



Managing for Development Results in the Dominican Republic

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ABSTRACT^{*}

During the past 11 years, the Dominican Republic has introduced dozens of new laws and regulations aimed at modernizing its national management systems. The new rules represent a step forward in the implementation of Managing for Development Results (MfDR) techniques that will improve the effectiveness of public spending in the country. The implementation of the new legal framework, however, is still in an early stage. This Technical Note analyzes the new legal framework, focusing on the relationship between its components, the inconsistencies or contradictions of the framework, and the status of its implementation. The results of the analysis show that the framework provides a great starting point for MfDR, but that further action is still needed. The Technical Note ends with a list of recommendations that, if followed, should help increase the effectiveness of public expenditure in the Dominican Republic.

JEL codes: H11, H61, H83, O21, H43, H53, H57

Keywords: Dominican Republic, financial management, managing for results, monitoring and evaluation, M&E, project management results-based budgeting, strategic planning

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LIST OF ACRONYMS

GDP	Gross Domestic Product
IDB	Inter-American Development Bank
LAC	Latin America and the Caribbean
M&E	Monitoring and Evaluation
MAP	Ministerio de Administración Pública [Ministry of Public Administration]
MEPYD	Ministerio de Economía, Planificación y Desarrollo [Ministry of Economy, Planning, and Development]
MfDR	Managing for Development Results
MF	Ministry of Finance
PSMNP	Public Sector's Multiannual National Plan
PSMB	Public Sector's Multiannual Budget
RBB	Results-based Budgeting
SIGEF	Sistema Integrado de Gestión Financiera [Integrated Financial Management System]
SISDOM	Sistema de Indicadores Sociales de la República Dominicana [Dominican Republic's Social Indicators System]

1. Introduction

1.1 Objective of this Technical Note

In order to address its fiscal constraints, the Dominican Republic needs to improve the effectiveness and efficiency of public expenditure. The process toward meeting this need has already begun with the creation of a new legal framework for most of its national management systems. The country is currently building the institutional capacity needed to implement the new legal framework. The objective of this Technical Note is to provide recommendations for capacity building and for producing the conditions necessary to improve the efficiency and the effectiveness of public expenditure in the Dominican Republic.

To achieve that objective, this study analyzes how the new legal framework for the Dominican Republic's national management systems shapes the implementation of management techniques, known as Managing for Development Results (MfDR), which are aimed at improving efficiency and effectiveness of public expenditures. The analysis is divided into five pillars that conceptualize MfDR, and it describes how each pillar should work once the mandates in the legal framework have been fully implemented, examines the implementation status for each pillar, and analyzes the inconsistencies or contradictions within the framework.

1.2 Country Context

During the past 20 years, the Dominican Republic has had the fastest growing economy in Latin America and the Caribbean (LAC) in terms of per capita Gross Domestic Product (GDP), with an annual average growth of 4 percent (Hausmann, et al., 2012). Several studies, however, indicate that the rate of economic growth in the Dominican Republic will decelerate, which could result in fiscal sustainability problems (Hausmann, et al., 2012) (Agosin and Stein, 2010) (Artana, Bour, and Panadeiros, 2010). Likewise, another recent study argues that the Dominican Republic faces fiscal sustainability concerns and recommends that the government take measures to reduce its primary deficit (Guzmán, Vergara, and Zuccardi, 2010).

As the availability of public resources diminishes, the Dominican Republic needs to increase revenue and decrease spending. On the revenue side, the government recently approved a tax reform law (Law 253-12) that is expected to increase earnings from income and sales taxes.

On the spending side, the focus of the policy needs to shift toward the efficiency and effectiveness of public expenditure (Artana, Bour, and Panadeiros, 2010). In its Country Strategy with the Dominican Republic 2010–2013, the Inter-American Development Bank (IDB) argued that “inefficient spending (...) and poor service quality are compromising the ability to restore economic growth and fiscal health over the long term” (IDB, 2010). Other studies echo this view. For example, the Country Partnership Strategy between the World Bank and the Dominican Republic states that there is “limited capacity of public institutions to produce tangible results” (World Bank, 2009), while the 2012–2013 version of the Global Competitiveness Report ranks the Dominican Republic last for wastefulness of government spending (World Economic Forum, 2012).

One approach to improving efficiency and effectiveness of public expenditure is implementation of MfDR, which can be defined as “a management strategy that guides the actions of the public actors of development to generate the greatest public value through the use of management tools that, in a collective, coordinated, and complementary manner, are implemented by public institutions to generate fair and sustainable social changes for the benefit of the population as a whole” (García López and García Moreno, 2010).

The management tools mentioned in the definition of MfDR are grouped into different areas, known as the five pillars of the management cycle (Figure 1). These pillars do not work independently; instead, they are deeply interrelated. For example, the goals and objectives defined through the planning process must be directly reflected in the budgeting process by allocating resources that will allow public institutions to work toward those goals.

Figure 1: Five Pillars of MfDR

Managing for Development Results (MfDR)				
Strategic Planning <ul style="list-style-type: none"> •Analyze the issues affecting the population. •Define the medium and long-term goals. •Design programs and projects to achieve those goals. 	Results-based Budgeting <ul style="list-style-type: none"> •Assign resources to fulfill the goals established in the planning process. •Establish budgetary incentives to reach goals. 	Financial Management <ul style="list-style-type: none"> •Facilitate Interrelations between financial management systems. •Construct an efficient procurement system. •Institute auditing systems focused on performance. 	Program and Project Management <ul style="list-style-type: none"> •Take investment decisions based on priorities and profitability. •Provide line ministries with incentives to produce goods and services that allow fulfilling the national goals. 	Monitoring and Evaluation <ul style="list-style-type: none"> •Generate information for the planning, budgetary, and other institutional decision-making processes. •Have a mix of on-the-go information (monitor) and causality analysis (evaluation).

Source: Author’s elaboration based on García López and García Moreno (2010).

“MfDR implementation calls for substantial innovations in public sector management, which supposes a sustained effort over the medium and long term that often transcends various periods of government office. These innovations might also require modifications of the public management systems, a legal or institutional framework, a search for consensus among the various state functions, alignment of the different components of the management cycle, and new organizational structures that promote coordination and teamwork instead of competition and individual effort” (García López and García Moreno, 2010: 7).

The Dominican Republic has already started an innovation process in its public sector management through the creation of a new legal framework. Since 2001, at least 13 new laws, and a similar number of new regulations, have been introduced in the Dominican Republic (see Annex 1), which should have a direct impact upon the quality of public expenditure. This new legal framework has modernized the rules regarding most of the systems included in MfDR, such as accounting, budgeting, financial management, internal and external auditing, planning, procurement, public investment, and public service systems.

After new rules are established, the next step is to implement them. For MfDR, this “requires explicit political will at the highest levels. Also, entities with the power to influence the whole of the public sector need to set the standard for change” (García López and García Moreno, 2010). This type of implementation process is currently ongoing in the Dominican Republic. Although there has been progress in the last few years, most of its components are not yet fully operational, which prevents the Dominican Republic from achieving the expected improvements.

The analysis herein includes the main institutions involved in the MfDR framework: the Ministry of Economy, Planning, and Development (MEPYD), the institution in charge of planning and public investment systems; the Ministry of Finance (MF), which is in charge of budgeting, accounting, and financial management systems; the Comptroller (Contraloría General de la República) and the Chamber of Accounts, which are in charge of internal and external audits, respectively; and the Ministry of Public Administration (MAP), which is in charge of civil service career management.¹ This publication also briefly examines some line ministries, such as Education and Health, to review their level of implementation of centrally mandated policies.

¹ Many of the institutions mentioned have been established as a consequence of recent legislation. The MEPYD was created in 2006 to become the institution responsible for planning, public investment, and macroeconomic policy. It replaced the Technical Secretariat of the Presidency. In 2004, the responsibilities and the name of the MF changed (formerly Ministerio de Finanzas), becoming the institution responsible for fiscal policy and financial management, including budgeting responsibilities that were part of the Office of the President. The MAP was established in 2008, and its main responsibility is to manage the civil service career system. Additionally, Law 56-10 and the constitution changed all institutional names from Secretariat to Ministry.



2. Analysis of the Implementation of MfDR in the Dominican Republic

2.1 First Pillar: Strategic Planning

2.1.1 Description of the Framework

The cornerstone of the MfDR framework for the Dominican Republic is its strategic planning system, given that Law 498-06 mandates that the objectives of all public sector institutions must be aligned with national plans. This includes processes ranging from all of the budgeting phases (see second pillar), to the contracts of every public sector employee (see fourth pillar). The following description of the strategic planning framework is focused on its structure and on the objectives of each of its components, leaving the analysis of its interrelationships with the rest of the public administration for pillars two to five.

The strategic planning process is based on a top-down approach that guides a five-tier desegregation course (Figure 2), in which each tier must be aligned with its predecessor. The legal framework sets forth the minimum content that must be included in each tier of the planning process. This minimum content is analyzed in the next section of this document.

Figure 2: Five-tier Planning Process



Source: Author's elaboration based on the Ley de Planificación e Inversión Pública, 2006.

The first two tiers of the planning process are composed of two national-level plans: the long-term National Development Strategy and the medium-term Public Sector Multiannual National Plan (PSMNP). The former must be comprised of a citizen-based group called the Development Council. Its objective is to define, through a description of current issues and objectives, “the image of the country that they want to build” (Dec. No. 493-07, Article 18). The latter must include a collection of programs, projects, and policies that will facilitate achievement of the objectives described in the National Development Strategy.

The final three tiers of the planning process are composed of sectoral, institutional, and regional strategic plans. The sectoral strategic plans must be expounded by the line ministries in

coordination with the MEPYD. The institutional strategic plans must provide specific production plans that will facilitate achievement of the objectives set in the three prior tiers of the planning process. To ensure that each institution will be able to produce its strategic plan, they must have a specialized planning office that will be provided with technical training by the MEPYD. The regional plans are an aggregation of the issues and objectives covered in the other tiers of the planning process that are relevant to a specific region of the country.

Arguably, there is one additional tier in the planning process: results-based contracts. These contracts, which are still in an early implementation phase and which will be further analyzed in the fourth pillar, are mandatory for all public sector employees. For managers, their objectives must be the same as those of the institution.. The remaining employees must define, in coordination with their supervisors, specific objectives to be fulfilled each year, which must be directly linked to the objectives stated in the institutional plan. Since these contracts must link public officials' goals and objectives to those of the country, they become an important tool to enforce decisions that are taken in the planning exercise.

2.1.2 Implementation Process

Several strategic planning documents, which comply with at least most of the characteristics mandated in the legal framework, have already been elaborated in the Dominican Republic. Among them are the National Development Strategy 2010–2030, the PSMNP 2011–2014, the Institutional Strategic Plan of the MEPYD 2008–2012, and Sectoral Plans in Education, among others. Certain aspects, however, remain to be addressed to improve the quality of planning and ensure sustainability. First, certain discrepancies in the legal framework regarding the information that must be included in each tier of the strategic planning process need to be addressed. Second, there must be appropriate capacity building to develop each tier of the planning process. Third, Monitoring and Evaluation (M&E) systems should be implemented to generate performance information that will feed the decision making process.

Table 1 shows a list of the minimum content that each of the first four tiers of the strategic planning process must have, according to the legal framework. While there is an increasing level of operational detail for each tier, there are some discrepancies regarding the



minimum content. First, specific baselines and indicators to measure progress are only required for the first tier. Second, a program-based strategy is not required for the sectoral level, which might cause compatibility issues between the PSMNP and the institutional plans. In spite of these discrepancies, some public institutions have included baselines, and some sectoral plans have included a program-based structure. Correcting those flaws would help sustain good practices.

Table 1: List of Strategic Plans and their Increasing Level of Detail

Mandatory content	National Development Strategy	Public Sector's Multiannual National Plan	Sectoral Strategic Plan	Institutional Strategic Plan
List of prioritized issues to be attended	☑	☑	☑	☑
Goals and objectives	☑	☑	☑	☑
Baselines and indicators to measure progress	☑	×	×	×
Program-based strategy		☑	×	☑
Financial needs		☑	☑	☑
Financial strategy			☑	☑
Annual operational plan				☑

Source: Author's elaboration based on Ley de Planificación e Inversión Pública (2006) and Reglamento de Aplicación No. 1 para la Ley 498-06 (2007).

The MEPYD is responsible for helping to build institutional capacities in all of the public institutions that are required to submit planning documents. The MEPYD has already made progress toward this end by issuing a group of detailed methodologies and guidelines to standardize certain topics, such as the creation of institutional plans, the definition of social issues, and the development of objectives, among others. Additionally, the MEPYD has been

providing training to the planning offices of each institution. Public institutions, however, have still been showing difficulties in the elaboration of medium-term institutional plans. In many cases, public institutions have been structuring detailed annual plans instead of the medium-term plans that they are mandated to create. Additionally, the plans that have been developed differ vastly in structure, which makes it more difficult for the MEPYD to analyze each of the plans and ensure consistency among the documents and their methodologies.

The final aspect—arguably the most important one for ensuring fulfillment of the objectives established in the strategic planning documents—is the creation of a strong and reliable M&E system. While some steps have been taken, such as defining methodologies for the development of monitoring indicators, the MEPYD should issue specific guidelines about how to use performance-based information to update strategic planning documents.

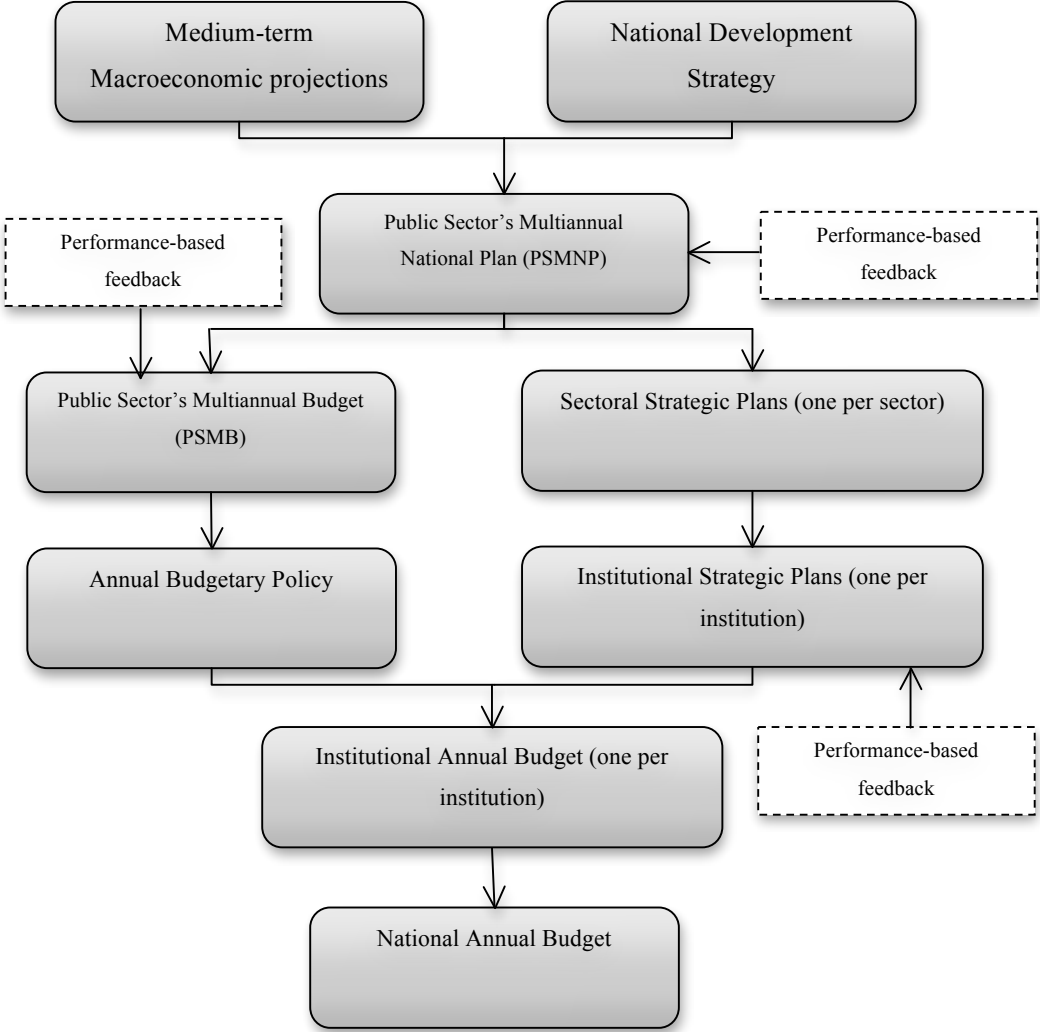
2.2 Second Pillar: Results-based Budgeting

2.2.1 Description of the Framework

The Dominican Republic’s MfDR framework sets the national annual budget as the result of a bottom-up process that is strictly linked to the strategic planning system. The national budget must be developed by combining all of the public sector’s institutional budgets, and institutions are only allowed to allocate resources to items connected to their strategic plans. The legal framework only gives the MF the right to request changes in the institutional budgets when they do not comply with the instructions given in the Annual Budgeting Policy.

Figure 3 summarizes the process to develop the national annual budget. The process starts with the formulation of two documents: the National Development Strategy (see first pillar) and the medium-term macroeconomic projections. The projections included in the latter document are the joint responsibility of three institutions: the MEPYD (macroeconomic projections), the Central Bank (monetary and external projections), and the MF (fiscal and financial projections).

Figure 3: Input Chain in the Creation of the National Annual Budget



Source: Author’s elaboration based on Ley Orgánica del Presupuesto para el Sector Público, 2006; Reglamento de Aplicación de la Ley 423-06, 2007; Ley de Planificación e Inversión Pública, 2006; and Reglamento de Aplicación No. 1 para la Ley 498-06, 2007.



Using the PSMNP as a basis, the MF must elucidate the Public Sector's Multiannual Budget (PSMB). This document is the most important part of Dominican Republic's Results-based Budgeting (RBB) framework, as it is the only instance of the budgeting process in which performance-based information must be analyzed. In the preparation of the PSMB, the MF has the authority to cancel or ratify existing programs and projects, add new programs and projects, and rank which programs and projects should be assigned funds in the annual budget according to their importance. Finally, based on the PSMB, the MF will also formulate the Annual Budgeting Policy, which must include all relevant information from the multiannual documents, and which must include key aspects for that year's budget, such as the maximum expenditure amounts per institution, the functional and economic distribution of the expenditure, and tax and external financing policies.

2.2.2 Implementation Process

There are critical steps that need to be taken to implement the Dominican Republic's new budgeting framework. First, the medium-term budgeting plan, introduced above as the PSMB and highlighted as the most important document for the RBB process, has not yet been prepared. Further, there are no clear rules to ensure medium-term fiscal sustainability.² Finally, while the Dominican Republic's budgeting framework includes interdependencies between the budgeting and planning processes, there are no specific procedures to manage those interdependencies.

The only part of the budgeting process in which performance-based information is critical is the PSMB. Until the date when this Technical Note was written, the MF was in the process of creating the PSMB for the first time. However, creating the document will not be enough to ensure RBB. Some important indicators for success lie in the capacity and methodologies for updating the PSMB every year, with special emphasis on the use of performance-based information to decide about the future of public sector programs and projects and on changing the way in which the Annual Budgetary Policy is developed to ensure that it will be based on information provided by the PSMB.

² These rules commonly include mechanisms to adjust public spending for cyclical changes in GDP, public debt limits as a percentage of GDP projections or of current revenues, and fiscal deficit limits as a percentage of GDP.



Additionally, the Dominican Republic has no clear quantitative rules to promote fiscal responsibility. Some issues have been detected regarding the transparency of public debt, including the need to further regulate financial operations between the central government and government enterprises (such as the Dominican Corporation of State-owned Electric Companies), and the existence of inconsistencies among official publications regarding debt levels (ADE, 2012). Measures different from quantitative rules have been applied to improve fiscal responsibility, such as increased transparency and central monitoring (Artana et al., 2012).

The analysis of the interdependencies between the planning and budgeting processes begins by reviewing how institutional budgets must be developed. Each public sector institution must create its budget by following the guidelines from the Annual Budgeting Policy elaborated by the MF and in accordance with the goals, objectives, programs, and projects established in their strategic planning documents. However, there may be discrepancies, because the MEPYD, which is in charge of the planning process, does not necessarily participate in the approval of institutional budgets, which means that they have no opportunity to ensure that institutions prioritize the allocation of resources toward the accomplishment of the objectives stated in their plans.

Four measures are expected to be adopted to address potential discrepancies between planning and budgeting. First, funds for programs and projects that are critical for accomplishing the objectives stated in the PSMNP and in the National Development Strategy are receiving a “protected” status. This means that the MF cannot reduce the funds for those programs and projects. Second, the draft version of the regulation document for Law 1-12 proposes using the Integrated Financial Management System (SIGEF) as a tool to link information; however, this system is currently in need of improvement (see third pillar). Third, the MF and the MEPYD have signed an internal “Interrelations Protocol” and have created a Coordination Committee to enforce this protocol. This protocol lists all the documents needed by both institutions, and establishes deadlines for their provision. This effort still needs improvement by establishing specific procedures for all of the cases. Fourth, Law 1-12 mandates that the MEPYD must establish a yearly report explaining the linkages between the budget and the strategic plans. The



first version of this document—which details the linkages between the 2013 budget proposal and the national strategic plans—has already been prepared.

Enforcing strong processes to strengthen the linkages between planning and budgeting is important for the effectiveness of the Dominican Republic’s MfDR framework. Maintaining strong linkages is the only way to ensure that the MF will allocate resources toward fulfilling the national objectives, and, as a result, that institutions will spend resources toward fulfilling their institutional objectives.

2.3 Third Pillar: Financial Management

2.3.1 Description of the Framework

Since 2001, one law establishing a new framework has been issued for each of the following related financial systems: Accounting, External and Internal Auditing, Integrated Financial Management System (SIGEF), Financial Transparency, and Procurement. This section will cover the three most relevant systems: SIGEF, Procurement, and Auditing.

The Integrated Financial Management System of the Dominican Republic, known as SIGEF, has a comprehensive framework that establishes it as a vital system for the implementation of MfDR policies. The SIGEF is expected to be composed of four major systems—budgeting, treasury, public credit, and accounting—and to be aligned with other relevant systems, such as planning, public investment, human resources, procurement, internal control, and the internal revenue system. In addition to linking all of the abovementioned systems, the SIGEF has a strategic objective: “facilitate the entailment of the planning [system] with the budgeting [system]” (2007: Art. 5). Finally, the SIGEF is also expected to be the central platform to manage results-based contracts (see fourth pillar).

The *procurement* system of the Dominican Republic includes many of the aspects needed to ensure reliability, efficiency, and transparency, but it also has some features that need to be corrected. Some positive aspects that can be highlighted are: the introduction of a national catalog of goods and services based on the guidelines provided by the United Nations; the national catalog of the public sector’s suppliers of goods and services; the mandate that all institutions must present annual procurement plans linked to their strategic plans; and the

creation of a division of the MF to manage the system, the General Direction for Public Procurement.

The procurement system's legal framework was modified twice in 2006, as a consequence of some corrections that the original framework needed. The main aspect that was corrected was related to procurement methods, which used to allow several "closed processes," that is, processes that did not require competitive bidding, including direct contracting for goods between a price range of approximately US\$10 and US\$100,000.³ The new framework has one non-bidding process, which can only be used for minor purchases. However, the current framework allows for "emergency" and "urgency" procurement processes which allow authorities to bypass regular competitive bidding processes.

The Dominican Republic's auditing framework divides responsibilities between two institutions: the Comptroller, which is responsible for internal control, and the Chamber of Accounts, which is responsible for external audits. While the Comptroller is part of the executive branch of the government, the Chamber of Accounts is independent from all government branches.

The *internal control* system has been designed to operate in a decentralized manner with close central supervision. The decentralized operation means that it is the responsibility of each individual institution to establish independent internal control systems. The objectives of those independent systems range from ensuring the correct use of public resources, to verifying that public institutions reach the goals established in their strategic plans. The central supervision is the responsibility of the Comptroller and is done through internal control units in each public institution. The objective of those units is to perform internal audits to make sure that each institution is accomplishing all of its internal control duties.

The Comptroller should use the results of the internal audits to produce recommendations for each public institution. The implementation of the Comptroller recommendations is mandatory, and it is the internal control units' responsibility to enforce them. If an institution

³ Article 17 of Law 340-06 states such amounts as percentages of the Central Government Current Revenues Budget. The amounts shown in this figure were calculated using 2010's Central Government Current Revenues Budget and an exchange rate of US\$1 = 39.085 Dominican Peso as of August 3, 2012. This same exchange rate is used in the rest of this document.



does not agree with a specific recommendation, then it must explain its reasons in writing and present them to the Comptroller. In case a consensus cannot be reached, the Comptroller has the final word.

The *external auditing* system is based on audit reports that examine past events to determine how well an institution and its managers acted. The specific topic on which an institution is audited depends on the type of audit performed. The types of audits are: financial audits; performance audits, including results-based audits; and special audits, which may audit a specific program or process. The Chamber of Accounts has the obligation to present annual and multiannual plans that include the audits that it will be performing. In order to execute each audit, the Chamber of Accounts is allowed to work with private auditing firms, as well as with its own staff.

2.3.2 Implementation Process

The *SIGEF* implementation process has been ongoing for more than 15 years. The fact that the process started while the country had a different framework—a new law for the SIGEF was published 10 years later—may have had an impact in its usefulness for MfDR.

Currently, the SIGEF is operational, but it lacks many of the tools needed to take full advantage of its capacity to link MfDR systems. For example, budgetary information cannot be introduced with the necessary level of detail to properly link it to the planning process, and there is no major evidence that the SIGEF is being used as a tool to generate consolidated reports for decision-making processes. Additionally, it is still in the process of being linked with decentralized institutions. Moreover, the creation of a new version, called eSIGEF, is underway. Some steps have been taken toward the new eSIGEF, including the preparation of the software infrastructure and the development of conceptual documentation. As of today, however, there is no date for the new eSIGEF to be fully operational.

The implementation of the *procurement* system has had mixed results. On the positive side, it is now being used by 96 public sector institutions, which corresponds to 89 percent of the institutions that have funds allocated in the national budget (Dirección General de Contrataciones Públicas, n.d.) (Dirección General De Contrataciones Públicas, 2012). Furthermore, the national



catalog of public sector suppliers of goods and services includes more than 18,000 suppliers, the national catalog of goods and services more than 20,000 items, and there are dozens of manuals explaining the methodologies for each type of procurement method. The thresholds for each type of procurement process are being updated every two years.⁴ On the negative side, a recent study found that only 40 percent of the purchases of goods and services are being transacted through the procurement system (Artana et al., 2012). Additionally, the main deficiency of the procurement system is the abuse of the extraordinary “emergency” and “urgency” procurement processes. In both cases, the former can be requested by the president and the latter by the head of a ministry, and they allow authorities to avoid competitive bidding processes. It has already been noted in other reports that these extraordinary processes are being used excessively (Artana et al., 2012).

The implementation of the *internal control* system is still at an early stage. On the positive side, the Comptroller has advanced in defining the main methodologies for the internal control system, as well as the Ethics Code that all public institutions must follow. On the negative side, the Comptroller has failed to accomplish many of its objectives for the three-year period ending in 2012, one of which is developing capacities to perform most types of internal audits. In their report of activities, they argued that this failure was due to budget cuts (Contraloría General de la República Dominicana, 2012). Finally, the process of establishing internal control units in all public institutions is still in a preliminary test phase.

The *external auditing* system is functional. More than 100 audits are available in the Chamber of Account’s website (<http://www.camaradecuentas.gob.do/>). For 2011, the Chamber of Accounts presented an annual plan specifying the audits that it will perform. None of those audits, however, was expected to have a results-based focus. The plan for 2012 did not specify the types of audits that were going to be performed. Furthermore, there is no public information that provides clear details about how the Chamber of Accounts decides which institutions will be audited and what type of audits will be performed. Fixing that loophole will bring more transparency to the process.

⁴ In the 2012–2013 version, the non-bidding process, named minor purchases, was only allowed for goods and services worth less than RD\$70,347 (approximately US\$1,800).



Finally, a recent study found that external audits have had limited impact in improving the quality of public services (ADE, 2012). The study indicates that there is still the need for a transparent system that will follow up on the implementation of corrective measures based on the findings of external audits.

2.4 Fourth Pillar: Program and Project Management⁵

2.4.1 Description of the Framework

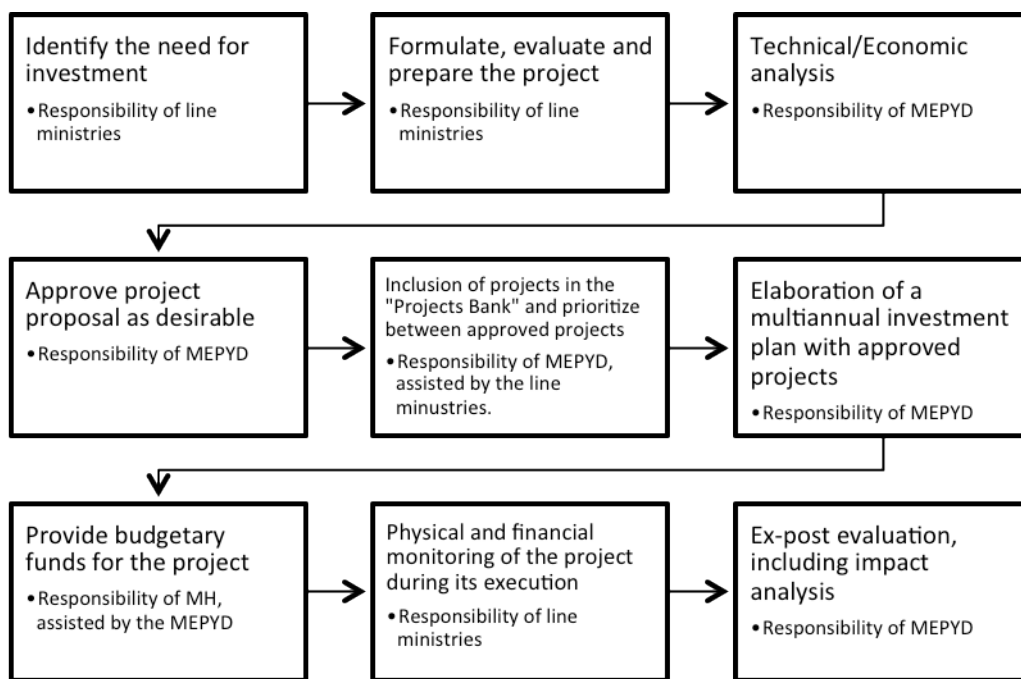
The Dominican Republic has dramatically changed its framework for program and project management. Public investment programs must now be based on a project cycle that includes evaluation processes linked to the goals of the strategic plans, and program and project management in line ministries is now being realigned to follow the new civil service career framework, which has results-based contracts as its main tool.

The **public investment** framework of the Dominican Republic follows a well-defined project cycle (Figure 4), known as the National Investment Projects System. The objective of the system is to “organize the public investment process in order to execute the investment projects that are the most profitable for the country from an environmental and socioeconomic standpoint” (2007: Art. 57).

⁵ The MfDR framework presented in García López and García Moreno (2010) divides this pillar into two topics: public investment systems and program and project management in line ministries. For the purposes of this Technical Note, the second topic will be exclusively focused on the new civil service career framework because it is the only management tool encompassing all line ministries.



Figure 4: Cycle of the National Investment Projects System



Source: Author’s elaboration based on Ley de Planificación e Inversión Pública, 2006, and Reglamento de Aplicación No. 1 para la Ley 498-06, 2007.

The cycle of the National Investment Projects System starts from the line ministries, which are responsible for identifying the needs of the population and then formulating, evaluating, and preparing investment projects to satisfy those needs. The proposals from the line ministries must then be analyzed by the MEPYD, which decides whether the project would be advantageous for the country. The MEPYD creates a “project bank” that includes all investment projects deemed socially profitable and in which projects will be prioritized according to their expected impact in meeting the objectives of the National Development Strategy. Finally, the MEPYD develops a Multiannual Investment Plan with a selection of the projects included in the project bank.

The final steps of the cycle of the National Investment Projects System include allocating funds for investment projects, monitoring their execution, and evaluating their impact. First, selected projects receive allocations in the budget. This process involves reconciling two decisions: the prioritization of projects done by the MEPYD, and the definition of sectoral

investment limits by the MF. The remaining projects in the project bank and that are not included in the budget may still be financed by international organizations. Second, the line ministries are required to monitor their projects while they are being executed. This monitoring focuses on physical and financial progress. Third, the MEPYD is in charge of performing ex-post evaluations to measure the impact of the projects. Investment projects are required to have a unique code used to link them to the budget through the SIGEF.

The new civil service career framework of the Dominican Republic has been developed to be strictly linked to the planning and budgeting processes through *results-based contracts*. These contracts can be applied using two different modalities: institutional contracts signed between managers of public institutions and the MF, the MAP, and the MEEPYD; and individual contracts signed between employees and their managers.

The individual contracts system relies on the following tools: Results Agreement, Results Evaluation, and Results Analysis. The Results Agreement is a document signed each year stating the specific goals to be reached in the upcoming year. These goals must be linked to the fulfillment of the annual institutional plan.

The Results Evaluation measures performance every year in three areas: results accomplishment, capacity to accomplish work, and ethics and conduct. The first area relies directly on the goals established in the Results Agreement. The second is based on a set of competencies (such as teamwork) that must be linked to each specific position and that will be measured through standardized tests. The third is used to sanction those employees who violate a code of ethics or institutional conduct.

Finally, the Results Analysis is a place where employees can discuss their Results Evaluation with their managers. In the case of institutional contracts, the institution is represented by its manager, who discusses its performance with the MAP, the MF, and the MEPYD. The goals stated in the contract must be the same as those in the annual institutional plan. Institutional contracts may be signed only for specific programs and projects.

Before an institution is permitted to sign institutional contracts, it must pass an initial assessment of its MfDR capabilities. The initial assessment includes a review of the institution's planning and budgeting capabilities as well as its M&E and administrative systems.

The MAP is responsible for evaluating both institutional and individual performance. Decision regarding training needs, performance improvement mechanisms, economic and non-economic incentives, and promotions or layoffs are based on results obtained each year.

2.4.2 Implementation Process

The tools needed to implement the new **public investment** system of the Dominican Republic have been developed. Evidence of the latter is that the MEPYD has completed several manuals and methodologies that were mandated by Law 498-06. Those manuals and methodologies are related to the following processes: identification of the need for investment; formulation, evaluation, and preparation of investment projects; technical-economic analysis of the projects; prioritization of projects; structure, format, and reports from the project bank; details of which projects do not require pre-investment studies; physical and financial monitoring of projects in execution; and ex-post evaluations, among others.

In spite of what was stated in the last paragraph, it is still necessary for the MEPYD and the MF to enforce all the steps and methodologies defined in the new public investment system. In order for the new tools to work, the MEPYD must only enter into the project bank those proposals that have been satisfactorily evaluated, and the MF should only allocate resources to investment proposals that are already in the project bank. These rules must be enforced in the coming years, as these processes are in the early stages of implementation.

Results-based contracts are the most complex element of the Dominican Republic's MfDR framework. There are several critical steps for their implementation: defining the items to be included in the contracts; establishing standardized procedures to evaluate whether an institution is ready to implement results-based contracts; detailing sanctions and incentives; and establishing methodologies and reliable systems to evaluate results. As of today, only the first two of those activities have been completed.

The elements that the contracts must include and the standardized procedures to evaluate whether an institution is ready to implement results-based contracts have already been defined. In 2008, agreements were signed between the MEPYD, the MF, the MAP, and four line



ministries to begin implementing institutional results-based contracts on a pilot basis.⁶ Of the four line ministries that signed those agreements, only two passed the initial assessment and were able to sign the pilot contracts. Not enough information is available to analyze the impact of the two pilot contracts.

Allowable sanctions and incentives have only been defined for individual results-based contracts. Those sanctions and incentives are part of a structured system of promotions, layoffs, and salary increases that will be implemented as individual results-based contracts are signed. At the time that this Technical Note was written, no individual results-based contracts had been signed.

Regulation 522-11 creates an inter-institutional court comprising the MEPYD, the MF, and the MAP, which has the responsibility of defining the types of sanctions and incentives allowed for institutional results-based contracts. An ad-hoc set of sanctions and incentives was developed for the two contracts that have already been signed.

Finally, some of the methodologies used to evaluate results have not yet been fully determined. The most important omission regards how to evaluate individual competencies. A General Dictionary of Competencies in Public Administration should have already been issued, together with manuals and standardized tests to measure whether an employee has a specific competency. For monitoring and evaluating institutional contracts, the MF is in charge of physical and financial monitoring, the MEPYD of ex-ante evaluation of the linkages between the objectives of the contracts and those of the institution, and the MAP of performance monitoring during the execution of the contract. While there is an inter-institutional court created to coordinate the M&E process, it has not yet set any specific guidelines.

⁶ The four line ministries are the Ministry of Agriculture, the Ministry of Education, the Ministry of Labor, and the Ministry of Public Health and Social Assistance.



2.5 Fifth Pillar: Monitoring and Evaluation

2.5.1 Description of the Framework

The M&E responsibilities are distributed among four different ministries,⁷ through seven different laws.⁸ The most recent of those laws, Law 1-12, mandates the creation of a National Monitoring and Evaluation System within the MEPYD. This system will be responsible for M&E activities related to strategic plans and potentially to other areas of MfDR.

When operational, the National Monitoring and Evaluation System, in coordination with the National Office of Statistics, will be responsible for creating a national database for monitoring indicators. This initiative will help to harmonize the information gathered by the Office of Statistics, the MEPYD, and the set of indicators that are currently part of a database known as the Dominican Republic's Social Indicators System (SISDOM).

Law 1-12 also lists a group of monitoring indicators, with their respective baselines and targets, linked to each of the main objectives of the National Development Strategy. Most of those indicators are the same as those in the SISDOM.

A draft version of the regulation document for Law 1-12 has additional proposals designed to help strengthen the M&E systems. However, for most of these proposals, the regulation document only mandates the elaboration of further documentation, rather than addressing the issues in detail. For example, it only mandates the development of a conceptual framework for M&E but does not provide one. A similar situation occurs with other key aspects, such as including a definition of responsibilities and a technological plan for the National Monitoring and Evaluation System, providing guidelines for the use of performance information, linking results of the planning system to the budgeting system, and addressing the interrelationships between the M&E needs of several management systems.

⁷ The ministries are the MEPYD, the MF, the MAP, and the CGR.

⁸ Those laws include: Law 423-06. Ley Orgánica del Presupuesto para el Sector Público; Law 494-06. Ley de Organización de la Secretaría de Estado de Hacienda; Law 496-06. Ley que crea la Secretaría de Estado de Economía, Planificación y Desarrollo; Law 498-06. Ley de Planificación e Inversión Pública; Law 41-08. Ley de Función Pública y crea la Secretaría de Estado de Administración Pública; Law 10-07. Ley que instituye el Sistema Nacional de Control Interno y de la Contraloría General de la República; Law 1-12. Ley que establece la Estrategia Nacional de Desarrollo 2030. The M&E system is the only section of the MfDR framework for which a specific law has not been passed.



Currently, M&E for the budgeting system focuses on the physical and financial execution of the budget, rather than the performance or the impact of the programs and projects for which funds were allocated. While the MF is in charge of the evaluation of the national budget, the line ministries must evaluate and monitor their budgets following guidelines dictated by the MF.

Besides planning and budgeting, there are other two areas for which M&E is crucial: public investment and results-based contracts. For the former, the line ministries are responsible for monitoring the physical and financial execution of their investment projects, and the MEPYD for performing ex-post evaluations. For the latter, there is shared responsibility between the MAP, the MEPYD, the MF, and the line ministries to monitor institutional results-based contracts; and of the MAP, and the line ministries for individual results-based contracts.

2.5.2 Implementation Process

The Dominican Republic is still in the early stages of having strong and reliable M&E systems. In part, this is the result of prioritizing the implementation of other aspects of MfDR before M&E. Law 1-12 is an important step toward the implementation of M&E systems. M&E capabilities in the Dominican Republic were developed separately for each MfDR system. However, the planning, budgeting, public investment, and results-based contracts systems are inherently interrelated, making it necessary to establish coordination mechanisms around their M&E systems.

The budget process is a good example of the importance of coordination between institutions. As explained in the second pillar, both the institutional budgets and the PSMNP use the national and institutional strategic plans as key inputs. However, the M&E process of the planning system does not take into consideration the needs that the MF might have for the budgetary decision-making process.

The situation described in the paragraph above can potentially have two unintended consequences. First, it could lead to wrong decision making in the budget process, such as eliminating a program that operates efficiently instead of realigning its goals and objectives. Second, it may transform the interrelations between the two systems into an operational burden, when those interrelations should be an opportunity to exchange valuable information that will

allow processes to work smoothly. Both types of consequences are not only bound to occur between the planning and the budgetary systems, but between any systems where coordination is lacking.

Law 1-12 may be considered a first step towards consolidating all M&E needs into one single system. However, it still needs to be accompanied by a regulation document with qualities similar to those of the draft version described above.

3. Conclusions and Recommendations

3.1 Conclusions

The Dominican Republic's legal framework establishes strong links between its management systems, which include planning, budgeting, public investment, and the public sector career system. For all of these systems, the legal framework sets clear processes that, if correctly implemented, work as incentives that guide the actions of public sector employees toward accomplishing the goals stated in the long-term and medium-term national plans. Additionally, the modernization of the legal framework includes updating most of the Dominican Republic's financial systems. Implementing such a framework will allow the country to have a reliable integrated financial system led by the eSIGEF, which would comprise information from the accounting, budgeting, procurement, planning, and human resources systems.

In recent years, the Dominican Republic has taken important steps toward establishing a more efficient public expenditure system, such as creating a more robust planning system and instituting a modern structure for budgetary decision making. However, the full implementation of the new legal framework will face significant challenges, the most noteworthy of which is the lack of a strong and reliable M&E system to feed performance-based information to update planning and budgeting documents.

Despite some deficiencies and loopholes, the Dominican Republic's new legal framework establishes an adequate roadmap for a more efficient and effective public sector. The government's efforts should now shift from lawmaking to implementing the current framework.

3.1 Recommendations

As described in the introduction, political support from senior officials of the main public institutions (the MF, the MEPYD, and the MAP) is critical to move forward in the implementation of MfDR. While the advances described in this paper are evidence of political support for improving the efficiency and effectiveness of the public sector, the Dominican Republic is now at a critical stage in which further work is needed to consolidate these advances.

The following are the key recommendations that should be followed in order to consolidate advances and to implement MfDR in the Dominican Republic. The recommendations are listed in order of their perceived priority.

1. **Provide an appropriate regulatory framework for the new National Monitoring and Evaluation System to start functioning soon.** The MfDR framework that is being instituted in the Dominican Republic will soon enter its consolidation phase. The initial plans and budgets that have already been elaborated will need to start being evaluated and updated in a systematic, recurrent manner. In order to transition into this new stage, the Dominican Republic needs to set up its M&E system. Law 1-12 provided the first step by mandating the creation of the National Monitoring and Evaluation System, and a regulation document for that law is being drafted. This draft regulation document contains the most important mandates, such as to develop performance indicators, carry out performance-based evaluations, introduce quality standards and quality control processes for those indicators and evaluations, define clear methodologies for the use of performance-based information in every system, address the interrelationships between the M&E needs of several management systems, and establish clear institutional responsibilities regarding M&E. However, the document still lacks details, as it does not specify how most of those activities will function. Furthermore, the draft regulation document calls for a new regulation document to be drafted no more than six months after the original is approved. Given that more than 12 months have passed without having an approved regulation for Law 1-12, waiting for an additional regulation does not seem efficient, as the need for performance-based information is critical to move forward in the implementation of MfDR. It is recommended that the government ensure that the

draft regulatory document for the Law 1-12 be as close as possible to the ideal version, including all the detail needed for the National Monitoring and Evaluation System to start operating soon, and making only marginal adjustments if needed to approve the final document.

2. **Strengthen the linkages between budgeting and planning.** The Dominican Republic has shown important progress in both the budgeting and planning systems. In recent years, and in months to come, the Dominican Republic will have elaborated several of the documents included in its new legal framework, such as its long-term national plan, medium-term national plan, medium-term budget, among others. However, having good strategic plans and well-structured budgets is not enough to ensure that the allocation of public resources and the goals and objectives of the country are aligned. The government needs to complement its efforts in planning and budgeting with systematic and sustainable linkages between those systems. Therefore, it should assign high priority to the development of the new eSIGEF, which has already been identified as a good tool to help strengthen such links. Furthermore, the eSIGEF should be established as a mandatory tool to submit institutional plans and budgets, and individual lines on both documents must be directly linked through internal codification. The introduction of such a system will allow authorities to track exactly which goal is being pursued with every Dominican Peso being spent.
3. **Complete pending steps in the implementation of the two pilot institutional results-based contracts, evaluate their performance, and conduct a second, more refined set of pilots before mainstreaming this practice.** The implementation of two pilot institutional results-based contracts began in 2008. However, as of today, there are still no clear guidelines on the types of sanctions and incentives that can be used for institutional results-based contracts, nor are there reliable systems to evaluate results. Moreover, when those pilot contracts were signed, two important systems were still in nascent stages: the strategic planning and the results-based budgeting systems. Those systems are of key importance in the implementation of results-based contracts, since they provide the objectives and the resource allocation on which the contracts are based.

Due to those constraints, it is unlikely that the pilot version of the results-based contracts will produce the expected outcomes. Consequently, a second pilot phase may be advisable. The government should initially focus on ensuring the completion of activities that serve as inputs to results-based contracts. These include the elaboration of the General Dictionary of Competencies of Public Administration and the standardized tests that will be used to measure such competencies. In addition, while there are guidelines regarding how incentives and sanctions will work for individual contracts, there is still less clarity about that for institutional contracts. The MAP should work in coordination with the MF and the MEPYD to make sure that the incentives and sanctions will serve as tools to enforce the fulfillment of planning and budgeting goals. Once those steps have been completed, it is recommended that the government examine the performance of the two existing results-based contracts. The lessons learned through this process will provide a more solid base to create a more refined model for the second round of pilot institutional results-based contracts.

4. **Strengthen institutional capacities to update the PSMB annually.** The government of the Dominican Republic, with international assistance, is currently elaborating its first PSMB, which represents an essential step in the implementation of RBB in the country. However, elaborating a PSMB is only the first step in the process, as budgetary projections need to be constantly updated for each fiscal year. Additionally, regularly updating the PSMB is crucial to ensure the effective implementation of RBB over time, since this will be the only step in the budgetary decision-making process in which performance-based information will be analyzed. However, the government has yet to formalize a methodology to update this document. The author recommends that the MF prioritize the establishment of a formal process to update the PSMB. Since this will be a complex, time-consuming task, it is advisable that the government assign this responsibility to a specific team or an office in the MF, in order to facilitate the systematization of the updating process and ensure accountability.

5. **Define realistic standards for institutional plans and outline uniform structures for planning documents to ensure consistency.** While some public institutions have been able to elaborate comprehensive one-year plans, evidence has shown that most of them are not yet capable of preparing detailed strategic plans that cover four-year periods. Additionally, there is significant variation between the structures of the institutional plans that have been elaborated, which hinders MEPYD’s role of monitoring the planning system. In order to address these issues, the MEPYD should delineate a uniform structure for medium-term plans, as well as enforce the use of the methodologies that have already been published. These standardized outlines should clearly specify the key elements that need to be addressed in the documents (such as a medium-term results framework), preferably delineating a reduced number of requirements. This will help ensure a more efficient and effective use of resources, avoiding the development of excessively long documents containing less relevant, and often costly, information. It is also recommended that the MEPYD conduct pilots to test and refine policies and processes before streamlining new methodologies.
6. **Effectively regulate the use of “emergency” and “urgency” procurement processes.** It has already been noted that the use of extraordinary procurement processes has been excessive, leading to a significant proportion of public procurement processes being held without public bids. New legislation needs to be introduced, including limits and stricter conditions for the use of extraordinary procurement processes.

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