems to have prevented a serious impasse between the EC and the municipality of Santo Domingo.

- *Slow and insufficiently flexible EC procedures (see previous section) and weak monitoring of performance and financial management.*
- *Need to adopt a new system to select civil society organisations for support.*

The selection of appropriate civil society organisations to support (in particular those likely to have some sustainability beyond the life of an EC intervention) is usually labour-intensive. This is a problem for the EC given its insufficient staff resources. Civil society organisations often require small levels of support from donors.¹⁰¹ While the EC Microprojects disburses small volumes of funds, using a PMU to assist beneficiaries, the programme requires EC approval for each project selected.¹⁰²

Selection criteria should also ensure a fair basis for the allocation of funds to civil society organisations. This requires transparent and widely-supported funding criteria. For example, in the Reconstruction of Schools programme, the EC will use national NGOs as intermediaries through which to reach local NGOs and community-based organisations. This should allow interaction with only a small number of national NGOs, but the need to ensure the selection of appropriate national NGOs still remains.

These difficulties – workload and the difficulty of selecting civil society organisations to work with – could be addressed by the use of intermediate funding organisations which have operational independence from the EC.¹⁰³ Under this system, funds are channelled to civil society organisations through a widely-respected organisation that applies transparent and widely-supported funding criteria, and the EC is then not itself required to assess the merits of each organisation to be funded. The EC's role remains selecting the appropriate funding intermediary and monitoring its choice and application of funding criteria (which should be coordinated with other donors as much as possible). The EC has worked with this model in South Africa, through the EU Foundation for Human Rights. In the Dominican Republic, USAID channels funds to civil society through an intermediary by working with the PUCMM.

B. Donor coordination

The need for effective donor coordination has been emphasised by the European Union (and other donors) in recent years. Donors need to be concerned with the quality of all public expenditure management and aid interventions, not just with their own interventions. Coordination is particularly important in the Dominican Republic since the areas which require most support are also the most difficult areas to obtain results (governance, institutional reform and support to civil society). It is also important given the extreme institutional fragmentation of the Government, the confrontational nature of political competition, and the lack of a national development agenda.

In the Dominican Republic, only a few Member States have large programmes (Spain and Germany have the largest) and USAID remains an influential donor. The largest programmes

¹⁰¹ Some of the civil society organisations which the mission visited (e.g. women's advocacy groups) noted that donors are often unable to provide the small levels of funding necessary for their activities.

¹⁰² In other countries, Microprojects have been found to have a significant impact on target groups, but given that Commission approval is required for each project, they are still time-consuming.

¹⁰³ This funding mechanism might need more flexibility in the rules governing the use of EDF funds.

are those of multilateral banks (primarily the IDB, but more recently the World Bank too) and the EC.

This section examines the Dominican Government's role in donor coordination, and coordination between donors at strategy and at intervention level, before pointing to the difficulties that stand in the way of effective coordination in the Dominican Republic.¹⁰⁴

i) The Government's framework for coordination

Weakness of the Government's institutional capacity affects donor coordination

The weakness of the Government's institutional capacity and policy framework is a key constraint to better donor coordination. The Government does not have a strong planning and budgetary process in which donor initiatives could be integrated. The weakness in budget and sectoral policies contributes to donors' difficulties in coordinating their interventions in support of different sectors. Moreover, there is no single Government department that coordinates all donor aid. In practice, the STP (Secretariado Técnico de la Presidencia) is in charge of all donors except for the EC, which has a special ministry dedicated to it.¹⁰⁵

Location of NAO office affects the coordination of EC programmes

The lack of a Government coordination unit is further compounded by the extreme institutional fragmentation and poor inter-departmental coordination. While some innovative programmes may be carried out with the support of the NAO office (e.g. SABAMAR, Puerto Plata), the location of the NAO office often makes it more difficult for the EC to be involved in general or sectoral reforms, reforms of the budget and policy dialogue (see Box on page 40). The STP, in charge of (weak) budget planning and implementation has more institutional links with line ministries. The STP is in a stronger position than the NAO office to ensure coherence of donor interventions. At sectoral level, the duplication of Government institutions and their overlapping responsibilities have led different donors to work with different Government units on similar tasks (see Section 3.A.1 above on the parallel roles of the STP and CPRyME in public administration reform, and the parallel work of SESPAS and the CERSS in reform of the health sector).

Donor competition in the Dominican Republic

Some donors argue that the Government actually prefers donors to act separately, so that funds can be accessed with fewer conditions and transparency, and so that institutions may allocate their funds in a clientelistic manner (e.g. local consultancies, PMUs, etc). At the same time, a number of Government officials recognise that many donors have incentives to compete with one another because they are trying to disburse loans and grants as fast as they can and may be especially eager to support a country as economically successful as the Dominican Republic and one in which donors have strong commercial interests.

Donor support for consensus on a broad national agenda

Donors are increasingly recognising that for effective institutional reforms in a country such as the Dominican Republic, the development agenda needs to reflect a consensus within the country, and should not be determined solely by either the current Government or donors themselves. In this context, the World Bank's CDF initiative has been supporting the recent

¹⁰⁴ The findings in this section are based on interviews with key donors.

¹⁰⁵ Recently, the Spanish Government has been supporting an office within the STP (International Cooperation Directorate) to be the counterpart of all donors. However, the department has very limited staff resources. Donors should work together to support a single institution that coordinates all aid and that has a direct and transparent link to the planning and budgeting process.

mesas de trabajo initiated by the PUCMM (see Chapter 1). The World Bank has so far played a background role, allowing the main focus of the process to be the building of consensus between the political parties.¹⁰⁶ While the World Bank's approach may have aided consensus-building, a number of donors mentioned during interviews that they felt excluded from the process, so there is scope for greater use of the process in facilitating donor coordination. The second phase of this exercise should extend the involvement of other donors (e.g. for the second phase of the process the PUCMM has already requested financial support from the EC for work on cross-border integration with Haiti and decentralisation).

ii) Donor coordination at strategic level

Coordination has been very weak but has improved since 1998. Sectoral meetings have begun only now

Coordination or even exchange of general information between donors had been extremely weak. However, coordination between the EC and other donors has gradually improved since 1998 (coinciding with the arrival of the new Head of Delegation) with coordination meetings at Ambassadorial level carried out more or less once a month. The high level of these meetings however has limited their usefulness. At the time of our mission, this problem was being addressed through the introduction of sector meetings, with lead donors selected in each sector.

Weak coordination has resulted in little complementarity between most key donors (not just the EC). There appears to be insufficient donor specialisation, and in many areas there appears to be a duplication of donors' interventions (see Table). This is also the case for the EC's strategy (see first Chapter), contributing to the work-load of Delegation staff (see section 3.C below) and to some duplication with the work of other donors, particularly the IDB. The political mandate to enhance coordination with Member States is contributing to greater interest in strategy consultations. A number of donors have expressed their interest in further coordination at strategy level.¹⁰⁷

¹⁰⁶ The relatively low profile that the World Bank is keeping in the Dominican Republic is positive, as consensus-building initiatives such as this need to be locally-driven. However, more generally, the limited role of the IMF and the World Bank in the country (including the absence of consultative group meetings) may have contributed to weak donor coordination, and to poor donor knowledge of macro issues. The World Bank only recently opened a Resident Mission and has not yet shared its social sector studies and other economic and social sector work with other donors. Its poverty assessment work has so far received little input from other donors, even though the WB expects that other donors will support its recommendations.

¹⁰⁷ The sharing of country analyses (e.g. the World Bank's Country Assistance Strategy) should contribute to strategy-level coordination.

| Sectors of activity of different donors | | | | | | | | | | |
|---|----|-------|---------|--------|-------|----|-----|----|-------|------|
| | EC | Spain | Germany | France | Italy | UK | IDB | WB | USAID | UNDP |
| Education | | | | | | | | | | |
| Health | | | | | | | | | | |
| Water | | | | | | | | | | |
| Governance/ civil society | | | | | | | | | | |
| Justice | | | | | | | | | | |
| Energy | | | | | | | | | | |
| Environment | | | | | | | | | | |
| Private sector | | | | | | | | | | |

Source: Delegation, *Dominican Republic Mid-Term Review Presentation, February 2000*

iii) Donor coordination in specific interventions

The relations between the EC and other donors appear to be generally good, particularly since 1998, and there is some exchange of information on their interventions. However, interventions are still designed with little coordination among key donors and donor competition is sometimes present. Donors focus on the design and implementation of their own interventions, with limited involvement in monitoring the overall performance of the sector they are working in or the interventions of other donors. This is the case even when EC projects and those of other key donors have the potential of becoming complementary or of overlapping. Similarly, each donor requires its own implementation procedures, and little emphasis has been given so far to strengthening the Government's own budgetary and implementation procedures.

Discussion of EC financing proposals

A number of Member States expressed their satisfaction with the system by which financing proposals are presented in the Dominican Republic before they are sent to the EDF Committee at Headquarters. They also noted that, given the time they have in which to analyse these projects, they can only have a very limited input into project preparation.

Little progress in designing projects with other donors

The absence of Government sector strategies affects donor coordination in specific interventions. Donors, including the EC (see main Box on coordination during EC project preparation), have made little progress in **designing** projects together. In some cases, projects are designed separately and there is little coordination during implementation even though they *share the same problem analysis and actions* (e.g. in the health sector reform programmes of the EC, the IDB and the World Bank, or in the reform and administration of the state, for the EC and the IDB).

In other cases, *separate project designs are in part attributable to differences in analysis* (e.g. in technical and professional education, the EC is supporting polytechnics through the SEEC while the IDB is supporting the Ministry of Labour, for a greater role of the private sector).

However, in most cases there has been limited contact between donors, and projects are insufficiently integrated into a sector strategy.

Coordination between USAID and IDB

This is facilitated by close links between their headquarters. In the Dominican Republic, the USAID and IDB routinely take each other's projects into account during the design phase, with relevant management and technical staff meeting regularly both in-country and at Headquarters for each project where both donors are involved. Coordination along these lines between other key donors is obviously difficult to achieve but would significantly enhance aid effectiveness.

The EC is trying to coordinate its support to the private sector with other donors

In the preparation of a new private sector project, the EC appears to have used extensive consultations with other donors (including the sharing of diagnostic and pre-appraisal reports). The EC also tried to coordinate with the IDB, and EC officials visited Washington for this purpose. The EC is also working towards enhanced coordination on health sector reform.

Consequences of poor project coordination: overlap of activities and donor competition for Government resources

- *overlap of activities.* Donors may design projects that to some extent overlap. This is made more likely by the high institutional fragmentation within the Government, which makes it possible for two donors to have different counterparts for similar work (e.g. the EC and IDB in public administration reform and health sector reform). Moreover, the overlap of support to these reform programmes (if implementation is not coordinated between the donors) could contribute to the fragmentation of the reform effort (not one but many reform programmes in one sector) and allow the Government not to take clear reform actions while still receiving support from one of the many uncoordinated donors in the sector.

Donors should consider co-financing or parallel financing. The EC has not been involved in co-financing in the Dominican Republic as yet.¹⁰⁸

- *donor competition for Government resources.* Donors establish PMUs to ensure the effective implementation of their own projects. Where donors design related projects separately, PMUs are likely to be in competition with each other for the attention (and personnel, given the PMU salaries) of the department concerned (though see Box on PMUs in the education sector for a story of positive change). This further fragments Government institutions.

PMUs in the education sector

The IDB and World Bank have had programmes supporting primary education through the department of education (SEEC). They have recently cooperated in order to reduce the distortions that were previously created by their implementation units.

In the 1st phase of their programmes, the IDB and World Bank had separate implementing units. Even though both programmes fitted into the department's 10-year plan, according to SEEC officials the fact of having two separate units reduced coordination and their wage policies affected morale within the ministry, making integration with Government structures difficult.

However, in the 2nd phase, the IDB and World Bank have integrated their implementing units and brought in a uniform salary policy for those inside and outside the implementation units. According to SEEC officials, this has enhanced coordination and has facilitated integration of project activities into the department.

¹⁰⁸

The request of the IDB to the EC to co-finance its public administration reform programme was not accepted. On co-financing, note the significant steps taken by the EC programme in Mozambique (*Evaluation of EC Country Strategy: Mozambique 1996-2000*, forthcoming).

Donor coordination in EC interventions

Public Administration Reform. The EC and the IDB both have major programmes in support of State reform. Consultations were held between the two donors, but while the EC component for public administration reform and the IDB target similar objectives, the programme designs are not linked, and they work with different counterparts (CPRyME for the EC, and the STP for the IDB).

By the time the EC's feasibility study began, the IDB had already developed considerable in-country expertise, which should have benefited EC project preparation more strongly. In July 1997, the IDB formally approached the EC for co-financing of the IDB programme. This was not accepted by EC headquarters.

Initially, the IDB chose to work with CPRyME as its counterpart, as the EC is now doing. However, the IDB subsequently changed its strategy and decided to work with the STP instead. The IDB has stated that CPRyME did not have sufficient political support to be an effective implementing institution. (Implementation of the IDB's programme is currently blocked – see p.19).

Health sector reform. The EC intervention seems to have closely followed the analysis and activities of the IDB. (The EC consultant had attempted to design a project which would fit into the 'gaps' left by the IDB and WB programmes, though this was seen as a weakness from the perspective of the PRISA implementation team.) The EC has some expertise in the health sector (through PRISA and support from Headquarters). However, the IDB questions the need for yet another significant support to reform in the sector, particularly given SESPAS's perceived low commitment to reform (see Section 3.A.1).

Moreover, while the EC Delegation is keen to increase coordination in the sector, coordination has so far been relatively weak. The programmes also have different counterparts. Whereas the EC is working with the ministry (SESPAS), the IDB and WB are working with the CERSS (Comisión Ejecutivo para la Reforma del Sector Salud).¹ Ideally, donors should work together to support the same institution and should target their support where a commitment to reform has been demonstrated.

In this context, the Government (STP) organised a meeting in May 1999 which brought together Government bodies (including SESPAS, the CERSS and the EC NAO) and donors (including the IDB, WB, EC, USAID and Spain). It was agreed that coordination should be led through an Inter-agency Coordination Committee, and through a joint technical committee for monitoring and evaluation of health sector reform projects.

SABAMAR. The EC consultancy preparing SABAMAR seems to have benefited from information on the IDB programme, and SABAMAR includes the conditionalities of the IDB programme – the third phase of SABAMAR is conditional on (i) the Ley de Agua Potable y Saneamiento, which is supported by the IDB programme, and (ii) the capitalisation and reform of CAASD, also supported by the IDB. (However, other relevant IDB programmes, e.g. support to local development – in particular to the municipality of Santo Domingo – do not seem to have been taken into account.)

However, while the IDB has a number of operations in the sector (Consolidation of Water and Sanitation Sector and TA for Consolidation of Water and Sanitation Reform, Modernization of the Potable Water and Sewerage Sector and Legal Framework of the Water and Sanitation Sector), interviews indicate that the IDB's level of information on the EC project seems to be limited. Coordination of EC and IDB activities appears weak. The link with the UNDP RESURE programme can also be improved (with the help of CONAU).

The fact that the coordinating counterpart of the EC programme is CONAU (and the NAO office) may create difficulties as many of the conditionalities and activities of SABAMAR require commitment and support from the central Government and the Santo Domingo Municipality.

Technical education. In technical education too, preparation of the EC programme began after the IDB had begun preparing a major programme in the area. There was consultation between the EC and the IDB, and the EC put effort into avoiding overlap between its feasibility study and the IDB's sub-sector study, the IDB's background analysis being relevant also to the EC.

In the end, the two donors have designed rather different programmes, with different philosophies underlying them. While the IDB is supporting vocational education through the private sector, with the Ministry of Labour as its counterpart, the EC programme is supporting technical education through the largely Government-run polytechnic system, with SEEC as its counterpart. However, it seems that the EC's project design reflects the analysis of the IDB's sub-sector study, which the IDB itself went on to reject. The differences between the projects in part reflects the weak sectoral policies of the Government. It is important that during implementation of the programme, there should be effective coordination with the IDB.

Post-hurricane reconstruction. In some countries (e.g. Papua New Guinea, Liberia), donor coordination is improved when donors try to address urgent difficulties. In the case of Hurricane Georges, however, donors seem to have responded with separate interventions to support post-hurricane reconstruction, with limited coordination.

1. The CERSS includes representatives of SESPAS (as well as the STP, IDSS, CPRyME, other ministries and NGOs).

Factors limiting donor coordination

The principal constraints on effective donor coordination in the Dominican Republic are the Government's institutional weaknesses, including the institutional position of the NAO, and limited consensus on the development agenda. However, factors linked to the donors' organisational set-up are also important :

- ***The EC Delegation has limited decision-making power***, whereas other donors (e.g. IDB) have much more flexibility for in-country decision-making. Moreover, the slow pace of the EC's procedures makes coordination difficult, since the EC is unable to move at the same speed as other donors (see next section).
- ***The EC Delegation has limited staff to support coordination***, given burdensome procedures and a large number of projects per staff member
- ***EC aid projects are generally designed by international consultants***, with limited supervision from the Government (given its institutional weakness) or the EC Delegation staff (given their workload)¹⁰⁹. By contrast, the design of programmes by the multilateral banks and other donors is more closely supervised by staff-members. A consultant does not have a strong incentive (or capacity) to ensure that the project is well coordinated with other donors.¹¹⁰ Consultants do not have decision-making power to be credible coordinators with other donors, nor do they generally have enough knowledge of other donors' procedures.
- ***Coordination also depends on the personal relationship between different donors' staff members.***

Improved donor coordination in the future?

Donors such as the EC, IDB and USAID expressed to our mission a clear willingness to extend coordination further, particularly given the need to support institutional reform and civil society (though at the same time they recognise that coordination may sometimes be limited by donors' different commercial and ideological interests).

¹⁰⁹ However, note that Delegation advisers have made important contributions during the preparation of certain projects (see p.40).

¹¹⁰ In recent interventions, however, the EC has insisted on consultants carrying out workshops with a number of stakeholders.

C. The Commission's resources and procedures

Institutional strengthening and donor coordination require that Delegation staff have sufficient time and resources to carry out analysis and dialogue. This is only possible if the EC programme maintains a strong focus, changes its resources and procedures and puts greater emphasis on monitoring and learning systems. The EC's weaknesses in these areas are well known,¹¹¹ but if changes are not made it will not be possible to implement an effective country strategy.

This section examines three factors which have made it difficult for the EC to become a 'knowledge-based donor',¹¹² constraining its ability to carry out essential analysis and to learn from past experience: i) weak focus of the EC programme, ii) staff resources are being over-stretched (in part by time-consuming and inefficient procedures) and; iii) weak learning systems within the Commission.

i) EC programme shows a weak focus

The EC is preparing or implementing projects in a wide range of sectors (programmable aid adds to € 204.5 million in the first two NIPs). The Table shows all the sectors in which the Delegation is active (with only 3 advisers). In this context, *each delegation adviser manages a portfolio of projects often in a wide range of sectors*. For example, the Economic Councillor is responsible for monitoring economic developments, for projects in the health sector and in private sector development. This may result in a skills mismatch and may make it more difficult for advisers to develop sectoral expertise. Given that donor aid is small relative to the Dominican Government budget or its economy, not only is the work-load of advisers difficult to manage but also the EC's impact is diluted.

¹¹¹ See the *Evaluation of EU Aid to ACP countries*, Montes, Migliorisi and Wolfe, European Commission, November 1998 (ref. 951338, available on the web-site of the Evaluation Unit, SCR, European Commission and also on the DG Development web-site. <http://europa.eu.int/comm/scr/evaluation/reports/acp/951338.pdf>.

¹¹² Current thinking suggests that donors will have an impact principally through the ideas they contribute (e.g. through innovative, replicable projects), rather than the money they bring (see *Assessing Aid: What Works, What Doesn't and Why*, World Bank, 1998). Donors are in principle in a strong position to act as intermediaries in the transfer of 'best practice' knowledge, supporting the creation, transfer and adaptation of knowledge to recipient countries (see *World Development Report 1998-99: Knowledge for Development*, World Bank). However, effective technical advice and TA can only given if the Commission itself is able to manage in-country knowledge (political, economic, technical, sectoral), knowledge of the success of its own interventions, and 'best-practice' sectoral knowledge.

| Active sectors for the EC in the Dominican Republic ¹ | |
|---|-------------------------|
| Sector | Volume of EC aid |
| Governance & civil society | € 29.5 mill |
| Rural development | € 26.6 mill |
| Sysmin | € 23 mill |
| Water supply | € 21.8 mill |
| Education | € 20.45 mill |
| Energy | € 18.9 mill |
| Health & population | € 12 mill |
| Transport & communications | € 6.5 mill |
| Banking, finance & business services | € 4.2 mill |
| Agriculture | € 1.5 mill |
| Regional and bi-national ² | |
| Agriculture (regional) | € 22.2 mill |
| Education (regional) | € 21 mill |
| Tourism (regional) | € 12.8 mill |
| Trade (regional) | € 14 mill |
| Environment (bi-national) | € 4 mill |

1. Sectoral classification follows the one used in *The European Community External Cooperation Programmes: Policies, Management and Distribution*, EC/ODI, 1999. Sectors included in the table are those in which the EC currently has programmes or projects open (approved, not yet closed).
2. Only a proportion of regional and bi-national programmes are overseen by the EC Delegation in the Dominican Republic.

2nd NIP further reduced the focus of the EC aid programme

The 2nd NIP moved from programmes with a relatively narrow geographical scope (e.g. PROLINO, PRISA, PRIDEP) to programmes involving institutional strengthening at the centre as well as support for civil society (PARME, SABAMAR, Health Sector Reform). This move has made the portfolio of projects more complex and more time-consuming. Moreover, some of these programmes are complex, including very different components (e.g. PARME has 3 distinct components, covering 17 distinct activities, while SABAMAR has 6 areas of activity, the largest of which includes 12 distinct activities with a range of different implementing agents and supervising bodies)

The EC has also begun work in new sub-sectors, e.g. the shift in education from primary to technical education. While some of these changes may be justified, they further expand the range of EC activity. However, some continuity has also been maintained (see table below).

| Continuity of project components from 1st NIP to 2nd NIP | | | |
|---|---|-------------------|--|
| Sector ¹¹³ | 1st NIP projects / components | Continuity | 2nd NIP projects / components |
| Governance and civil society | | | PARME (justice) |
| | | | PARME (public admin) |
| | Puerto Plata | → | PARME (decentralisation) |
| Water supply | | | SABAMAR ¹¹⁴ |
| Education | PRIDEP | (→) | Reconstruction of schools |
| | | | Technical education |
| Health and population | PRISA | → | Health sector reform (institutional strengthening at central and decentralised levels) |
| | | | Supply of medicines |
| | | | Management of human resources |
| Rural dev / agriculture | PROLINO | | |
| | | | Banana sector support |
| Energy | Los Toros | | |
| Transport & communics | | | Reconstruction of road infrastructure |
| Str. adj. | PROSIP I and II | | |
| Sysmin | Geological and mining programme | | |

¹¹³ Sectoral classification follows the one used in *The European Community External Cooperation Programmes: Policies, Management and Distribution*, EC/ODI, 1999.

¹¹⁴ Some components of PRISA had involved water and sanitation.

ii) EC staff resources are over-stretched

Compared to staff from other donors, EC staff have little time to devote to project design and to monitoring projects and wider developments in the country. This is a result of the pressure of a high commitment and disbursement requirement, and burdensome EC procedures (more time is often spent on procedures for procuring consultants than on conducting project preparation studies). Delays often lead to criticism from the Government (e.g. in the support of justice reform).

High commitment and disbursement requirement. The difficulty of incorporating best practice in institutional strengthening projects (including projects such as PARME and SABAMAR) arises from the need to get projects approved speedily. In some cases, projects are approved even where the policy framework or implementation structures are not clear. For example, SABAMAR was approved by the EDF Committee before the final report of the feasibility study was fully completed and before discussions with the municipality of Santo Domingo were resolved. More recently, the Delegation noted that the recent private sector intervention runs the risk of being approved by the EC before real internalisation by the Government.

Time-consuming administrative procedures. The complexity and inefficiency of EC administrative procedures is well-documented. The speed of implementation and the pressure on staff would be considerably improved by reducing the extent of *ex ante* controls, and making more comprehensive use of *ex post* audits of projects. A more comprehensive use of audits could also address the difficulties created by the weaknesses in financial management within the Government and PMUs (e.g. PRIDEP, structural adjustment counterpart funds, etc.), which are very time-consuming for the Commission to resolve.

Complex projects. Designing projects with several diverse components may be seen as a way of reducing the workload involved in project preparation, but the effect may be that individual components are not examined on their own merits sufficiently. Complex projects are also harder to monitor, so they are likely to contribute less to knowledge in a given sector for both the EC and the Government. Oversight of complex projects is typically the responsibility of large committees which tend not to meet regularly and not be very effective, e.g. mid-term reviews of PRIDEP and PRISA reported that monitoring committees had met irregularly, with the National Committee for PRISA having met only once.

Excessive reliance of consultants of variable quality. Given the shortage of EC staff, consultants often play too large a role in the design and implementation of EC programmes, and it is difficult for both the Government and the EC to monitor them sufficiently. This affects project quality (local knowledge is weak) and donor coordination. Consultants also have limited time in which to design projects (given the delays in the selection of consultants)¹¹⁵.

Both the Government and the Delegation have noted that the quality of consultants recruited by the EC is highly variable, and in some cases poor quality consultants are recruited. The low fees and delays in payments seem to be important factors. Limited competition may be an additional factor. Other donors with more flexible contracting arrangements and which have more programmes in the region seem to have fewer problems in this area. Project

¹¹⁵ However, project documents show the contribution that Delegation staff have made to improving the quality of project design by consultants, through pointing out the institutional weaknesses of consultants' designs, or through requiring consultation with civil society through workshops (e.g. in PARME and SABAMAR). See previous discussions on the role of advisers in SABAMAR and Technical and Professional Education (to include analysis of the institutional context).

design, sectoral analysis and capacity-building require the recruitment of high quality expertise.

Shortage of staff with specialist skills in areas of central importance in the Dominican Republic: institutional strengthening and support for civil society, as well as poverty, gender and the environment. It is essential that Delegation advisers should have expertise in these key areas. Only in some areas has specialist support been given by Headquarters, e.g. in the health sector. Staff do not receive the support of peer reviewers on projects, and there is little quality support within the Delegation. (In the South Africa Delegation, for example, a 'Quality Support Group' has been established at Delegation level.)

iii) Weak learning systems within the Commission

Insufficient analytical work

As a result of the pressure on staff time, insufficient analytical work is carried out by the EC in the Dominican Republic. Most analysis is tied to projects, so there is only limited time for wider analysis of the political and economic situation, and because of resources, consultants are not commissioned to carry out this work on behalf of the Delegation. Evaluations show that it is this wider knowledge, and not the technical aspects of design, which facilitates institutional reform. Other donors (e.g. the IDB and the World Bank) devote more resources to gaining an understanding of political and institutional factors that affect the process of reform in the country.¹¹⁶

Monitoring and evaluations are not carried out systematically

Project evaluations and monitoring – which are essential if the Commission is to learn from its experiences and design more effective interventions – have not been carried out systematically:

- *Final evaluations have only been carried out for a few EC projects:* Puerto Plata and PASP – see table.¹¹⁷ There is no available evaluation on the support to structural adjustment (PROSIP and SIP) – see footnote 61. Quality of evaluations is variable. For example, a number of Commission staff noted inadequate quality of the Sysmin evaluation. On the other hand, the evaluation of PASP included participatory elements. No evaluations have been carried out jointly with other donors or with the participation of civil society.
- *Mid-term reviews are often carried out too late in the project,* restricting useful changes to the project. For example, in the case of PRIDEP, the Financing Proposal had specified that there should be an annual evaluation as well as a final evaluation. In the event, there was only one evaluation.¹¹⁸ This was carried out towards the end of the project, too early to be a final evaluation but too late to allow for substantial reorientation of the programme – even though the evaluation was highly critical.¹¹⁹
- *Use of impact indicators is weak.* The development and use of simple and measurable indicators for monitoring the impact of programmes and projects (rather

¹¹⁶ A good example of a report commissioned by another donor that analyses the political and institutional context of State reform is *Reform and Modernization of the State*, a study prepared for the IDB in October 1997 by the Center for Institutional Reform and the Informal Sector, University of Maryland.

¹¹⁷ See footnote 120.

¹¹⁸ *Evaluación del Programa Integrado de Desarrollo de la Educación Primaria a Nivel Local (PRIDEP)*, Carl Bro Management, October 1997.

¹¹⁹ However, there have been a number of rightly timed recent mid-term reviews of regional programmes.

than indicators for monitoring 'physical' project results) is weak. This is particularly the case for large projects that have complex logical frameworks with a large number of indicators.

- *Important gaps in audits.* While many projects receive regular audits, there appear to have been important gaps. For example, PRIDEP began in 1994 and should have been audited annually. However, the first audit was carried out only in 1997. The audit pointed out a number of weaknesses in financial management, illustrating the need for more regular audits. PRISA also was not audited until 1997, in spite of implementation beginning in 1994. The NAO office was audited in 1997-98 and a number of weaknesses were identified.

| Evaluations available (mid-term and final) – EDF 7 only | | |
|--|------------------------|-------------------------|
| Project / programme | Mid-term review | Final evaluation |
| PRIDEP | ✓ | ✗ |
| PRISA | ✓ | ? ¹²⁰ |
| PASP | ✗ | ✓ |
| PROLINO | ✓ | – |
| Micro-projects | – | – |
| Puerto Plata | ✓ | ✓ |
| Structural adjustment | ✗ | ? ¹²¹ |
| Regional: | | |
| Carib. University Level Programme | ✓ | – |
| Tourism sector programme | ✓ | – |
| Trade development programme | ✓ | – |
| Carib. Agric. & Fisheries Programme | ✓ | – |
| Environmental trans-border project | – | – |

Note: '–' implies project not yet completed.

Feedback from mid-term reviews and evaluations is gradually improving

In a number of cases the mid-term reviews and evaluations have given important feedback to Commission staff, who appear to have actively discussed and in some cases acted on this information. In the case of PROLINO, a mid-term evaluation that was critical of some components of the programme gave rise to a strong debate on how the programme should be reoriented to increase its impact. In the case of PRISA, the mid-term review recognised that many of the weaknesses of the programme resulted from the institutional weaknesses of SESPAS and therefore it was recommended that a subsequent programme should focus more on management systems, including support for sectoral reform at central level. This led to the Health Sector Reform programme. More recently, evaluations of regional programmes seem to be contributing to a re-thinking of the direction of these activities (e.g. the Caribbean Agriculture and Fisheries Programme).

¹²⁰

A final evaluation of PRISA was not available to the evaluators.

¹²¹

The Evaluation Unit inventory shows the existence of the evaluation *Programa de Importación de Petroleos, Dominican Republic*, 1994. However, copies of this evaluation were not found.

However, institutional learning is often limited by the extensive use of consultants. Not only is it hard to ensure that consultants take into account the lessons the EC has already learned from past experience, but the experience that the consultants themselves gain may primarily remain with them, rather than being internalised within the Commission.

Given the weakness of Government institutions and budget procedures, it is important that evaluations are independent and that both evaluations and audits are carried out to international standards and in a more systematic manner. There has been progress in this area, as there is a more consistent requirement for evaluations and audits in recent financial proposals. Evaluations and audits should also be used as an exercise to build these capacities in the Government.

D. Explaining EC performance, by sector

The following table summarises the discussion in Chapters 2 and 3 and aims to present schematically (but tentatively) the EC's performance (or likely performance) in its sectors of intervention in the Dominican Republic.

| Sector ¹ / criterion ² | Relevance ³ | Prior successful experience in the country ⁴ | Focus in the sector ⁵ | EC relations with institutions – Govt & civil society | Likelihood of donor complementarity | Likely impact ⁶ |
|--|------------------------|---|----------------------------------|---|-------------------------------------|----------------------------|
| Health, population | + | + | + | +/- | +/- | +/- |
| Governance, civil society | + | +/- | - | +/- | - | +/- |
| Agric., rural development | + | +/- | +/- | +/- | +/- | +/- |
| Water supply | + | - | +/- | +/- | +/- | +/- |
| Education | +/- | - | - | - | +/- | - |
| Energy | - | - | + | +/- | +/- | - |
| Banking, bus. ss. (private sector) | - | - | + | +/- | - | - |
| Sysmin | - | +/- | +/- | +/- | - | -/+ |

1. Sectoral classification follows the one used in *The European Community External Cooperation Programmes: Policies, Management and Distribution*, EC/ODI, 1999.

2. Ratings range from + (high) to – (low).

3. Relevance to country analysis (see ch.1), on the basis of Maastricht priority objectives (good governance, poverty reduction, gender equality and environmental protection).

4. History of prior EC involvement and success of prior EC projects in the sector (in the Dominican Republic).

5. Focus of EC interventions within the sector (including focus of components within single programmes).

6. Preliminary assessment based on quality of project preparation and mid-term or final evaluations when available.

4. Recommendations

These recommendations should assist the EC in preparing its Country Support Strategy for the Dominican Republic. They take into account the Cotonou Agreement and its emphasis on good governance, on a new partnership that embodies the participation of civil society, and on poverty reduction as the central objective of the new partnership. The recommendations also take into account the Commission's guidelines on the 9th EDF programming process.

Ensuring relevance of the strategy

1. **Objectives: good governance and the reduction of poverty.** The EC's country support strategy in the Dominican Republic should focus on two principal objectives:¹²²

- *Firstly:* good governance, including democratisation and the rule of law
- *Secondly:* the reduction of poverty.

2. **Flexibility needs to be built into the new strategy.** The new programming framework allows scope for flexibility in the financial allocation to each country, with a 'base case' and a 'high case' scenario. The country support strategy should set out the risks associated with different scenarios regarding the country and the EC programme, as well as the appropriate EC response to these scenarios.

Flexibility is also needed in response to possible negotiations on a Regional Economic Partnership Agreement with the EU.

3. **The strategy should be closely linked to specific actions in institutional reform and the Government's focus on poverty,** e.g. implementation of the budget reform law, or specific actions and progress in the reform of public administration. These actions (or the absence of them) should trigger the 'high case' (or 'base case') scenario.¹²³ The trigger actions should be agreed between all major donors, and could also cover:

- governance (including predictability and openness of policy-making, accountability of the executive, the rule of law, and the code of good practice for fiscal transparency) and the efficiency of Government's service delivery (e.g. through tracking studies of education and health expenditures).
- the Government's commitment to poverty reduction (e.g. approval of specific measures within a poverty reduction action plan)

4. **The trigger actions should be assessed critically and should help determine both amounts of aid and type of interventions:**

- a) *Amount of aid* to the country. Strong performance should result in additional funds being made available.

¹²² These objectives draw together the objectives of ACP-EC cooperation identified in the Cotonou Agreement and the key characteristics of the Dominican Republic identified in chapter 1.

¹²³ The 'high case' scenario should also 'cover unforeseen needs such as emergency assistance, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings'. (*Working Document from the Commission: The 9th EDF Programming Process, Part II: Background Material, Guidelines on Specific Issues and Thematic Guidelines*, p.62).

- b) *Type of interventions.* The weaker is the central Government's performance on these indicators, the greater should be the emphasis on developing interventions supporting local governments and civil society.¹²⁴ This is consistent with the focus on good governance in the Cotonou Agreement (e.g. Articles 9 and 10).
5. **Preparation of the country support strategy should be linked to civil society consultation processes** (Cotonou Agreement Article 4). The next EC strategy should be linked to the results of civil society processes – with the involvement of the main political parties – that are working to build a consensus around a national development agenda (e.g. the PUCMM-led *mesas de trabajo*, Foro Ciudadano, etc). The EC should monitor developments in civil society closely and maintain an on-going dialogue with the main political parties and with representative civil society and private sector organisations.

Increasing the focus of EC aid

6. **Focus the aid programme, to increase expertise and influence.** The EC must reduce the number of its areas of intervention in the Dominican Republic, if it is to increase its expertise in those areas where it intervenes and if it is thereby to have a greater impact. Greater focus is essential if the EC is to devote sufficient resources to monitoring macroeconomic, political and sectoral developments, to donor coordination, and to consultation with civil society – all of which are time-consuming. The process of focusing activities (which implies leaving some sectors or activities to other donors) is a difficult one, but it is now understood as the only way to ensure a greater development impact.
7. **Identify a small number of areas of comparative advantage.** The EC should focus its interventions in a small number of narrowly defined areas in which it has – or can develop – a comparative advantage vis-à-vis other donors. It is important that reducing the number of areas of intervention does not imply expanding the scope of each area.
8. **Suggested principal areas of intervention: health sector and strengthening governance and civil society.** This is a tentative recommendation, however our analysis suggests that the EC should focus its programme in two areas:¹²⁵ (1) sectoral reform in the health sector, and (2) strengthening governance, civil society and local governments. These areas are examined in some detail in sections C and D below where the choice of actors and processes is discussed.
9. **Secondary area of intervention: bi-national projects with Haiti.** In addition, (3) increased support should be given to bi-national programmes of cooperation with Haiti¹²⁶). Such support could follow the framework of supporting partnerships between government and civil society, and of direct support for civil society organisations (see

¹²⁴ Though, as noted below, it is recommended that an important component of the EC programme should be in support of local governments and civil society even if Government performance is relatively strong.

¹²⁵ According to the new EC programming guidelines, 'there should be no more than two clearly identified focal sectors in a medium to large size indicative programme (above € 40m), with as few activities as possible within each sector' (*Working Document from the Commission: The 9th EDF Programming Process, Part II: Background Material, Guidelines on Specific Issues and Thematic Guidelines*, p.44).

¹²⁶ Which is also consistent with the identification of 'regional integration and cooperation, including tackling of transboundary economic, social and environmental problems' as an area of global concentration for the EC. *Communication from the Commission to the Council and the European Parliament: The European Community's Development Policy*, COM(2000) 212, April 2000, p.25.

section D below). In all cases, given the difficulty of these programmes, a realistic plan and close monitoring of project results, impact and financial management are essential.

10. Caution in the use of programme aid (and use of evaluations).¹²⁷

The use of *structural adjustment funds* is not contemplated for the new strategy because the country is not currently eligible.¹²⁸ If this was to change, the EC's first step should then be to carry out a careful evaluation of its previous experience in support of structural adjustment (e.g. PROSIP). It is recommended that budget support should only be used in a joint approach by major donors¹²⁹ which focused on simple and clear benchmarks of progress in the transparency and efficiency of the budget and public administration reform. Such an intervention could be linked with EC support for health sector reform (see section C below).

If *Sysmin* and *Stabex* funds are to be used in the Dominican Republic in the new country strategy, they should also be targeted to good governance and poverty reduction and should support local governments and partnerships with civil society (see section D below). The use of *Sysmin* funds would also benefit from a more systematic evaluation of previous interventions.

11. Areas of intervention to re-consider: education and private sector support

a) **Education.** While the EC has some experience of education support in the Dominican Republic, its projects have been varied, with mixed results and with often a limited poverty focus. Moreover, the EC has not been involved in sectoral reform, and backstopping support from EC Headquarters has been limited. This suggests that the EC should focus on the health sector instead.

b) **Private sector support.** The analysis of the key constraints in the country (see chapter 1) and the need for the EC to focus its interventions do not provide a clear case for the need of EC support to the private sector. However, particularly in the context of a possible Regional Economic Partnership Agreement with the EU, private sector support may be seen as necessary. If private sector support were to be included in a new strategy, it should focus on targeting poverty reduction.

12. Focus the strategy but maintain some continuity. The recommendations call for a strategy which appears to be very different from the past. However, there is continuity, both with the analysis in the 1996 Country Strategy Paper (which emphasised the need for institutional reform of the State and for an increased emphasis on decentralised cooperation) and with the EC's past and current portfolio of projects in the country (see Table on page 71, after section D).

EC support to health sector reform

13. The EC should have a lead role in supporting health sector reform, if the Government shows commitment and capacity. This recommendation is based on the analysis of the EC's relative advantage in this area, which is summarised in the table on page 62). However, support should be based on assessments of progress in management capacity and commitment to reform within the health sector (including progress in decentralisation and results of expenditure tracking surveys). These assessments should

¹²⁷ Under the Cotonou Agreement, previously separate instruments are incorporated in a single (flexible) financial envelope

¹²⁸ The Dominican Republic does not currently have an agreement with the IMF.

¹²⁹ See recent proposal on joint structural adjustment funds in Mozambique. *Evaluation of EC Country Strategy: Mozambique 1996-2000*, forthcoming.

help identify the strength of counterparts, incentive systems for reform, and potential areas of resistance. Sectoral progress will also depend on the monitoring of improvements in the budget process and public administration reform at central level (using specific performance indicators).

14. **... but the EC should support other donors which take the lead on public administration reform.** Donors should work jointly on the rationalisation of Government institutions, civil service reform and the transparency and accountability of the budget process. Progress in these areas should be monitored jointly by key donors through the use of specific performance indicators (including expenditure tracking surveys).¹³⁰ The EC should continue its support to core areas of governance reform (as in the PARME programme), but it is suggested that it should only do so through supporting larger reform programmes that draw together several key donors, and in which donors other than the EC take the lead.

Ways to support health sector reform

15. **The EC should work jointly with other donors in a participatory health sector reform process.** Donors should decide jointly their support to health sector reform and work together with the *same* Government counterpart. Programmes should be simple, participatory and flexible, so as to build local ownership and consensus. Support should allow for the provision of health services by the state, market and civil society (with the possibility of different providers in design, delivery and supervision) and should support partnerships between central and local Governments and civil society.
16. **Health sector support should work within existing Government structures.** The EC and other donors, should avoid creating new institutions¹³¹ (e.g. project management units), even if this initially slows down implementation. The success of institutional reform interventions depends on building an internal consensus for reform, and not on creating temporary 'islands of excellence'.
17. **Institutional support should focus on incentive systems and local structures, not on international consultants.** Whenever possible, institutional strengthening should be designed as stand-alone projects and should focus on comprehensive change to local incentive systems (for staff retention), rather than simply on training. International consultants should be used as little as possible and should be selected carefully, as much on the basis of their skills as facilitators (and capacity to integrate with and train Government departments) as on the basis of their technical skills.
18. **Support for health sector reform should include clear impact indicators.** Project design should include clear and simple indicators of impact (not just 'physical' project results), as well as baseline service delivery surveys that could be used to monitor progress.¹³²

¹³⁰ See footnote 132.

¹³¹ Note that the rationalisation of key Government institutions and further decentralisation may be important conditions for support for health sector reform.

¹³² On this see 'Using Surveys for Public Sector Reform', Poverty Reduction and Economic Management Network, PREM Notes, The World Bank, May 1999.

EC support to governance and civil society

19. The EC should support good governance through:

- a) **local government – civil society partnerships:** support to the institutional capacity of local governments in the poorest regions (e.g. budgeting, accountability and efficiency in service delivery, and civic participation) and support to the capacity of *civil society* organisations as partners in service delivery to local (*as well as central*) government.
- b) **supporting civil society (independently of Government)**¹³³ as a way to strengthen governance from the bottom up, through pressuring for greater democracy, human rights and more efficient service delivery.

20. The EC should support other donors' programmes in justice and public administration.

Support to *justice* reform and *public administration* reform (currently components of PARME) should continue as part of a new EC strategy, but should be integrated into other donors' programmes.

21. Local government-civil society partnership interventions should focus on one sector – possibly either water and sanitation or sustainable rural development – the choice of sector depending on evaluations of EC projects in these areas.¹³⁴ Cross-cutting themes (institutional strengthening and natural disaster preparedness) should be maintained.

22. Civil society interventions – through funding intermediaries (see below) – could be across *many areas* but should focus on *good governance* (including democratisation, human rights and the rule of law) and the *reduction of poverty*:

- civic processes for building consensus on a national development agenda reduction of poverty (e.g. PUCMM-WB *mesas de trabajo* and Foro Ciudadano).
- advocacy organisations and civic groups
- the capacity of community-based organisations in poor areas – strengthening their internal organisation and testing delivery mechanisms.
- NGO activities that test innovative mechanisms for service delivery, and which aim at poverty reduction, particularly in remote areas.¹³⁵

¹³³ In a move to broaden the partnership concept in EC-ACP relations, the Cotonou Agreement allows non-State actors to have direct access to EDF funds (Articles 4, 58).

¹³⁴ Note that there may be an a priori preference for sustainable rural development given the identification of 'food security and sustainable rural development strategies' as an area of global concentration for the EC. *Communication from the Commission to the Council and the European Parliament: The European Community's Development Policy*, COM(2000) 212, April 2000, pp.26-27.

¹³⁵ The rationale for support in this area could be to test mechanisms for subsequent adoption by local or central government.

Ways to support governance and civil society

23. **Partners should be chosen according to sector characteristics and assessments of institutional capacity.** First, the (country-specific) characteristics of a particular service/sector¹³⁶ should influence the decision as to whether the EC should support *market, state or civil society* providers.¹³⁷ Secondly, joint donor assessments of institutional capacities and commitment should be pre-conditions for support to *local governments and civil society organisations*.
24. **The EC should focus on local delivery systems and incentives and should limit the input of international consultants,** when strengthening local governments and civil society organisations. Project management units should be accountable to decentralised institutions or community-based organisations, and should be subject to regular external financial audits and evaluations.
25. **The EC should channel support to civil society organisations (for both advocacy and service delivery) through intermediary funding organisations** with operational independence from the Commission and clear and transparent funding criteria (see Box). This would limit both the administrative burden on the EC Delegation and the sectoral knowledge required, and should therefore allow the EC to support civil society organisations across many sectors. The EC should try to work with other donors to channel funds through the same intermediary (see below).

Intermediary funding organisations

Where an intermediary funding organisation is used, civil society organisations apply for funds to the intermediary, which then selects which organisations to fund on the basis of clear criteria. The intermediary then disburses funds, and monitors and audits the execution of projects. The intermediary may be a pre-existing organisation, or it may be established specifically for this task by the EC (and other donors). The EC (preferably jointly with other donors, and in close consultation with beneficiaries) should be involved in the selection/design of the intermediary, in selecting appropriate funding criteria, and in monitoring and auditing the performance of the intermediary.

Channelling funds through an intermediary has a number of advantages:

- It allows the EC to support many small interventions, possibly across a large number of sectors, while itself only preparing and implementing a small number of projects. Provided the intermediary has operational independence from the EC, this keeps the administrative burden low.
- It may allow greater transparency in funding criteria, if the intermediary is required to publish and follow closely its criteria. Joint donor support through a single intermediary is particularly beneficial to the transparency of funding criteria (it also contributes to the harmonisation of procedures).

This system has been used in **South Africa**, where the EC established the European Union Foundation for Human Rights to act as an intermediary in channelling EC funds to civil society organisations engaged in human rights and governance 'watchdog' projects. The procedural requirements of such an organisation might be different in the Dominican Republic given the need to adhere to EDF rules.

Source: *Evaluation of EC Country Strategy: South Africa 1996-1999*, Montes, Migliorisi and Wolfe, European Commission, 1999 (ref. 951477, available on the web-site of the Evaluation Unit, SCR, European Commission also on the DG Development web-site)

¹³⁶ For example, a different type of service delivery for pharmaceutical and epidemiological surveillance. See discussion on 'Reforming Institutions for Service Delivery', Policy Research Working Paper 2039. OED and Poverty Reduction and Economic Management Network and Human Development Network. January 1999. The World Bank.

¹³⁷ And different providers may be appropriate at different stages of projects: design, delivery and supervision.

| EC interventions (or components) which fit the proposed new country support strategy | |
|---|--|
| 8th EDF interventions | Proposed elements of a country support strategy |
| SABAMAR | <ul style="list-style-type: none"> • Support for <i>local government and partnerships with civil society</i> in the water sector, in an area with a high incidence of poverty |
| PARME | <ul style="list-style-type: none"> • Judicial reform component supports <i>good governance</i> (but should follow a lead donor) and also <i>civil society</i> (for governance and accountability) • Public administration reform component supports <i>central government reforms</i> (but should follow a lead donor) • Decentralisation component supports <i>local governments and partnerships with civil society</i> |
| Health Sector Reform | <ul style="list-style-type: none"> • <i>Government sectoral reform</i>, in the <i>health sector</i> (if clear commitment shown first) |
| Reconstruction of Schools | <ul style="list-style-type: none"> • Component supporting civil society organisations in community education for disaster preparedness involves <i>government partnership with civil society</i> |
| Banana support (in preparation) | <ul style="list-style-type: none"> • Supports <i>partnership between Government and civil society</i> (producers' organisation), in food security / rural development. |
| 7th EDF interventions | Proposed elements of a country support strategy |
| Micro-projects | <ul style="list-style-type: none"> • Supports <i>civil society</i> in poor rural areas |
| Puerto Plata | <ul style="list-style-type: none"> • Innovative <i>partnership between local government and civil society</i> |
| PROLINO | <ul style="list-style-type: none"> • <i>Partnership between government and civil society</i>, in rural development, in area with high incidence of poverty |
| PRISA | <ul style="list-style-type: none"> • Component supporting NGOs and community participation in basic sanitation, in rural area with high incidence of poverty, involves a <i>partnership between government and civil society</i> in the <i>health sector</i> |
| Regional programmes with bi-national DR-Haiti components | <ul style="list-style-type: none"> • The Environmental Trans-Border programme, PROCREBI, and the Classical Swine Fever Eradication programme all support <i>bi-national programmes</i> focusing on rural development in the border region |

Improve aid coordination practices

26. **The EC, together with key donors, should support reform of the Government's aid coordination (including the NAO office) and the budgetary process.** Ideally, external assistance by all donors should be coordinated by a single Government unit with a direct link to budget planning and implementation. In the Dominican Republic, this should be done together with strengthening of the efficiency, accountability and transparency of public expenditure management. In this context, the NAO office could be made part of this Government department¹³⁸.
27. **The EC should allocate more staff resources for more efficient coordination at technical level (e.g. using web-sites)** not only with Member States but also with other key donors (in particular the IDB, the World Bank and USAID). This is particularly important given the weaknesses in aid coordination by the Government. Information should be exchanged more systematically with regular sectoral technical meetings (not at head of representation level), and through using web-sites on which donors share sectoral and programme information. Donors should also pilot a knowledge network exercise (see box).

An example of knowledge-based coordination through a network

In a given sector, the lead donor and the relevant Government department should co-ordinate a small **sector knowledge network**, comprising key donors in the sector, government representatives and NGOs. We use the concept of a network rather than a group, a committee or a meeting to underline the informal nature of the tool and the fact that it should use a combination of meetings (frequently one-to-one), internet tools (e.g. databases containing data on aid in the sector, a complete list of projects, electronic copies of key sector studies or evaluations, and online discussion forums), studies, focus groups, workshops, joint field visits, as well as informal meetings. The use of several instruments should allow flexible participation by donors or government officials who might not have the time to attend formal meetings.

The Health Knowledge Network, for example, might be led by the lead sector donor and SESPAS. As a first step, the network might decide to prepare an inventory of all donor programmes and all studies carried out on primary health care in the Dominican Republic. A consultant could be contracted to carry out the inventory and the results could be discussed informally, hard copies circulated to all network members and posted on the Network's web-site. A team comprising two donors, a consultant and a director from SESPAS might then be formed to visit key projects and report back to the network. This team might then consider how a new pilot project could be developed on the basis of innovative donor projects. The donors involved in the sector could then decide to appraise the pilot jointly and might eventually agree to fund it jointly using common procedures. (Example adapted from the South Africa CSE, August 1999, ref. 951477, available on the web-site of the Evaluation Unit, SCR, European Commission also on the DG Development web-site .)

28. **Donors should jointly support the development of a national agenda.** Jointly with other donors, the EC should support processes that help build consensus on a national development agenda (such as the PUECCM-WB exercise or the Foro Ciudadano). While there are likely to be weaknesses in any such process, they are important developments that should be monitored and supported by donors. Donors should try to use these processes to support consensus around the emerging country agenda.
29. **EC should continue its support to the recent process of selecting lead donors for each sector,** possibly revising the current selections to ensure that the choice of lead donor reflects relative sectoral capacities. In sectors where the EC does not have

¹³⁸

As in South Africa, where the NAO is part of the directorate for International Development Cooperation within the Ministry of Finance.

significant capacity, and where it shares goals with the lead donor, it should integrate its projects with the lead donor's activities. Support for public administration reform and the justice sector are strong candidates for this (see section D above).

30. **Sectoral coordination meetings should be carried out in the health sector**, where it is recommended that the EC should play a lead role (see section C above). Complementarity in the sector should be sought.

Towards joint donor interventions

31. **The EC should work towards joint pools for technical assistance, common funds to support sector reform, and cofinancing:**

- **joint pools of technical assistance** with other donors: rather than TA being linked to individual donors and recruited separately, TA should be recruited and funded jointly by all donors in a given sector.
- move towards channelling **sector support funds through a common fund**. If the Government meets benchmarks of progress in the transparency and efficiency of the budget and in public administration reform, donors should look to provide budget support through a common funding pool.¹³⁹
- **co-finance other donors' programmes**, or encourage other donors to finance programmes jointly (e.g. in funding civil society organisations through a common intermediary).¹⁴⁰

32. **The EC should support joint monitoring of macroeconomic developments and evaluations. Systematic consultation on project preparation should be piloted.**

- Enhanced EC capacity for monitoring macroeconomic developments and the budget process should be shared with other donors, particularly Member States.
- Joint exercises to formulate donors' country strategies should be encouraged (e.g. both the EC and the IDB will soon begin to formulate their new country strategies, and both could also benefit from the work carried out for the World Bank's Country Assistance Strategy).
- Systematic consultation with other donors on project design should be piloted. It is recommended that the design of new EC projects should require detailed consultation with the IDB, USAID and Member States which have projects in the sector.¹⁴¹ Reciprocal consultation should occur during the design of other donors' programmes.
- Joint monitoring and evaluations with other donors.

¹³⁹ In Mozambique, the EC has taken the lead in efforts to establish a common funding pool in the agriculture sector (PROAGRI) and in channelling its funds through that pool. *Evaluation of EC Country Strategy: Mozambique 1996-2000*, forthcoming.

¹⁴⁰ Co-financing is encouraged within the framework of the Cotonou Agreement (Article 65).

¹⁴¹ During interviews, the EC and also the IDB and USAID expressed their strong interest in closer coordination. The Delegation is also in the process of analysing ways to improve coordination with other donors.

Using EC resources and procedures more efficiently

If the EC is to support institutional development effectively and is to allocate sufficient time to donor coordination, *changes are needed* in the Commission's resources and procedures for the management of aid to ACP countries. Most of the recommendations in this report can only be implemented in the context of internal restructuring within the Commission. Internal restructuring should include changing staff incentives away from *disbursement levels* to the quality and sustainability of EC interventions.

Using procedures more efficiently

33. **Flexibility between programme components** is needed in order to respond to changing conditions in a sector. For example, in the health sector, programmes should be designed in such a way that the EC can move from support for central government sectoral reform to support for actions by local governments and civil society if minimum conditions for successful sector reform are not met.
34. **Simplification of procedures through de-concentration, systematic ex post audits, service delivery standards, and facilitating the recruitment of international consultants.**
- Given the weakness of implementation procedures in the Dominican Republic, initially only a cautious deconcentration of authority from Headquarters to the Delegation is recommended.¹⁴²
 - *Rigorous and systematic ex post audits on all projects* (by accredited international audit companies, when necessary) should replace existing inefficient ex ante controls on projects.
 - Simpler and more flexible procedures are particularly needed to ensure timely recruitment and quality of international consultants (e.g. by allowing recruitment of consultants from the region), to allow more flexibility in the duration of projects, and to allow support for civil society organisations through independent intermediaries.
 - Service standards to EC aid recipients should be developed and communicated (e.g. a limit of 10 days for approval of tender documents).

Strengthening resources

35. **The EC should reinforce specialist skills in Delegations and provide Delegations with rapid funds to support their own technical capacity (including non-project support).** Reinforced skills in local government, good governance,¹⁴³ and the environment are particularly important. To facilitate this, the projects for which an individual staff member is responsible should all be related, and within his/her area of expertise.

¹⁴² See *Evaluation of EC Country Strategy in South Africa 1996-1999*, Montes, Migliorisi, Wolfe (ref. 951477, available on the web-site of the Evaluation Unit, SCR, EC also on the DG Development web-site, www.europa.eu.int/comm/scr/evaluation/reports/acp/951477.pdf) for recommendations on deconcentration. Where deconcentration is pursued, Headquarters should define project norms, certify accounting, procurement and disbursement systems, and carry out annual inspections of the Delegation, while deconcentrating all decentralised functions. The outsourcing of administrative procedures could also be pursued by both the Delegation and Government/implementing agencies.

¹⁴³ Including the budget process and civil society support.

36. **The EC should create the position of programme administrator to focus on financial administration**, with responsibility for monitoring standardised indicators of programme performance,¹⁴⁴ including the timeliness and quality of financial and/or operational audits, mid-term reviews and final evaluations
37. **Mainstreaming gender and environment analysis using contact points staff.** Contact points within the Delegation should be designated on gender and the environment, and should have responsibility for assessing all programme designs for their likely gender and environmental impact.
38. **A quality support group at Delegation level should be introduced** to ensure that all project design work receives effective peer review.

Learning processes within the Commission

39. **The EC should have access to funds for analytical work which is not directly linked to the preparation of new projects**, in areas such as:
- institutional assessments of political, economic and social institutions
 - the process of budget reform
 - the capacity of different State institutions (e.g. through service delivery surveys), as well as the potential for resistance to reforms
 - efforts to build consensus around a national development agenda
 - developments within civil society
 - the development of performance/outcome monitoring indicators.
40. **Delegation advisers should become more involved in (and have greater ownership of) project design, and ensure closer supervision of consultants' work** so as to incorporate (a) institutional assessments, (b) lessons from previous evaluations, (c) international best practice, and (d) systematic coordination with key donors. These key elements should be explicitly required in the Terms of Reference for consultants.
41. **The EC should avoid complex projects or projects with too many components**, in order to facilitate implementation, monitoring and evaluation. Projects should specify only a small number of readily identifiable performance indicators.
42. **Systematic monitoring and evaluation, including rigorous audits of all key interventions with participation of other donors and civil society.** Projects and programmes should be monitored on an on-going basis (see recommendation on a 'programme administrator' above), and mid-term reviews and *independent* final evaluations should be carried out on time *even when projects are delayed*. The Government – and also other donors and civil society – should be part of monitoring and evaluation processes.

¹⁴⁴ Programme log-frames should have standard performance targets, e.g. on delays in disbursement compared to targets and sector averages, on % of inputs and outputs achieved, and on risk levels.

Annex 1: EC interventions

| 7 th and 8 th EDF (approved) (> € 1 million) | | | |
|--|---|---------------------------|--|
| Indicative programme | Project | Amount | Main activities |
| | | 7th EDF | |
| National | Integrated rural development programme on the North-West Line (PROLINO) | € 23.6 million | <ul style="list-style-type: none"> Supporting irrigation, water supply, electricity, roads, schools, clinics and the environment in an area in the NW, with community participation |
| National | Los Toros hydro-electric project | € 18.9 million | <ul style="list-style-type: none"> Constructing hydro-electric power-station and supporting local irrigation |
| National | Integrated health programme in the south-west (PRISA) | € 8.8 million | <ul style="list-style-type: none"> Strengthening facilities and capacity in 2 health regions Also primary health care, and water and sanitation (through NGOs) |
| National | Integrated local-level primary education programme (PRIDEP) | € 7 million | <ul style="list-style-type: none"> Strengthening primary schools in 3 provinces |
| National | Private sector support programme (PASP) | € 4.2 million | <ul style="list-style-type: none"> Support for institutions supporting small- and medium-sized enterprises Improving the legal framework |
| National | Micro-projects programme | € 3 million | <ul style="list-style-type: none"> Micro-projects in the rural south-west and border regions with Haiti |
| National | Puerto Plata provincial development programme | € 1.6 million | <ul style="list-style-type: none"> Decentralised cooperation programme supporting participatory local development in health, education, community development and provincial planning |
| National | Rehabilitation programme in the south-west (PRESUR) | € 2 million | <ul style="list-style-type: none"> Post-hurricane rehabilitation (containing wall, aqueducts, etc.) |
| National (& regional) | Prevention of HIV/AIDS support programme (PREVIHSA) | € 1.6 million | <ul style="list-style-type: none"> Information, training and education on HIV and AIDS |
| Sysmin | Geological and mining development programme | € 23 million | <ul style="list-style-type: none"> Stimulating growth of the mining sector, while ensuring environmental protection |
| Structural adjustment (SAF) | Sectoral import programmes, petrol products (PROSIP I) | € 13.5 million | <ul style="list-style-type: none"> Balance of payments support through sectoral import programmes |
| Structural adjustment (SAF) | Sectoral import programmes, petrol products (PROSIP II) | € 9.3 million | <ul style="list-style-type: none"> Balance of payments support through sectoral import programmes |
| Structural adjustment (NIP) | Sectoral import programmes, petrol products | € 8.3 million | <ul style="list-style-type: none"> Balance of payments support through sectoral import programmes |
| Regional | Caribbean agriculture and fisheries programme | € 22.2 million | <ul style="list-style-type: none"> 8 components supporting agriculture and fisheries across the Caribbean |
| Regional | Caribbean university level programme (CULP) | € 21 million | <ul style="list-style-type: none"> Establishing Master's degree programme with scholarships at 5 universities (3 in Dominican Rep.) |

| | | | |
|----------|---|---------------------------|--|
| Regional | Trade development programme | € 14 million | <ul style="list-style-type: none"> Supporting the Caribbean Export Development Agency |
| Regional | Tourism sector programme | € 12.8 million | <ul style="list-style-type: none"> Training, support for Caribbean Tourist Organisation, strengthening of CARIMOS, etc. |
| Regional | Environmental trans-border project Dominican Republic – Haiti | €4 million | <ul style="list-style-type: none"> Trans-border environmental training centre, regional development plan, eco-tourism pilot interventions |
| | | 8th EDF | |
| National | Programme to support the reform and modernisation of the State (PARME) | € 29.5 million | <ul style="list-style-type: none"> Judicial reform Strengthening public administration Support to decentralisation |
| National | Water and sanitation in marginal districts of Santo Domingo (SABAMAR) | € 21.8 million | <ul style="list-style-type: none"> Water and sanitation supply Solid waste collection (micro-enterprises) Institutional strengthening |
| National | Programme for reform of the health system | € 12 million | <ul style="list-style-type: none"> Institutional strengthening at central and decentralised levels Restructuring medicine regulation and distribution Human resource management |
| National | Technical and professional education programme | € 13.25 million | <ul style="list-style-type: none"> Strengthening institutions and policies in the sub-sector Equipment and facilities at polytechnics |
| National | Reconstruction of schools and disaster relief in San Pedro de Maonis & Higüey | € 7.2 million | <ul style="list-style-type: none"> Reconstruction of hurricane-damaged schools Building local capacity to prevent and mitigate disasters |
| National | Reconstruction of road infrastructure in the south-west | € 6.5 million | <ul style="list-style-type: none"> Re-building of hurricane-damaged roads and bridges, with preparation of a plan for environmental conservation |
| National | Technical support for the banana sector | € 1.5 million | <ul style="list-style-type: none"> TA to help prepare a sector development plan Training small producers and exporters |

Annex 2: List of interviews

Delegation of the European Commission

Head of Delegation, R. Leenders
Economic adviser, Sylvie Millot
Primer Consejero, Roelf Smit
Adviser, Gabin Hamman
Junior Expert, Günther Liepach

Member States

Spain, Agencia Espanola de Cooperacion Internacional, Coordinador General, Eugenio Arranz
Spain, AECI, Adjunto al Coordinador General, Carlos Cavanillas
France, Consejero de Cooperación y de Acción Cultural, Maurice Nahory,
Germany, Primer Secretario, Helmut Piegeler
Italy, Ambassador Stefano Alberto Canavesio
United Kingdom, Ambassador David Ward

Other donors

USAID , Acting Director, Leopoldo Garza
USAID, Economic Policy Coordinator, Luis Gonzalez
IDB, Representante, Stephen McGaughey
IDB, Especialista Senior, Hugo Pirela,
IDB (Washington DC), Country Economist, Jose Juan Gomes
IDB (Washington DC), Country Coordinator, Hector Morena
IMF (Washington DC), Deputy Division Chief, Mexico/Latin Caribbean Division, Philip Young
IMF (Washington DC), Policy Development& Review Department, Werner Keller
IMF (Washington DC), Western Hemisphere Department, Alessandro Giustiniani
IMF (Washington DC), Asesor del Director Ejecutivo, Julio Estrella
World Bank, Representante Residente, Marco Mantonvanelli
World Bank, Economista, Philippe Auffret
World Bank (Washington DC), ex-Country Economist, John Panzer
UNDP, Coordinador Residente, Paolo Oberti
UNDP, Representante Residente Auxiliar (Programa) Carmen de Gómez

Government and PMUs

Oficina del Ordenador Nacional

Ordenador Nacional, Max Puig
Ordenador Delegado, Renso Herrera
Asist. Proyectos, Rosalina Ynoa

Secretariado Técnico de la Presidencia

Vice Minister for International Cooperation, Rosa Ng de Eberle
Asesor (Unidad de Seguimiento de Proyectos con Recursos Externos), Victor Ventura
ONAPLAN, Rafael Camilo

Banco Central de la Republica Dominicana

Asesor Económico de la Gobernación, Hector Guiliani

Secretaría de Estado de Finanzas

Programa de Reforma y Modernización de la Administración Financiera del Estado –
Coordinador Nacional, Damián Santos

Secretaria de Estado de Educacion y Cultura

Oficina de Planificación Educativa, Director General de Planificación, Rafael de Lancer
Oficina de Planificación Educativa, Directora de Proyectos y Búsqueda de Fondos, Milta
Ladys Lora González

Secretaria de Estado de Salud Publica y Asistencia Social

Dirección General de Planificación y Sistemas de Salud, Virgilio Rodriguez

Secretaría de Estado de Relaciones Exteriores

Emabajadora Tecnica, Maritza Amalia Guerrero

Secretaria de Estado de Industria y Comercio

Dirección General de Minería, Asesor Minería y Medio Ambiente, Walther Eberle

Comisión Presidencial para la Reforma y la Modernización del Estado

Secretario Ejecutivo, Onofre Rojas

Comisionado de Apoyo a la Reforma y Modernización de la Justicia

Secretaria de Estado, Coordinadora, Aura Celeste

Consejo Nacional de Asuntos Urbanos (CONAU)

Secretaria de Estado

RESURE. Pablo Morel

RESURE coordinator, UNDP. Oscar Barahona

Miembro Consejo Directivo, Francisco Gonzalez

Programa de Apoyo al Sector Privado

Director Ejecutivo, Peter Alter

Private sector*Asociacion de Industrias de la República Dominicana*

Presidente, Nassim Alemany

Vice-presidente ejecutivo, Juan Daniel Valcarcel

Consejo Nacional de Empresas Privadas

Frank Castillo

Confederación Dominicana de la Pequeña y Mediana Empresa

Director Ejecutivo - Franklin Vásquez

Consejo de Promoción Turística

Vice Presidente Ejecutivo – Arturo Villanueva,

Director de Relaciones Institucionales, Alan Ramirez Risk

OGM

Director, Prof. Frank Moya Pons

Civil society and political parties

Pontificia Universidad Catolica Madre y Maestra
Rector, Monsignor Agripino Nuñez
Vicerrector Ejecutivo, Radhamés Mejía,

Senado de la República Dominicana,
PRD, Asesor Economico, Frank Guerrero Prats,

Ayuntamiento del Distrito Nacional
Secretario Técnico Municipal, Roberto Castillo Tió,

Coordinador de Red de Redes,
Instituto Dominicano de Desarrollo Integral, Director Ejecutivo, David Luther,

Centro de Estudios Sociales Padre Juan Montalvo S.J.
Padre Jorge Cela, S.J.

Centro de Planificación y Acción Ecuménica
Directora Ejecutiva – Carmen Perez
Maria Diaz, Coordinadora de ONG para la Mujer

Instituto Tecnológico de Santo Domingo-IDB
Program de Fortalecimiento de Organizaciones de la Sociedad Civil, Ana Selman

Facultad Latinoamericana de Ciencias Sociales, Programa Republica Dominicana.
Director. Ruben Silie
Investigador Asociado. Eddy Tejeda

Participacion Ciudadana
Isidoro Santana