



2006 Survey on Monitoring The Paris Declaration

Country Chapters

DOMINICAN REPUBLIC

The 2006 Survey on Monitoring the Paris Declaration was undertaken in 34 countries that receive aid. The results of the survey are presented in two volumes. **Volume 1** provides an overview of key findings across 34 countries. **Volume 2** presents the baseline and key findings in each of the 34 countries that have taken part in the survey. This chapter is based primarily on the data and findings communicated by government and donors to the OECD through the Paris Declaration monitoring process. A more detailed description of this process, how this chapter was drafted and what sources were used is included in Volume 1, Chapter 2.

Both Volume 1 (Overview) and Volume 2 (Country Chapters) of the 2006 Survey on Monitoring the Paris Declaration can be downloaded at the OECD website:

www.oecd.org/dac/effectiveness/monitoring

A second round of monitoring will be organised in the first quarter of 2008 and will be an important contribution to the Accra High-Level Forum on Aid Effectiveness in September 2008.

WITH A POPULATION OF AROUND 9 MILLION, the Dominican Republic has the gross national income (GNI) per capita of a middle-income country (USD 2 080 in 2004). National income is quite unequally distributed, however, and social conditions remain uneven. The Dominican Republic has endorsed the Paris Declaration and is concerned that its middle-income status should not lead the international community to underestimate its need for well-aligned assistance to its poverty reduction efforts. Although aid harmonisation and alignment have not been prominent issues in the country until lately, the dialogue on the Paris Declaration commitments is now high on the agenda. The country is not dependent on aid: net official development assistance (ODA) in 2004 was USD 87 million, which represented only 0.5% of GNI. A total of eight donors responded to the 2006 baseline survey, representing at least 84% of official aid flows to the Dominican Republic.

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	General guidelines on public and externally financed investment projects exist, but the Poverty Reduction Strategy needs to be updated.	Complete the updating of the Poverty Reduction Strategy.
Alignment	Low	The budget both over-reports and under-reports aid flows. Very low utilisation of government systems by donors.	Craft a joint government-donor effort to improve the capture of aid information in the budget. Address country- and donor-side obstacles to greater utilisation
Harmonisation	Low	Programme-based approaches, particularly those calling for common procedures, are rare.	Set an appropriate target for improvement.
Managing for results	Moderate	Improvements to project implementation are needed.	Adopt a more explicit aid management policy.
Mutual accountability	Low	No mechanism currently exists.	Build on the recent initiatives to increase government oversight of aid.

OVERVIEW
Box 11.1
Challenges
and priority
actions

OWNERSHIP

OWNERSHIP IS A CENTRAL CONCEPT in the Paris Declaration, considered critical to achieving development results in circumstances of low as well as high aid dependency. Ownership has been defined as a country's ability to exercise effective leadership over its development policies and strategies. In these terms, ownership has several dimensions and cannot be measured by a single indicator. For donors, it implies a commitment to supporting countries' leadership, policies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies – the main focus of Indicator 1 of the Paris Declaration.

For countries eligible for assistance from the International Development Association (IDA), the baseline data for Indicator 1 are being drawn from the World Bank's Comprehensive Development Framework Progress Report. This provides an assessment and numerical score covering the degree to which a country has a well-articulated medium-term development plan, with priorities and targets, and the extent to which this governs the allocation of resources through the national budget and a medium-term expenditure framework. An equivalent assessment is not available for the Dominican Republic.

However, the government has a number of relevant policies and policy guidelines. These include the *Lineamientos Generales para una Estrategia de Desarrollo y el Financiamiento Internacional*,

prepared by the Technical Secretariat of the Presidency. This document sets out priority areas for international co-operation and provides guidance on negotiation, management and monitoring of externally financed operations. To guide the national budget, the National Planning Office is responsible for a *Plan Nacional Plurianual de Inversión Pública* that prioritises among investment projects, and within the budget there are protected lines for priority social programmes. An existing national Poverty Reduction Strategy is currently being overhauled in order to provide fuller guidance to social investments and targeted interventions. Meanwhile, the government is focusing on co-ordination of international co-operation and linking it with sectoral authorities by means of a series of sectoral *mesas* (working groups).

ALIGNMENT

THE PARIS DECLARATION commits country governments and donors jointly to an effort to align assistance with country policy objectives and deliver aid as much as possible through country institutions and systems. Both donors and country authorities are urged to tackle any weaknesses in country systems that are viewed as obstacles to the use of country systems.

BUILDING RELIABLE COUNTRY SYSTEMS

For IDA-eligible countries, the baseline survey includes an assessment of the country's public financial management systems that draws on the quantified ratings included in the World Bank's Country Policy and Institutional Assessment (CPIA). The ratings measure the extent to which a country has:

- a comprehensive and credible budget linked to policy priorities;
- effective management of budget expenditure and budget revenues;
- timely and accurate fiscal reporting; and
- clear and balanced assignment of expenditures and revenues.

The survey return indicates that the Dominican Republic has launched institutional reforms designed to strengthen public financial management (PFM). The government has reassigned responsibilities for budget preparation, and introduced a technical instrument, the *Sistema Integrado de Gestión Financiera*. These measures are expected to give the country a budgetary planning and control system with sufficient transparency, effectiveness and flexibility to enable it to meet the challenges of a constantly changing environment for development.

The Paris Declaration calls for donors to substantially increase their use of country financial management systems, where these are at least moderately strong. It expects countries to improve their CPIA rating by at least half a point on a scale running from 1 to 6 by the target year of 2010. An equivalent rate of improvement over the current level might reasonably be expected of the Dominican Republic.

INDICATOR 3
Table 11.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%)	
			c=a/b	c=b/a
European Commission	42	34		82%
France	0	1	0%	
IDB	0	1	5%	
Japan	2	10	23%	
Spain	2	4	45%	
United Nations	0	1	26%	
United States	10	0		0%
World Bank	1	40	1%	
Total	57	92		62%

* Baseline ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

A similar approach is being taken to national procurement systems. However, assessments of countries' baseline position with respect to the quality of procurement legislation, institutions and practices are not yet available even for the IDA countries.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

While use of country systems is easy to measure (see below), the alignment of aid flows with national policy priorities is difficult to assess in an objective way. Indicator 3 of the Paris Declaration attempts to remedy this problem. It aims to provide a quantitative baseline for overall aid alignment by examining specifically the degree to which donor financial commitments are reflected fully and accurately in the national budget. The general target for this indicator set by the Paris Declaration (85%) depends upon accomplishments by governments and donors: a high level of budget realism on the part of the country authorities, and a high degree of willingness and ability of donors to provide information in a timely fashion and in a suitable form.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements.

The baseline figure for the Dominican Republic from the survey is 62%. However, this reflects some sizeable discrepancies in both directions between the aid reported by donors as disbursed to the government sector and that recorded in the budget. It seems clear that the realism of the budget in respect of donor funding will be in need of serious attention during the coming years.

INDICATOR 4
Table 11.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
European Commission	0	29	0%
France	0	0	0%
IDB	8	34	25%
Japan	0	10	0%
Spain	0	4	0%
United Nations	0	0	96%
United States	23	23	100%
World Bank	8	8	100%
Total	40	108	37%

CO-ORDINATING SUPPORT
TO STRENGTHEN CAPACITY

The Paris Declaration invites countries to aspire to greater co-ordination of external assistance to capacity development under government leadership. The government of the Dominican Republic has identified the weakness of state institutional capacity as one of the principal obstacles to the development of the country. In many low-income countries, capacity deficits are a major obstacle to country ownership of the development agenda, and poorly delivered technical assistance is considered a major dimension of aid misalignment. In the Dominican Republic, capacity limitations affecting the conduct of government arise fundamentally from the absence of a professionalised permanent public administration, the ensuing frequent rotation of public officials, and the difficulties thereby created by the accumulation of the strains on institutional capacities. Although this is a problem that concerns donors, it is not to any significant degree the result of ill-coordinated aid, nor likely to improve through better co-ordination of external support. In these respects, Indicator 4 has a different significance than in most survey countries.

The government has pinpointed a number of areas where it needs enhanced technical capacities to improve the country's competitiveness and potential for economic growth in the context of the upcoming free trade agreement with the United States. Efforts to include capacity development components in donor-financed programmes should be fostered by the new partnership between the *Subsecretaría para la Cooperación Internacional* and the National Planning Office. The numbers in Table 11.2 reflect the results of these efforts. They include all technical co-operation and capacity development components of externally financed projects and programmes that contribute to national development strategies, according to the government. This reflects quite an inclusive understanding of "co-ordinated capacity development". The Paris Declaration commits donors to supporting a comprehensive effort to tackle the main sources of capacity weakness in the public sector under government leadership. Participants in discussions on international co-operation in the Dominican Republic will need to determine whether the current focus on filling specific gaps in technical capacity is a sufficiently ambitious tack, in view of the general underlying factors affecting public-sector capacity in the country.

How much aid for the government sectors uses country systems?

INDICATOR 5
Table 11.3

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e / a
European Commission	34	0	0	0	0%	0	0%
France	1	0	0	0	0%	1	89%
IDB	1	0	0	0	0%	0	0%
Japan	10	0	0	0	0%	0	0%
Spain	4	0	0	3	29%	3	88%
United Nations	1	3	0	0	83%	0	0%
United States	0	0	0	0	--	0	--
World Bank	40	0	0	0	0%	0	0%
Total	92	3	0	4	2%	5	5%

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. The average utilisation across the three components is 2%. In view of the lack of a published CPIA score for budgetary and public financial management, there is no formal target for increased use of country public financial management systems by donors. Nonetheless, the number of external agencies making any use of these systems is extremely low by international standards. This would seem to deserve serious joint attention from the government and donors.

According to the survey results, 5% of the aid from reporting donors made use of the country's procurement system. The pattern has been for each donor to use its own procurement procedures, and for the country to adapt to these. This may now change. A new *Ley de Compra y Contrataciones* has been drafted by the State Secretariat for Finance, and once this has been approved, the government will be seeking the agreement of donors to work within the framework it provides. The targets for use of country procurement systems depend on an authoritative assessment of the quality of the country system, which is not currently available.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. In the Dominican Republic, it has been the norm for donors, especially multilaterals, to organise PIUs that follow their own procedures. The survey results confirm this. It is recognised that the creation of parallel units is partly a response to weaknesses in the government's capacity to manage and execute projects. However, government policy is to discourage the setting up of PIUs outside the executing authority. In fact, government departments have been instructed to establish their own PIUs in cases where special units are required.

The Paris Declaration target is to reduce the stock of parallel PIUs by two-thirds, meaning a 2010 number of just 17 in the Dominican Republic.

How many PIUs are parallel to country structures?

INDICATOR 6
Table 11.4

	Parallel PIUs (units)
European Commission	9
France	0
IDB	29
Japan	0
Spain	1
United Nations	3
United States	5
World Bank	3
Total	50

INDICATOR 7
Table 11.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b c=b/a
European Commission	4	38	34	11%
France	0	2	1	0%
IDB	1	1	1	96%
Japan	1	10	10	15%
Spain	6	3	4	55%
United Nations	0	8	1	0%
United States	0	0	0	0%
World Bank	1	65	40	1%
Total	14	127	92	11%

* Baseline ratio is $c = a / b$ except where disbursements recorded by government are greater than aid scheduled for disbursement ($c = b / a$).

PROVIDING MORE PREDICTABLE AID

It is a major challenge to improve the predictability of support and measure performance in this regard. In the case of the Dominican Republic, tackling this challenge is encumbered by particular issues.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In the Dominican Republic, donors scheduled USD 127 million for disbursement in 2005 and actually disbursed – according to their own records – significantly less than expected (USD 92 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In the Dominican Republic, government systems recorded USD 14 million out of the USD 92 million notified as disbursed by donors (15%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not

only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In the Dominican Republic, this combined predictability gap amounts to USD 119 million (93% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government; and
- the comprehensiveness of government's records of disbursements made by donors.

This may become easier as the proportion of budget support increases, as one of the reasons given for the current discrepancies is that disbursement of project funds is highly dependent on progress in implementation. On the other hand, the use of variable tranches based on performance is likely to remain a factor in the predictability of budget support. Finally, whatever the choice of aid modalities by donors, it is clear that a vigorous effort will be called for to carry out the measures discussed at recent Consultative Group meetings for improving the level of information capture by the government's systems.

UNTYING AID

According to OECD data covering 46% of 2004 commitments, 28% of aid to the Dominican Republic is untied. The low proportion of reported untying combined with the low coverage of the data suggests that the tying of aid remains a major limitation on aid quality in the country. The Paris Declaration commits donors to making progress year by year on the proportion of their aid that is tied.

INDICATOR 8

HARMONISATION

The discussion here confirms that much remains to be done to bring about a greater degree of alignment of aid with country policies and systems in the Dominican Republic. This does not appear to be considered a matter of very high priority either among donors or in government, although perhaps it is a growing concern. The same seems to be true of aid harmonisation – which refers to forms of co-ordination among donors that reduce the transaction costs for the country. This applies clearly to the use of common procedures, one of the three particular dimensions of harmonisation that are the focus of agreed Paris Declaration indicators.

USING COMMON ARRANGEMENTS

The proportion of government-sector aid using programme-based approaches (PBAs) is reported as 5%. However, this may well overestimate the percentage of donor flows meeting the definition of a PBA provided in the survey guidance, in which the use of common arrangements under recipient country leadership is a principal criterion. The survey return adopted a definition that included as programmes all those interventions based on the *Lineamientos Generales* document which sets out the government's strategic framework for international co-operation. The suggested Paris Declaration target of 66% of aid flows using PBAs by 2010 is based on the principle that donors should use common arrangements because of lower transaction costs to the recipient. Government and donors in the Dominican Republic may examine whether the transaction cost issue is a relevant and important one to monitor in the country.

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
European Commission	0	0	0	36	0%
France	0	0	0	2	7%
IDB	0	0	0	1	0%
Japan	0	0	0	11	0%
Spain	0	3	3	40	9%
United Nations	--	--	--	--	--
United States	0	0	0	23	0%
World Bank	0	0	0	40	0%
Total	4	4	8	156	5%

INDICATOR 9
Table 11.6

INDICATOR 10a
Table 11.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
European Commission	0	3	0%
France	0	0	--
IDB	2	47	4%
Japan	0	8	0%
Spain	0	0	--
United Nations	0	3	0%
United States	--	--	--
World Bank	24	24	100%
Total (discounted*)	17	85	20%

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 11.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
European Commission	0	3	0%
France	0	0	--
IDB	3	10	30%
Japan	0	0	--
Spain	1	1	100%
United Nations	8	8	100%
United States	7	7	100%
World Bank	0	1	0%
Total (discounted*)	14	30	48%

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline figure for co-ordination of donor missions is 20%, compared with the Paris Declaration target of 40%. However, a large proportion of the joint missions is accounted for by one large multilateral, and otherwise single agency missions remain the norm. The government is working to promote widespread use of joint missions.

Jointly conducted analytical work is apparently becoming more common, with a baseline proportion as high as 48% and several donors claiming to undertake all of their analytical work jointly. This comes close to the general Paris Declaration target of 60%.

MANAGING FOR RESULTS

The Paris Declaration calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 looks at one component of this effort: the establishment of cost-effective results-oriented reporting and assessment systems by the country.

For this indicator, the baseline survey draws on the World Bank's Comprehensive Development Framework Progress Report, which covers IDA-eligible countries only. For this reason, no quantitative baseline can be set for the Dominican Republic. However, as well as adopting a more explicit aid management policy, as discussed earlier, the government is strengthening results-oriented monitoring of all public investment projects under the *Sistema de Seguimiento de la Cartera de Proyectos* of the *Oficina Nacional de Planificación*. This is geared to improve project implementation and provide for greater policy learning in the spirit of results-based management. The degree to which these measures are successful will be of considerable interest in future rounds of Paris Declaration monitoring in the Dominican Republic.

MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. Governments must therefore take steps to improve country accountability systems and donors must be transparent about their own contributions. This indicator looks at monitoring to determine whether there is a country-level mechanism permitting joint assessment of progress in implementing commitments on aid effectiveness, including those in the Declaration itself.

Such a mechanism does not yet exist in the Dominican Republic, although some of the necessary guidelines on good practice may be provided by the *Lineamientos Generales*. The general approach to aid management is, however, being strengthened, and the government is taking as the basis for its policy the commitments contained in the Paris Declaration.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for the Dominican Republic. The baseline values summarise the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in the Dominican Republic under the aegis of the National Co-ordinator (América Bastidas).

INDICATORS	2005 BASELINE	2010 TARGET
1 Ownership – Operational PRS	Not available	B or A
2a Quality of PFM systems	Not available	3.5
2b Quality Procurement systems	Not available	Not applicable
3 Aid reported on budget	62%	85%
4 Co-ordinated capacity development	37%	50%
5a Use of country PFM systems (aid flows)	2%	No target
5b Use of country procurement systems (aid flows)	5%	Not applicable
6 Parallel PIUs	50	17
7 In-year predictability	11%	56%
8 Untied aid	28%	More than 28%
9 Use of programme-based approaches	5%	66%
10a Co-ordinated missions	20%	40%
10b Co-ordinated country analytical work	48%	66%
11 Sound performance assessment framework	Not available	B or A
12 Reviews of mutual accountability	No	Yes

Table 11.9
Baselines
and targets

ACRONYMS

CPIA	Country Policy and Institutional Assessment
GNI	gross national income
IDA	International Development Association
ODA	official development assistance
PBA	programme-based approach
PFM	public financial management
PIU	project implementation unit