

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK AND IDB INVEST

STRATEGIC AGREEMENT BETWEEN THE DOMINICAN REPUBLIC AND THE IDB GROUP COUNTRY STRATEGY

2025-2028

July 2025

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

This document was prepared by Katharina Falkner-Olmedo (CID/CDR), Steve Brito (CID/CDR), Elizabeth Ochoa (CID/CDR), Alba Villafuerte (CID/CDR), Miguel Baruzzi (CID/CDR), Carlos Ramos (CID/CDR), Juan Flores (BID Invest, GEN/SPK), and Yocauris García (CID/CDR), under the supervision of Tomás Bermúdez (CID/CID) and Agustin Filippo (CID/CID), with contributions from Alejandra Fleitas (CID/CID), Carmen Madriz (CID/CID), Guilherme Piereck (CID/CID), Agustina Schijman (CID/CCR), Ayatima Hernández (CID/CID), Hugo Flórez (VPC/VPC), Priscilla Gutiérrez (VPC/VPC), Miriam Garza (VPC/FMP), Johanna Peláez (VPC/FMP), Benoit Lefevre (CSD/CCS), Claudia Piras (SCL/GDI), María Loreto Biehl (SCL/EDU), Ana Mylena Aguilar (SCL/HNP), Alexandre Bagolle (SCL/SPL), Maria Victoria Fazio (SCL/SPL), Clementine Tribouillard (CSD/HUD), Mario González (PTI/ARD), Diego Herrera (IFD/CMF), Ariel Zaltsman (IFD/FMM), Manuel Rodríguez (INE/TSP), Héctor Baldivieso (INE/ENE), Sergio Pérez (INE/WSA), Geovana Acosta (PTI/CTI), José Luis Hernández (IFD/ICS), and Levi Zegarra (PTI/TIN). IDB Invest contributions were received from María Cecilia Acevedo (GEN/SPK), Omar Zacarias (ICT/IEN), Adriana Valencia (GEN/SPK), Paula Castillo Martinez (GEN/SPK), Marcelo Paz (GEN/SPK), and Gabriel Jiménez (RGS/RGS). IDB Lab contributions were received from Ana Luisa Albarrán (LAB/SKI), William Earnest Mondol (LAB/EBA), and Smeldy Ramírez (LAB/VCI).

CONTENTS

ABBREVIATIONS.....	5
INTRODUCTION.....	6
I. BUILDING A NEW COUNTRY STRATEGY: OBJECTIVE AND APPROACH.....	9
A. WORKING FOR A PROSPEROUS AND RESILIENT FUTURE FOR THE DOMINICAN REPUBLIC.....	9
B. KEY LESSONS FROM THE 2021-2024 COUNTRY STRATEGY.....	11
C. FOCUS ON SELECTIVITY FOR A TANGIBLE IMPACT.....	14
II. MAIN PILLARS OF ACTION AND EXPECTED IMPACT.....	18
PILLAR 1. STRENGTHEN HUMAN CAPITAL AND SOCIAL CONDITIONS.....	18
PILLAR 2. ADVANCE GROWTH LED BY THE PRIVATE SECTOR.....	25
PILLAR 3. INCREASE PUBLIC SECTOR EFFICIENCY AND RESILIENCE.....	37
III. HOW WE WILL DO IT.....	44
A. PROGRAMMATIC APPROACH.....	44
B. SYNERGIES.....	45
C. IDENTIFICATION OF REFORMS.....	46
D. IDB GROUP REGIONAL FLAGSHIP PROGRAMS.....	48
E. STRATEGIC PARTNERSHIPS.....	49
IV. CONSIDERATIONS FOR IMPLEMENTATION AND CAPACITY-BUILDING.....	52
A. KNOWLEDGE.....	52
B. MONITORING AND EVALUATION CAPACITY.....	53
C. COUNTRY FIDUCIARY SYSTEMS.....	54
D. EMERGENCY RESPONSE.....	55
E. RISK EVALUATION.....	57
F. INTEGRITY.....	57
G. NATURAL DISASTERS.....	57
H. SOCIAL.....	58
I. MACROECONOMIC.....	59
ANNEX I RESULTS MATRIX.....	60
ANNEX II – PORTFOLIO ALIGNMENT AND INDICATIVE PIPELINE 2025-2026.....	63
ANNEX III – DEVELOPMENT EFFECTIVENESS MATRIX.....	66
ANNEX IV – COUNTRY SYSTEMS MATRIX.....	67
ANNEX V – PROJECTED LENDING SCENARIO.....	69

LINKS

1. [Country Development Challenges – Dominican Republic](#)
2. [Fiduciary Technical Note](#)
3. [Portfolio Summary](#)
4. [Civil Society Consultation](#)
5. [Analysis of Monitoring and Evaluation Capabilities](#)
6. [Strategic Positioning Analysis](#)
7. [Public Sector National Multiyear National Plan 2025-2028](#)
8. [National Development Strategy 2030](#)
9. [Development Effectiveness Matrix](#)

ABBREVIATIONS

AECID	Agencia Española de Cooperación Internacional para el Desarrollo (Spanish Agency for International Development Cooperation)
AEEC	América en el Centro
BCRD	Banco Central de la República Dominicana (Central Bank of the Dominican Republic)
CDC	Country Development Challenges
CGR	Contraloría General de la República (Office of the Comptroller General of the Republic)
CNCDs	Chronic noncommunicable diseases
DIGECOG	Dirección General de Contabilidad Gubernamental (Government Accounting Office)
DIGEPRES	Dirección General de Presupuesto (Budget Office)
DGCP	Dirección General de Contrataciones Públicas (Office of Public Procurement)
DGII	Dirección General de Impuestos Internos (Internal Revenue Office)
ECLAC	Economic Commission for Latin America and the Caribbean
INAPA	Instituto Nacional de Aguas Potables y Alcantarillados (National Water and Sewer Institute)
INFOTEP	Instituto Nacional de Formación Técnico Profesional (National Technical and Vocational Training Institute)
INTRANT	Instituto Nacional de Tránsito y Transporte Terrestre (National Transit and Ground Transportation Institute)
ISRPJ	Impuesto sobre la renta a personas jurídicas (corporate income tax)
ITBIS	Impuesto a la transferencia de bienes industrializados y servicios (industrialized goods and services transfer tax)
JICA	Japan International Cooperation Agency
MAPS	Methodology for Assessing Country Procurement Systems
MEPD	Ministry of Economy, Planning, and Development
MMARN	Ministry of Environment and Natural Resources
MISPAS	Ministry of Public Health
MSMEs	Micro, small, and medium-sized enterprises
NCD	Noncommunicable chronic disease
NDC	Nationally Determined Contribution
OECD	Organisation for Economic Cooperation and Development
ONE	Oficina Nacional de Estadística (National Statistics Office)
PAHO	Pan American Health Organization
PGIRDN	Plan de Gestión Integral del Riesgo de Desastres Naturales (Integrated Natural Disaster Risk Management Plan)
PISA	Programme for International Student Assessment
PNOT	Plan Nacional de Ordenamiento Territorial (National Land Management Plan)
PNPSP	Plan Nacional Plurianual del Sector Público (Public Sector Multiyear National Plan)
PPP	Public-private partnership
SIGEF	Sistema de Información de la Gestión Financiera (Financial Management Information System)
SIUBEN	Sistema Único de Beneficiarios (Single Beneficiary System)
SNIP	Sistema Nacional de Inversión Pública (National Public Investment System)
SNME	Sistema Nacional de Monitoreo y Evaluación (National Monitoring and Evaluation System)
SNPIP	Sistema Nacional de Planificación e Inversión Pública (National Planning and Public Investment System)
UNESCO	United Nations Organization for Education, Science, and Culture
UNICEF	United Nations Children's Fund
WHO	World Health Organization

INTRODUCTION

AN IMPACTFUL APPROACH

The Dominican Republic's potential

The Dominican economy has experienced robust, sustained growth in the last decade, driven by private investment. This growth has been accompanied by progress in the social sphere, led by a reduction in poverty. Supported by the implementation of structural reforms, the country's stable macroeconomic conditions and policies have created a favorable environment for investment and private sector development. The country also possesses valuable natural capital—beaches, biodiversity, and ecosystems—that has been critical for sectors such as tourism and agriculture, as well as for the prosperity of its population. Despite these favorable conditions, gaps and challenges remain. Although productivity is key to sustained growth, the average annual rate of increase in productivity has been low. On the social front, there are gaps in water and sanitation coverage, education quality, and health. In addition, government revenue levels are among the lowest in Latin America and the Caribbean, thus constraining public spending and investment. Some 39% of Dominican citizens are classified as vulnerable, meaning that a large part of the population is at risk of falling into poverty, triggered potentially by an economic shock or a lack of preparedness in the event of a natural disaster. This is a latent threat given the country's continual exposure to storms and hurricanes. The Dominican government is working together with the private sector to overcome these challenges through Plan Meta RD 2036 (DR Goal Plan 2036). The plan is based on a new growth model that aspires to double the size of the economy while improving the well-being of the population in the next decade. Unlike the previous model, which put greater emphasis on expanding physical capital, this new approach is based on increased productivity through investments in human capital, greater sophistication in production, integration into global chains, and public-private partnerships.

As the country's main development partner, the IDB Group will support this plan by focusing its collaboration efforts on three strategic areas: (i) invest in a sustained way to strengthen human capital and social conditions, (ii) advance growth led by the private sector, and (iii) increase public sector efficiency and resilience.

Country strategy approach

The Bank's country strategy 2025-2028 seeks to maximize the impact of the IDB, IDB Invest, and IDB Lab in the Dominican Republic by adopting a more selective approach to its interventions. The objective of this document is to guide the Bank's actions to support the country's development through the strategic use of the resources, experience, synergies, and strategic partnerships of the three windows, so as to address the country's challenges with greater effectiveness. The strategic selectivity framework followed a structured process. First, the national priorities (Plan Meta RD 2036, the 2030 National Development Strategy, and the 2025-2028 Public Sector Multiyear National Plan) were aligned with the priorities and objectives in the IDB Group's institutional frameworks (IDBImpact+, IDBInvest+, and

IDBLab+), as well as the guidelines for the “América en el Centro” regional program. Second, the Bank’s positioning in the country was analyzed relative to other cooperation partners, leading to the identification of areas in which the Bank has a comparative advantage and high potential for impact. Third, the lessons learned from the previous strategy (2021-2024) were taken into account, along with the operational and institutional capacity to execute programs and ensure the viability of interventions proposed by the different windows. Fourth, the risks associated with the strategy’s implementation were evaluated with reference to the Risk Taxonomy of the Inter-American Development Bank (GN-2547-15) and its associated mitigation measures.

As a result, the IDB Group windows will focus their work on priority actions with high potential for transformation in the sectors of water and sanitation, energy, transportation and logistics, and fiscal sustainability. Support will continue for sectors with projects in execution, including health, social protection and labor market, agriculture, financial markets, and public management efficiency. The strategy prioritizes new, large-scale flagship programs, enhanced by comprehensive, innovative solutions provided by IDB Invest and IDB Lab, supporting the timely and effective execution of existing programs by 2028.

**Pillars of
intervention
identified and
expected
impact**

The 2025-2028 country strategy¹ is structured around three key pillars:

Strengthen human capital and social conditions: This pillar seeks to promote human capital formation and increase development opportunities with the objective of improving the living conditions of the population. Support will be provided for improvements that transform sanitation conditions by providing sustainably managed drinking water, sanitation, and solid waste management services. Healthcare for the population will also be strengthened through the prevention and improved management of chronic noncommunicable diseases. Lastly, social protection and skills development systems will be strengthened by refining targeting instruments and program information systems. The focus of the strategic objectives will be to (i) improve living conditions through increased access to safe water and sanitation; and (ii) strengthen health and social protection systems and promote skills development.

Advance growth led by the private sector: The country’s growth is led by the private sector. Yet the private sector is operating below its potential because the right conditions for it to increase productivity and resilience are absent. This pillar seeks to improve these conditions by expanding and upgrading transportation infrastructure, enhancing electricity market efficiency, promoting sustainable mining development, building technical capacity for the agriculture sector, and facilitating greater access to finance and value-chain integration for the business sector. The strategic objectives of this pillar are to: (i) provide safe, resilient transportation and logistics solutions; (ii) increase sustainability and efficiency in the electricity sector and mining; (iii) improve the modernization and technological upgrading of

¹ The IDB Group Country Strategy with the Dominican Republic 2025-2028 will become effective upon approval by the IDB Group Board of Executive Directors and remain in effect until 31 December 2028. The transition period will extend until 31 December 2029.

agriculture and strengthen the sustainability of natural and cultural capital; and (iv) expand production-oriented finance and international trade.

Increase public sector efficiency and resilience: The purpose of this pillar is to strengthen the sustainability of public finances, improve the quality of public expenditure within a framework of transparency and accountability, and promote planning and regulatory improvements to enhance public management effectiveness. The strategic objectives of this pillar are to (i) strengthen fiscal sustainability and (ii) integrate resilience criteria into public investment and improve spatial planning.

The new strategy will adopt a crosscutting approach to the challenges of creating opportunities for population groups experiencing the greatest exclusion, institution-strengthening, and resilience.

**Dominican
Republic–
IDB Group
partnership**

The IDB Group is the Dominican Republic's main development partner and is recognized for its extensive knowledge of the country, local presence, and responsiveness, and execution capacity, as well as its technical experience. It has worked with the country for years with increasing financial and technical support. During the 2021-2024 country strategy period, the different IDB windows helped to reactivate the economy in the wake of the pandemic, while also boosting investment in the public and private sectors. The 2025-2028 country strategy builds on the Dominican Republic's sustained economic success in recent years and will contribute to revitalizing its economic model and making progress towards its growth target for 2036, generating more opportunities for the majority of Dominican citizens.



I. BUILDING A NEW COUNTRY STRATEGY: OBJECTIVE AND APPROACH

A. WORKING FOR A PROSPEROUS AND RESILIENT FUTURE FOR THE DOMINICAN REPUBLIC

- 1.1 The Dominican Republic has excelled in terms of economic growth.** From 2015 to 2024, the country recorded average annual growth of 4.8%, surpassing the average of 1.2% for Latin America and the Caribbean over the same period.² This growth has been accompanied by progress on the social front, particularly in terms of a reduction in monetary poverty from 41.1% in 2015 to 19.0% in 2024.³ These achievements were supported by a sound macroeconomic framework,⁴ political stability,⁵ and the implementation of structural reforms, all of which have created an enabling environment for private investment and the consolidation of the private sector as an engine of growth. The most dynamic sectors were construction, tourism, and financial services with average annual growth over 7%, followed by trade with 5%.⁶
- 1.2 This growth has been driven primarily by investment in physical capital, but with low productivity.** Capital investment in the Dominican economy grew 6.1% on average from 2014 to 2023, above the 0.2% rate in Latin America and the Caribbean.⁷ However, the share of public investment has declined over time from an average of 2.8% of GDP between 2004 and 2013 to 1.8% from 2014 to 2023. In addition, economic productivity has been low, contributing only 0.7% to real GDP growth between 2010 and 2023.⁸ As a result, the Dominican Republic is only able to produce 60% of U.S. output using the same inputs.⁹ This is the result of several structural factors, such as limited human capital, weaknesses in the electricity, transportation, and logistics sectors, restrictions on productive financing, and scarce investment in innovation.
- 1.3 Compounding this are the challenges that the current growth model faces in terms of addressing social gaps and vulnerabilities.** Although the coverage of basic services has improved, quality problems affect the well-being of the population. The Dominican

² Data from the World Economic Outlook, International Monetary Fund (April 2025).

³ Ministry of Economy, Planning, and Development (MEPD). [Official Statistics Bulletin on Monetary Poverty in the Dominican Republic 2024](#).

⁴ Inflation has stayed within the Central Bank's target band (4% \pm 1 percentage point). The floating exchange rate has underpinned stability in the external accounts. International reserves were around US\$14.7 billion in March 2025. Financial soundness indicators remain in excess of regulatory standards.

⁵ Political stability, Economist Intelligence Unit (February 2025)

⁶ Services account for 52.6% of supply-side GDP, with construction generating a further 14.4%, and manufacturing 8.6%. BCRD (2024).

⁷ World Bank Development Indicators 2024, measured as annual growth rate of gross capital formation based on constant local currency.

⁸ Authors' calculations. Estimated total factor productivity.

⁹ Penn World Table 10.01 database (various years).

Republic has the fourth lowest level of human capital in the Latin American region,¹⁰ reflecting the low coverage and quality of education and deficiencies in healthcare. For example, the results of the 2022 Programme for International Student Assessment (PISA) showed the country ranking close to last among the 81 participating economies and countries. Numbers of preventable deaths, maternal and child deaths, and deaths resulting from noncommunicable chronic diseases and road fatalities remain significant. Adequate water and sanitation services reach less than half of the population, and power outages are frequent. Fully 55.5% of the population work in the informal sector, while 33.8% are classified as vulnerable,¹¹ meaning that a large part of the population is at risk of falling into poverty, potentially triggered by an economic shock or a lack of preparedness in the event of a natural disaster. This is a latent threat, given that the country ranked 42nd out of 171 nations on the 2022 Global Climate Risk Index.¹²

- 1.4 The country seeks to revitalize its economic model.** Private investment has been the main engine of the economy,¹³ yet human capital and productivity constraints¹⁴ jeopardize growth sustainability, increasing the likelihood that the country will fall prey to the middle-income trap¹⁵ and hindering the transition to developed nation status. Against this backdrop, the Dominican government, in collaboration with the private sector, is spearheading the implementation of Plan Meta RD 2036 (DR Goal Plan 2036),¹⁶ the objective of which is to double the size of the economy and improve the population's well-being through a new comprehensive development model. This new approach consists of actions to promote institutional, education, and health policies; improvements in physical and technological infrastructure; reforms to strengthen the labor market; financial policies to expand and diversify credit and savings; and measures to foster greater openness to trade, economic sophistication, value added in the country's goods and services, and business dynamism.
- 1.5 As the country's main partner, the IDB Group is supporting the Dominican Republic's efforts to move forward with a new model of growth.** To drive development and increase the sophistication of its economic activity, the country needs to address (i) insufficient human capital accumulation and limited social conditions, resulting from gaps in the coverage and quality of public services, skills, and social protection; (ii) private sector growth constraints, such as inadequate and low-resilience infrastructure, limited access to finance, and low productivity levels; and (iii) significant fiscal and institutional challenges that hinder the efficient delivery of the public goods and services necessary to eliminate social gaps and improve the population's quality of life. In addition, the risks associated with recurrent natural disasters and a global environment characterized by

¹⁰ The country's human capital index score is similar to those of Panama and Guyana and above those of Haiti, Guatemala, and Honduras. [World Bank \(2023\)](#).

¹¹ The informality data is for 2024 from the BCRD, while the vulnerable population figure reflects World Bank estimates for 2023. In addition, migrants are estimated to account for 6% of the Dominican Republic's population with a significant proportion of these in conditions of vulnerability ([IDB-Datamig](#)).

¹² [Germanwatch](#) (2025).

¹³ Total average investment in the economy between 2013 and 2024 was 26.5% of GDP. World Economic Outlook, International Monetary Fund (October 2024).

¹⁴ The country's human capital index score is the fifth lowest in the region and below average for Latin America and the Caribbean and the OECD countries. World Development Indicators, World Bank.

¹⁵ Based on its GDP per capita, the Dominican Republic is classified as an upper middle-income economy. The middle-income trap occurs when a country achieves an initial level of economic growth before stalling as a result of structural factors specific to this level of development. [INCAE Business School \(2023\)](#).

¹⁶ The plan seeks to achieve an average growth rate of 6% in the period to 2036. For more information, see [Plan Meta RD 2036](#).

growing economic and geopolitical tensions require that the country strengthen its resilience to future shocks.

- 1.6 The Dominican Republic has a unique opportunity to transform its growth path into an inclusive, sustainable, and resilient model.** Achieving the Meta DR 2036 goal will depend not only on maintaining the dynamic economic growth seen in recent decades, but also on taking decisive action on three essential fronts. First, sustained investment to strengthen human capital and social conditions will be essential, ensuring that the population has the capabilities demanded by a modern economy. Second, the private sector needs to continue leading growth, evolving towards more sophisticated activities with more resilient sectors like tourism and agriculture, supported by safe, modern transportation infrastructure, reliable power, efficient logistics, and governance frameworks that support productivity. Lastly, all of the above must be supported by efficient public management that ensures fiscal sustainability and enhances the effectiveness of public and private investments. This effort should be anchored within a development model consistent with the 2030 climate commitments made by the country as part of its Nationally Determined Contribution (NDC-DR 2020). Based on this vision, the IDB Group's 2025-2028 country strategy will be a key instrument for supporting this process, focusing its contribution on these strategic areas, to lay the foundations for the country's long-term development and strengthen its global climate commitment.

B. KEY LESSONS FROM THE 2021-2024 COUNTRY STRATEGY

- 1.7 The IDB Group country strategy 2021-2024 was implemented in a challenging setting with the postpandemic recovery in an environment of fiscal constraints and mounting external challenges.** Throughout this period, the IDB Group windows provided support to the Dominican Republic in key areas such as public management and fiscal institutions, economic recovery, and human capital-building. The most important lessons learned from the strategy include the need for greater selectivity in order to deepen the impact of interventions, as well as the deployment of innovative solutions to improve the operational performance of the program under implementation.
- 1.8 To promote learning and development effectiveness, two innovations were implemented under the last country strategy that have facilitated the analysis of lessons learned.** First, the Dominican Republic has led the transition to results-based portfolio reviews, helping to generate insights regarding the implementation of the sovereign-guaranteed portfolio and dialogue with executing agencies.¹⁷ This innovation is now being scaled up to the rest of the Bank. Second, Management conducted the first self-evaluation exercise of the 2021-2024 strategy, facilitating internal reflection on strengths and opportunities for improvement in the relationship with the country. In addition to these outputs, the Office of Evaluation and Oversight's independent review of the 2021-2024 strategy has also been essential for identifying strategic, operational, and effectiveness lessons that have guided the preparation of this new country strategy and will be included during its implementation.
- 1.9 At the strategic level, the following key lessons were learned:**
- a. The 2025-2028 country strategy strengthens selectivity, to maximize the impact of its operations.** During implementation of the 2021-2024 country strategy, the Bank's portfolio spanned a wide range of thematic areas, with participation in sectors

¹⁷ This includes six-monthly progress reports, project completion reports, five successive results-based portfolios reviews, and other channels.

or interventions that did not necessarily have a meaningful impact on the structural challenges prioritized with the government. This affected the coherence of interventions and the expected results. Consequently, the new 2025-2028 country strategy introduces greater selectivity, based on a deliberate, top-down approach¹⁸ agreed upon with the government that prioritizes clear, measurable objectives aligned with national priorities, accompanied by greater integration between the three IDB Group windows, to enhance the impact of the interventions. This will all be underpinned by the more efficient management of environmental, social, and institutional risks.

- b. Use must be made of the times associated with legislative processes.** The time between approval and the start of execution has historically averaged 21 months, which is above the IDB's institutional average. Although significant progress has been made in recent years to reduce these delays,¹⁹ the legislative process can be a bottleneck for the timely execution of operations, if not managed proactively. The 2025-2028 country strategy calls for making effective use of the legislative process time, to mitigate these difficulties. This includes the use of technical cooperation operations that provide operational support to accelerate project preparation activities (e.g., preinvestment studies, preparation of bidding documents, and institutional strengthening of execution units), even before operations are formally launched. This approach seeks to preserve the pace of implementation and ensure swift execution once operations have been ratified.
- c. Systematic coordination between the different windows of the IDB Group improves the quality, scale, and sustainability of its operations.** It was clear during the 2021-2024 country strategy period that coordination between the three windows (IDB, IDB Invest, and IDB Lab) can strengthen the scope and impact of interventions, when coordination begins at an early stage. In the Dominican Republic, such collaboration helped to expand the supply of financial and nonfinancial solutions; address challenges in key sectors like energy, tourism, agribusiness, and MSMEs; and mobilize private resources. Instruments such as IDB Invest's Trade Finance Facilitation Program were key for providing liquidity and supporting international trade in the postpandemic period, while technical advisory services—focused on inclusion, resilience, and small- and medium-sized enterprises—complemented operations by providing nonfinancial value-added. IDB Lab also encouraged entrepreneurial development and promoted innovative solutions in transportation, sanitation, finance, agriculture, and natural capital. Accordingly, the 2025-2028 country strategy prioritizes the design of comprehensive solutions, with early collaboration between the IDB, IDB Invest, and IDB Lab based on a sector roundtable approach for all priority sectors.
- d. Financial products in local currency and thematic financing are necessary, to expand business opportunities in the corporate sector and financial inclusion.** Despite the increase in IDB Invest activity during the 2021-2024 strategy period, regulatory restrictions limit this window's ability to offer local-currency financial solutions to the real sector. Under the 2025-2028 strategy, IDB Invest will continue to explore alternatives through dialogue with the authorities and will seek to develop other instruments adapted to the local context, such as thematic financing to support

¹⁸ In this context, the top-down approach refers to a process in which strategic decisions and priorities are set at the highest levels of government (national or central) and then apportioned and assigned to lower levels (e.g., ministries, local governments, communities) for implementation.

¹⁹ For example, between 2021 and 2023, 92% of approved operations were signed within less than 2 months, and 72% were ratified within less than 10 months.

financial inclusion and sustainability and mobilize resources from institutional investors.

- e. **The early use of technical advisory services and upstream activities is essential for improving the feasibility and bankability of private sector projects.** During execution of the 2021-2024 country strategy, it emerged that a lack of prior preparation or demand capacity in some segments—such as MSMEs—limited the feasibility and bankability of potential operations. Under the 2025-2028 strategy, IDB Invest will continue to promote the strategic use of technical assistance to strengthen enterprise capabilities, with the aim of addressing private sector needs in sectors with greater development needs, complexity, or risk.
- f. **It is important to continue to supporting institutional strengthening of the State and corporate governance standards.** During the implementation of the previous strategy, it was evident that the financial and environmental sustainability of infrastructure investments is a critical factor for the viability of public service delivery in the long term, especially in sectors like water and sanitation, waste management, and energy. The absence of sustainable rate-setting mechanisms or environmental resilience criteria limits the impact and sustainability of interventions. The new strategy will prioritize the integration of these elements into projects as key eligibility and design requirements.

1.10 At the operational level, the IDB Group has played an important role, given its strong capacity for providing technical and operational support to ensure timely and effective execution of the resources allocated to operations, while also delivering results. These improvements, described below, will be further strengthened in the 2025-2028 country strategy.

- a. **The combination of technical cooperation operations and innovations in portfolio management improves the technical dialogue with the government and strengthens execution.** During implementation of the 2021-2024 country strategy, there was an increase in the use of technical cooperation operations for operational support, to accelerate project execution. These technical cooperation operations were key for overcoming technical and institutional constraints, moving forward with critical studies, supporting bidding processes, and making execution units more responsive, all without limiting the space for generating knowledge products. As previously mentioned, execution was also improved by the implementation of the results-based portfolio review model, which facilitated the monitoring of critical outputs and the early adoption of corrective measures. These tools will be further developed in the 2025-2028 country strategy, prioritizing the use of technical cooperation operations for operational support as structural tools for improving the preparation, execution, and effectiveness of programs, especially in complex or innovative sectors.
- b. **The timely management of financial and nonfinancial risks amplifies the impact of IDB Invest projects.** During implementation of the 2021-2024 country strategy, a variety of challenges were identified affecting progress under certain private sector operations. These were evaluated and addressed to a satisfactory degree in close collaboration with the responsible agencies. The proactive management of these risks will continue to be promoted in the 2025-2028 country strategy, using mechanisms suited to their characteristics. This will facilitate the deployment of investments as expected, as well as the development of innovative financial products. These efforts will be complemented by close collaboration with the IDB to address regulatory and

institutional risks. Capacity-building for private sector actors will also be promoted in project management and the management of financial and nonfinancial risks.

1.11 At the level of development effectiveness, the following lessons learned will be taken into account:

- a. Results-based portfolio reviews contribute to building a culture of impact, both within the Bank and with our clients.** In a complex and volatile environment, disruptive events like supply chain interruptions and natural disasters generally affect the projects' theory of change, as well as the assumptions on which their design was originally based. Under the 2025-2028 country strategy, the country will continue to employ the results-based approach to portfolio monitoring that was introduced in 2023, adding an early warning and risk monitoring system with effectiveness evaluations, aimed at ensuring the early implementation of corrective measures.
- b. Alignment between the strategic objectives and expected results of the country strategy and those of the portfolio will be reviewed annually, ensuring the continued validity and relevance of the country strategy results matrix.** In 2024 the Dominican Republic reviewed the consistency between the portfolio's development objectives and those of the country strategy. Climate change and resilience indicators were added, thus strengthening the strategy's alignment with national priorities and the operations program. The exercise served as a platform for the early assessment of progress towards country strategy objectives, and contributed to decisions regarding the focus of the operations program. Given its usefulness, a repeat of this exercise is planned under the new country strategy.
- c. It is essential for evaluability assessments to be performed from the design stage of projects.** To enhance the impact of operations, evaluability assessments will continue to be performed, based on tools developed by the Office of Strategic Planning and Development Effectiveness (SPD). These assessments have four stages: (i) analysis of execution challenges; (ii) analysis of the theory of change through an exhaustive review of the implementation status of outputs and their traceability and/or contribution to results; (iii) measurement of results, ensuring that these can be verified during project execution; and (iv) action plan, to ensure the evaluability of results. This approach will be applied systematically in the 2025-2028 country strategy as part of the project formulation process, using dynamic matrices and joint plans of action with the execution units. It will ensure evaluation quality and monitoring from the start and contribute to management that is more results- and impact-focused.

C. FOCUS ON SELECTIVITY FOR A TANGIBLE IMPACT

HOW DO WE SHARPEN FOCUS?

1.12 Country diagnostic assessment and alignment of priorities. A diagnostic assessment of the Dominican Republic (Country Development Challenges) highlighted key challenges and identified shared priorities with such documents as the National Development Strategy 2030, the Public Sector Multiyear National Plan 2025-2028, the National Infrastructure Plan 2020-2030, and Plan Meta RD 2036 (DR Goal Plan 2036), an initiative introduced by the government and supported by the private sector, to boost growth and the well-being of the Dominican population. These priorities were then aligned with those of IDBStrategy+, the new vision and business plans of IDB Invest (IDBInvest+) and IDB Lab (IDBLab+), the "América en el Centro" regional program, and the Alliance for

Security, Justice, and Development. As a result, 11 strategic areas were prioritized: (i) water and sanitation, (ii) health and social protection, (iii) education, (iv) employment and skills development, (v) climate resilience, (vi) agricultural development, (vii) trade and investment, (viii) transportation, logistics, and road safety, (ix) energy, (x) institutions, and (xi) citizen security.

1.13 IDB Group strategic positioning.²⁰ The Dominican Republic has a dynamic ecosystem of multilateral and bilateral institutions and cooperation agencies. The IDB has established itself as the primary source of development finance, accounting for over half of multilateral debt in 2024 (54%). It also remains the country's main development partner, leading marquee projects and solidifying its presence in the water and sanitation, transportation, and energy sectors. Leveraging its leadership position and relationship with the government, the IDB has strengthened strategic partnerships with the Development Promotion Fund (FONPRODE) and Korea Infrastructure Fund (KIF) in the water and sanitation sector; with the French Development Agency (AFD) and the Japan International Cooperation Agency (JICA) in the transportation sector; and with the World Bank on fiscal issues. This has not only helped to mobilize financial resources, but also to build institutional capacity and channel specialized technical assistance. At the same time, IDB Invest has established itself as the most significant actor among its peers with strong positioning in the energy transition, financial inclusion, and finance for trade facilitation, where there is still potential for growth. It has also multiplied the number of operations approved relative to previous strategy cycles, as well as the amount of financing provided and mobilized.²¹ IDB Lab, meanwhile, is recognized for having introduced new concepts and technologies in such sectors as agriculture and natural capital, essential infrastructure services, finance, and development of the entrepreneurial ecosystem (including MSMEs).

1.14 Operational evidence and effectiveness. This criterion analyzes the performance of the IDB's portfolio, to identify sectors offering high potential for impact. In the public sector, the assessment looked at three dimensions: (i) operational performance by sector during the 2021-2024 country strategy; (ii) effectiveness in contributing to development objectives; and (iii) thematic depth and record in the country. Based on this, the transportation, fiscal management, agriculture, and water and sanitation sectors were identified as having made the greatest progress towards objectives, with outcomes that exhibit the greatest likelihood of impact during the period 2025-2028. In transportation, key road works were executed, improving the population's connectivity to services and producers' access to markets, integrating road safety and climate resilience criteria into their planning and design. A careful analysis of risks associated with delays in the ratification and budget allocation processes, as well as the market for contracting firms, made it possible to adjust the structure of bidding processes (by lots and geographic location), advance the necessary preinvestment through technical cooperation, and strengthen project supervision and contract management arrangements. In fiscal management, tax administration was strengthened with new technologies, organizational improvements, and the modernization of key processes. In agriculture, the adoption of agroforestry technologies was expanded, improving rural incomes and environmental sustainability. In water and sanitation, access to service and service quality were improved, benefiting thousands of urban and rural households in the targeted communities. Progress was also made in strengthening operators like INAPA and in adopting more integrated management models with a strong digitalization component. As

²⁰ For more information, see Strategic Positioning Analysis in the links.

²¹ IDB Invest approved US\$665 million and 6 operations in 2017-2020, versus US\$1.488 billion and 15 operations in 2021-2024.

part of this, tools like [SaniHUB](#) have enabled the optimization of the design, planning, and systematic use of interventions, shortening project times and improving technical quality. Investments in transportation and water and sanitation have incorporated innovative mechanisms like FIDIC contracts,²² which offer more legal certainty, better guidance in settling disputes, and greater efficiency and transparency in execution. Training execution units in the use of these contracts has demonstrated a positive impact on project management and supervision capacity. Additionally, the standardization of bidding documents and the use of digital tools have shortened bidding times significantly.²³ Overall, operational experience in these sectors highlights the importance of sound technical studies, strengthened institutional capacity, and early technical assistance to ensure effective execution, leading to greater effectiveness and sustainability of results. Also noteworthy is the effort made to coordinate the finance ministry with the sector ministries for smooth planning and resource allocation. Additionally, the energy sector has undergone multiple governance changes in recent years, affecting the return and impact of operations. Since this sector is key for the country's development agenda, new IDB operations in energy will be contingent upon addressing continuity and financial sustainability challenges using innovative mechanisms. The government has allocated sustained funding of almost 4% of GDP to the education sector. Although no resources are required from international cooperation partners, education is a strategic sector for the country's economic and social development, and efforts will be redoubled to identify tools for supporting the country's education system. In the private sector, IDB Invest identified resource mobilization opportunities in infrastructure and energy, corporates, financial and capital markets, and trade finance (mainly through the Trade Finance Facilitation Program). IDB Invest will continue to expand its presence in the energy sector with a focus on generation from nonconventional renewable energy sources.

1.15 Risk analysis. The risk analysis identified critical factors influencing the effectiveness of IDB interventions and guided the selection of priority areas with high potential for impact. Among the risks analyzed are institutional and execution limitations resulting from portfolio growth in key sectors like water, transportation, and energy, which has revealed gaps in technical capacity, financial management, and monitoring. In response, execution units are being strengthened, to improve project preparation and execution. Integrity and reputational risks, which are especially relevant in infrastructure projects, can negatively impact costs, timelines, and quality of execution due in part to the concentration of contracts among a few offerors. To mitigate this, measures are being introduced to attract a greater diversity of firms in bidding processes. Natural disaster risks, given the country's high exposure to climate-related events, justify prioritizing sectors like water, energy, and transportation, integrating resilience criteria into the design of operations. At the social level, the risks associated with impacts on vulnerable populations reinforced the need for inclusive, participatory approaches, especially in water, sanitation, and urban infrastructure projects. Lastly, macroeconomic risks tied to external shocks and fiscal pressure underscore the importance of strengthening fiscal management to preserve investment space. Thus, the risk analysis not only anticipated challenges but enabled the

²² Standard international contract templates published by Fédération Internationale des Ingénieurs-Conseils (International Federation of Consulting Engineers) (FIDIC).

²³ In the case of the sanitation project for the cities of La Romana, Higüey, and San Pedro de Macorís under operation DR-L1165, the project went from the necessary designs to the bidding documents in just six months. This has allowed the prequalification process to be launched even before congressional ratification of the operation, saving time and speeding up execution.

IDB to focus its efforts on sectors where the impact can be more transformative and resilient.

1.16 Results of the strategic selectivity framework. The four criteria in the selectivity framework were applied to determine the areas in which the IDB windows can maximize their impact. As a result, comprehensive interventions will be prioritized in the sectors of water and sanitation, transportation, logistics, energy, and fiscal sustainability. In addition, the IDB Group will continue to support projects in execution, in the areas of health, social protection, skills development, agribusiness, financial markets (with a focus on MSMEs, vulnerable population groups, and international trade), as well as efficiency and sustainability in public management (legacy portfolio).²⁴ Gender and diversity mainstreaming, resilience, and institution-strengthening are included in all of these areas as crosscutting issues, to increase their impact. The IDB Group, through its three windows, has established itself as the country's main development partner.²⁵

²⁴ Efforts will continue through IDB Lab to develop the technology entrepreneurship system and promote innovative solutions that can help the IDB Group maximize its impact.

²⁵ For more information, see Strategic Positioning Analysis in the links.



II. MAIN PILLARS OF ACTION AND EXPECTED IMPACT

- 2.1 Summary of priority areas of the 2025-2028 country strategy.** The 2025-2028 country strategy will have three strategic pillars: (i) strengthen human capital and social conditions; (ii) advance growth led by the private sector; and (iii) increase public sector efficiency and resilience. In terms of strengthening human capital and social conditions, the aim will be to improve the population's standard of living through increased access to safe water and sanitation, which are key for the health and well-being of Dominicans, while also enhancing the quality of health services, developing skills, and improving the targeting of social protection. In terms of advancing growth led by the private sector, the aim will be to provide safe, resilient transportation and logistics solutions; increase sustainability and efficiency in the energy sector; improve the modernization and technological upgrading of agriculture and strengthen the sustainability of natural and cultural capital; and expand production-oriented finance and international trade. Lastly, in terms of strengthening the public sector, support will be provided for government efforts to strengthen fiscal sustainability, integrate resilience criteria in public investment, and improve spatial planning.

PILLAR 1. STRENGTHEN HUMAN CAPITAL AND SOCIAL CONDITIONS

WHY IT MATTERS:

- 2.2 Improvements in public services, the social protection system, and skills are essential for strengthening human capital accumulation and social conditions.** A Dominican child today will only have achieved around 50% of their potential productivity by the time they reach adulthood,²⁶ reflecting persistent limitations in access to basic services beginning from the earliest stages of life. In addition to intensifying social inequalities, these constraints undermine the population's readiness to participate in higher-productivity, more knowledge-intensive sectors. Less than half of the country's households have access to safely managed drinking water, and a large share of the population lacks adequate sanitation. Most wastewater and solid waste is inadequately treated, creating significant health and environmental risks for the population. These deficiencies, added to gaps in healthcare coverage and quality, heighten the population's exposure to diseases. This is reflected in a preventable premature death rate that is 60% higher than the regional average.²⁷ All of this has a direct impact on the educational performance of children and young people, while amplifying social vulnerability and reducing the country's productive potential. Although funding to the education sector has risen,²⁸ and progress has been made in terms of coverage, the quality of teaching remains

²⁶ World Bank (2020).

²⁷ Country profile. Health in the Americas. PAHO (2024).

²⁸ Education spending has risen to around 4% of GDP, compared with health spending of around 2.5% in recent years.

among the lowest in the region. There is also a considerable mismatch between the skills taught and the needs of the labor market. At the same time, four out of ten Dominicans live in conditions of vulnerability,²⁹ and six out of ten workers are informal, exposing them to the risk of poverty in the event of economic shocks or natural disasters. This situation is especially critical, given that the country ranks 42nd out of 171 economies on the Global Climate Risk Index.³⁰

2.3 Water and sanitation services lack sufficient quality. As a consequence of decades of low public investment in the sector, continuously available drinking water supplies cover only 44.9% of the population.³¹ Systems are lacking in resilience and often affected by drought. The intermittent nature of availability means that households and businesses must resort to alternative sources of water, raising costs and lowering productivity. In addition, sewer coverage is 20%, and wastewater treatment coverage is only 11% of the urban population, both below regional levels (Figures 1 and 2).³² Three out of four inhabitants use septic tanks or latrines that are not built to code and lack proper waste treatment.³³ The lack of adequate access to water and sanitation accounts for 60% of episodes of diarrhea, 13% of acute respiratory infections, and 16% of child malnutrition.³⁴ This has a negative impact on social conditions and on human capital accumulation, since it hinders the population's full capacity development and reduces school and work productivity, especially in coastal cities, where 60% of the population live.³⁵ It also leads to the degradation of crucial habitats like coral reefs and marshes, which are extremely sensitive to wastewater pollution, and affects key areas for the tourism development of the Dominican Republic.

2.4 The water and sanitation sector faces institutional weaknesses affecting service quality and sustainability. Fragmentation in policy formulation, no lead agency for sanitation, and the low priority traditionally put on the sector have all hindered the development of adequate infrastructure. Entities like the National Water and Sewer Institute (INAPA) and water and sewer companies exhibit serious weaknesses in business and operational management. Currently, only 10% of users served by INAPA are registered for billing, with collected revenue covering only 22% of operation and maintenance costs. This creates a high level of dependence on government transfers. More than 60% of wastewater plants are inoperative, while service continuity and micrometering remain limited. A Water Cabinet has been created in response, representing an important step towards better sector coordination. It has promoted the "Dominican Water Pact" and revived the approval process for a new Water Law, which

²⁹ The vulnerable population (living on US\$6.85 to US\$14 per day at 2017 purchasing power parity) accounted for 38.8% of the total in 2023. [World Bank](#).

³⁰ [Germanwatch](#) (2022).

³¹ [World Health Organization \(WHO\) and United Nations Children's Fund \(UNICEF\), 2023](#). Although 87.8% of households have connections to the water supply network (Water and Sanitation Observatory for Latin America and the Caribbean (OLAS), 2023, data from the Continuous National Workforce Survey (ENCFT)), only 44.9% have access to safely managed water. This definition includes the water quality, suggesting that the network service is frequently of inadequate quality.

³² WHO/UNICEF Joint Monitoring Programme on Water Supply, Sanitation and Hygiene. "Estimates on the Use of Water, Sanitation, and Hygiene in the Dominican Republic." (2023).

³³ WHO/UNICEF Joint Monitoring Programme on Water Supply, Sanitation and Hygiene.

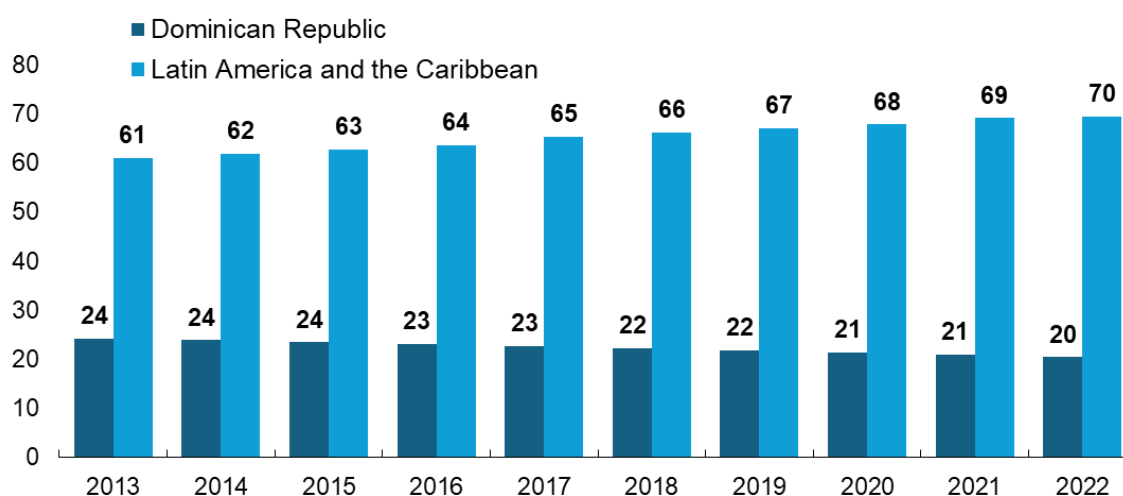
³⁴ Annette Prüss-Ustün, et al. (2019). "Burden of Disease from Inadequate Water, Sanitation and Hygiene for Selected Adverse Health Outcomes."

³⁵ [United Nations Development Programme, 2017](#). Cities such as Santo Domingo, Boca Chica, San Pedro de Macorís, La Romana, Puerto Plata, and Barahona are examples of significant urban centers located in coastal areas.

would create a key regulatory entity to strengthen governance and ensure more sustainable, efficient, and inclusive services.

- 2.5 There are deficiencies in solid waste disposal.** Waste generated in the country is disposed of improperly in 240 open dumpsites.³⁶ The largest of these is Duquesa, which is the main destination for waste in the Greater Santo Domingo area. Only 1.5% of waste collected is recovered, compared with 4% in Latin America and the Caribbean. Prior to the enactment of the Integrated Solid Waste Management and Coprocessing Act of the Dominican Republic ([Law 225 of 2020](#)), there was no adequate framework to facilitate development of the sector. Poor solid waste management has serious repercussions for the environment and health.³⁷ Failure to control leachates from both formal and informal open dumpsites leads to the pollution of surface water and groundwater.³⁸ Exposure to environmental impacts associated with inadequate solid waste management (e.g., gas emissions and water source contamination) affects the quality of life of the surrounding population, disproportionately affecting the poorest population segments. This impacts their well-being and, consequently, their opportunities for human capital accumulation.

**FIGURE 1. SANITATION COVERAGE WITH SEWER CONNECTIONS, 2013-2022
(% OF POPULATION)**



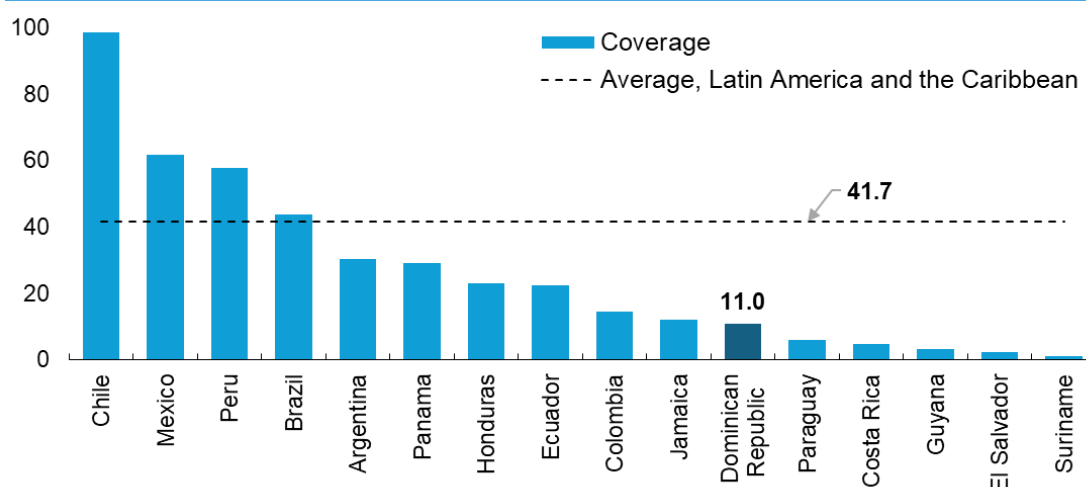
Source: [WHO/UNICEF, 2023](#).

³⁶ Ministry of Environment and Natural Resources (MMARN) (2021), National Survey of Final Solid Waste Disposal Sites.

³⁷ One important challenge concerns medical waste management: 76% of health establishments dispose of this waste in a different location than where it is collected (without treatment and mixed with ordinary waste in landfills), while a further 11% use open-air incineration. Only 13% practice incineration in dual-chamber equipment or secure disposal pits.

³⁸ IDB (2020), From Structures to Services: The Path to Better Infrastructure in Latin America and the Caribbean.

**FIGURE 2. URBAN WASTEWATER TREATMENT COVERAGE, 2022
(% OF POPULATION)**



Source: [WHO/UNICEF, 2023](#).

2.6 In addition to the health risks created by deficiencies in sanitation, the Dominican Republic faces a triple burden of disease, which reduces productivity due to premature mortality, early exit from the labor market, and absenteeism. This situation is characterized by the coexistence of infectious diseases (favored by inadequate water and sanitation services), chronic noncommunicable diseases (CNCDs), and injuries or external causes (associated with violence and traffic accidents). Trends in CNCDs are of particular concern, with a sustained increase in cases such as cardiovascular disease and diabetes. An estimated one out of three people suffer from hypertension, yet only 47% are aware of their condition, and only 60% of those are receiving treatment. The situation is similar in the case of diabetes: 12% of the population is estimated to be suffering from this condition, yet only 34% have been diagnosed. The indirect costs of Type 2 diabetes are US\$328 million per year and can be avoided through early detection and access to timely, quality treatment. The cost of prevention and treatment for the population with Type 2 diabetes is approximately US\$29 million, which is far lower than the cost of failing to provide such services. This underlines the need to ensure access to early diagnosis and provide treatment at the primary healthcare level.

2.7 Gaps in the social protection system limit its impact on family well-being. Although the coverage of cash transfers is relatively broad compared with other countries of the region, their impact in terms of reducing poverty is limited: they are estimated to reduce the poverty rate by only 1.1 percentage points, versus an average of 2 points for the region as a whole, and as much as 4 points in countries like Panama or Costa Rica. This reduced impact reflects failures in program targeting and the relatively small amount of transfers compared with other countries. Meanwhile, natural disasters and extreme weather events have a greater impact on poor and vulnerable households.³⁹ To strengthen cash transfer mechanisms in the Dominican Republic, there is a need to strengthen the Single Beneficiary System (SIUBEN) by creating a universal and interoperable social registry,

³⁹ Disasters usually have the greatest impact on the poorest segments of the population, who frequently live in high-risk areas and not only lack the necessary resources to adequately protect themselves against changes in their environment but also have no instruments for insuring their assets against losses caused by such events.

implement a system with individual client data in order to facilitate the monitoring of beneficiary households under cash transfer programs, create mechanisms for nimbly responding to disasters, and ensure an exit strategy for those who have climbed out of poverty. Lastly, given the swift pace of social and demographic change, it will be essential to invest in an efficient, fiscally viable dependent care policy,⁴⁰ since existing services only meet 10% of care demand.

- 2.8 Gaps exist between the skills offered by the workforce and those sought by the productive sectors.** Some 54% of employers state that they have experienced difficulties in finding workers with the required skills and experience, and 52% have found it difficult to recruit workers with specific technical training.⁴¹ Young people lack the required skills and experience, making employers reluctant to hire them.⁴² The supply of workforce training is limited in terms of its coverage and relevance. It is provided as part of the technical and vocational training system, led by the National Technical and Vocational Training Institute (INFOTEP), which also offers vocational training. Although INFOTEP has completed a consultation process regarding the demands of the productive sector and is working to meet them, this effort needs to be strengthened, systematized, and expanded.⁴³
- 2.9 A key opportunity for the country is to improve education quality as a basis for strengthening human capital and social conditions, increasing economic productivity.** Limitations in the quality and coverage of the formal education system lie at the heart of the skills gap: despite recent progress, only 58% of young people complete mandatory secondary-level education, and education outcomes are poor and inequitable, with one of the lowest scores on international standardized tests. According to the [2022 PISA](#) tests, 92% of students do not meet the minimum standard in mathematics, 77% in science, and 75% in reading; these percentages are higher than average for Latin America and the Caribbean.⁴⁴ These gaps represents an estimated difference of seven years of learning relative to the average of the Organisation for Economic Cooperation and Development (OECD), and significantly limits the future education paths and workforce integration prospects of young people in the country.

WHAT WE WILL DO:

- 2.10 The IDB Group's actions will focus on achieving two strategic objectives:** (i) improve living conditions through increased access to water and sanitation; and (ii) strengthen health and social protection systems and promote skills development.
- 2.11 Continue to improve social conditions through increased access to water and sanitation.** In close collaboration with the government, the sector will be transformed through the digitalization of key processes (using tools like SaniHUB, which optimizes project design and planning) and the use of innovative bidding mechanisms (like FIDIC

⁴⁰ Investment in dependent care policies has a positive impact on women's work opportunities ([IDB, 2024](#)).

⁴¹ The majority of the employed population (84%) has only a basic level of skills (levels 1 and 2). For more information, see [link](#).

⁴² Barrero (2021). The broad unemployment rate in the 18-35 age group is double that of adults (36 years and older). See [IDB \(2023\)](#), [Cruz Rodriguez, et al.](#)

⁴³ Amargós (2019), International Labor Organization (2021).

⁴⁴ In Latin America and the Caribbean, on average, 75% of 15-year-old students failed to achieve basic competencies in mathematics, 55% in reading, and 57% in science.

contracts⁴⁵ that include responsibility for operating and results-based contracts that improve the efficiency and transparency of execution). These new contracting models will also facilitate increased participation by the private sector in areas in which it has not traditionally been active, such as operating sanitation systems or social activities aimed at achieving effective connectivity with the sewer network, particularly in vulnerable communities. In line with these efforts, IDB Invest will weigh investment opportunities in the sector with the goal of contributing to the expansion of coverage and more efficient management of water and sanitation services. These steps will help to develop resilient infrastructure through the rehabilitation and expansion of existing systems aimed at increasing the number of households with access to safely managed drinking water (continuously available and free of contaminants) and through connections to sewer systems with properly treated wastewater, all with a focus on the coastal and tourist cities where much of the population lives. In addition, the area covered by open dumpsites in the Greater Santo Domingo area will be shrunk, and integrated solid waste management will be improved by strengthening institutions and implementing better operating practices that reduce their environmental impact and promote private sector participation. The public-private partnership (PPP) mechanism will be evaluated for supporting these strategic objectives in the water and sanitation sector, including wastewater treatment, drinking water treatment plants, desalination plants, and solid waste management, which could be financed by IDB Invest.

2.12 Strengthen health and social protection services and promote skills development.

In health, support will be provided to reduce the prevalence of CNCD risk factors by expanding the coverage of interventions to promote healthy habits and prevent risk behaviors, while also improving the care network to ensure the timely diagnosis, treatment, and management of CNCDs. Support for families will also continue in the form of cash transfers conditional upon health and education use and adaptive social protection programs that support household resilience in the face of natural disasters and extreme weather events.⁴⁶ SIUBEN will be further strengthened, to ensure that it is universalized and continuously updated, supporting beneficiary identification and use of the system to improve targeting in conditional cash transfer programs. The operational capacity of transfer programs will be strengthened by implementing systems to facilitate individual household monitoring and developing a strategy to ensure that households that have climbed out of poverty graduate from the programs. The strategy is also expected to support the gradual introduction of a care network as an essential part of the social protection matrix. Lastly, mechanisms will be created to eliminate the gap between the demand for skills and their supply, including labor intermediation services. Based on this, inclusive employability programs are promoted to facilitate formal employment access with an emphasis on young people and vulnerable groups.⁴⁷ These actions are part of the América en el Centro regional program under its “Social development of youth” pillar through labor capacity-building and the narrowing of skills gaps.

⁴⁵ As noted above, FIDIC contracts are standard international contract templates published by the Fédération Internationale des Ingénieurs-Conseils (International Federation of Consulting Engineers).

⁴⁶ Adaptive social protection relates to the use of social protection systems, particularly cash transfer programs, to support the preparedness, responsiveness, and adaptability of poor and vulnerable households to large-scale shocks, including natural disasters and extreme weather events.

⁴⁷ Channeled through the investment operation “Support for the RD-Trabaja Flexible Employment System” (DR-L1155) and the technical cooperation operation “Support for Developing Inclusive Employability Programs and the Promotion of Formal Employment” (DR-T1247).

- 2.13 Provide technical assistance and seek opportunities to promote improve quality and efficiency in education.** Since the Dominican Republic is not seeking external financing for the education sector, allocating approximately 4% of its GDP through public budget allocations, IDB support will be limited to providing technical assistance and knowledge products to improve the sector's efficiency and effectiveness. Emphasis will be put both on evidence-based strategies for improving basic learning (reading, writing, and math) and on the efficiency and quality of investment in education. The strategy will seek to expand access to quality education through the piloting of cost-effective interventions to stimulate student learning, such as remote tutoring and the assistance of artificial intelligence. Dialogue will also continue to help strengthen decision-making through improvements in the school management information system (SIGERD) and analysis aimed at optimizing the use of education resources in all of their dimensions.

EXPECTED IMPACT

Expanded coverage of drinking water and sanitation services in coastal cities and tourist areas. Sanitation systems are planned to be installed along more than 140 kilometers of coastline in the country's five southeastern zones, including Boca Chica, San Pedro de Macorís, La Romana, Higüey, and Punta Cana-Bávaro; this will protect public health and marine ecosystems and strengthen the foundations for sustainable economic growth. This intervention will benefit around 250,000 households and the 570 hotels in the Punta Cana-Bávaro area with positive impact on around one million residents and tourists, boosting tourism competitiveness and promoting the creation of higher-quality jobs. The capacities of service providers will be strengthened, to ensure that they are financially sustainable and able to maintain existing systems and make new investments, creating an enabling environment for the productivity of local businesses.

Smaller areas covered by open dumpsites in the Greater Santo Domingo area. The strategy will contribute to improvements in integrated solid waste management with emphasis on the Greater Santo Domingo area through the closure of Duquesa, which is the largest open dumpsite in Latin America and the Caribbean. Negative social and environmental impacts will be reduced by ensuring the proper final disposal of urban solid waste, increasing recovery and recycling rates, and promoting the social inclusion of informal recyclers. Around 3.7 million residents of the Greater Santo Domingo area are expected to benefit directly from improvements to their sanitary conditions and quality of life and the creation of a more robust foundation for human development and increased productivity of the local economy.

Improved prevention and management of chronic noncommunicable diseases. The strategy is expected to contribute to a reduction in the prevalence of diabetes and hypertension in the adult population, along with risk factors like overweight and obesity. An estimated one million people aged 18 and older with hypertension and/or diabetes who currently lack a diagnosis and/or ongoing access to treatment will generally benefit from an expansion of the HEARTS strategy⁴⁸ to 77% of the country's primary healthcare units,⁴⁹ putting priority on those regions with the highest poverty rates.

Improvement in social protection programs. The strategy will seek to strengthen the response capacity of the social protection network by ensuring coverage for 85.4% of households registered in SIUBEN. This includes assisting vulnerable families through conditional and nonconditional cash transfers, aimed at reducing poverty, improving access to education and health, and strengthening household resilience. Support will also be provided to strengthen dependent care services. Overall, these actions would benefit 1.35 million households participating in the Supérate program and around 4,018 households in priority municipalities through care networks.

Upgraded skills development and workforce integration services. The strategy is expected to contribute to the supply of skills in demand by the labor market and improved workforce integration by increasing the number of users looking for employment through the government's virtual system. Activities to generate knowledge

⁴⁸ HEARTS is a WHO initiative aimed at assisting countries to reduce the risk of cardiovascular disease through standardized protocols for the prevention, detection, and control of hypertension and diabetes at the primary healthcare level.

⁴⁹ Primary healthcare services are provided through Primary Healthcare Centers (CPN), which are made up of Primary Healthcare Units (UNAP).

regarding training programs for formal employment will continue with an initial program benefiting 26,000 job seekers.

Programmatic approach.⁵⁰ The program's objective is to improve the population's living conditions through greater access to safe water and sanitation services with the expected outcome of increasing coverage in areas of high environmental and social value with an emphasis on Greater Santo Domingo and the country's southeastern coast. To meet that objective, support is being provided to the Dominican government in structuring a sequential investment agenda along the coastal corridor, aligned with the priorities set in the National Infrastructure Plan 2020-2030. This support began with an operation in Boca Chica in 2022, followed in 2024 by a second operation in La Romana, San Pedro de Macorís, and Higüey. New operations are now in preparation for Santo Domingo and Punta Cana-Bávaro. These actions are part of a subnational strategy spanning more than 140 kilometers of coastline, generating operational synergies, economies of scale, and coordinated solutions. The program combines knowledge products, marquee loans, and technical cooperation operations to accelerate critical processes and studies. This effort has been strengthened through strategic partnerships with Spain's Development Promotion Fund (FONPRODE) and the Korea Infrastructure Fund (KIF), which have enabled the mobilization of additional resources and cofinancing of key interventions. Also noteworthy is its ability to flexibly integrate the private sector—as user, operator, or technical partner—and to scale initiatives such as expanding access to services for vulnerable households with support from IDB Lab. More than a sequence of investments, this approach has driven an institutional transformation. INAPA has strengthened its capacity to structure and execute larger operations in less time, incorporating digital tools, innovative contractual models, and improved coordination mechanisms. This has made it possible to institutionalize monitoring and management capabilities and to advance continuous learning, efficiency, and sector sustainability.

PILLAR 2. ADVANCE GROWTH LED BY THE PRIVATE SECTOR

WHY IT MATTERS:

- 2.14 The private sector plays a central role in driving more productive, inclusive, and sustainable growth.** Contributing approximately 85% of GDP, the private sector is the primary source of value-added and employment. Private sector leadership is essential to sustaining and scaling the Dominican Republic's economic growth as it transitions to a new development model, as outlined in Plan Meta RD 2036 (DR Goal Plan 2036). Over the last decade, the strength of sectors like construction, tourism, and financial services, all with strong private sector participation, has been key to the country maintaining an average growth rate of 4.8%, well above the regional average. This performance has contributed to a significant reduction in poverty, supported by a stable macroeconomic environment and investment-friendly structural reforms. However, the current model, based on high investment in physical capital but with low productivity, has reached a tipping point. In this context, strengthening the role of the private sector is essential to galvanize investment, drive innovation, diversify the economy, and create quality jobs that contribute to improving human capital and reducing informality. Furthermore, the structural challenges in education, health, infrastructure, and climate vulnerability have made the private sector a strategic partner for closing gaps, adding value, and contributing to the country's sustainable development.
- 2.15 Key conditions for advancing the Dominican Republic's growth have been identified that can drive the expansion of strategic sectors and increase economic productivity.** Enabling conditions need to be strengthened for the private sector to continue leading, and for a qualitative leap to be made in, growth. First, transportation infrastructure is insufficient, low-resilience, and unsafe. One third of roads are in poor

⁵⁰ In water and sanitation, the referenced operations are: DR-L1171, DR-L1172, DR-T1285, DR-L1158, DR-L1165, DR-T1268, DR-T1318, RG-O1723, and RG-O1728; and IDB Lab DR-G0010 and DR-T1273.

condition, half of all bridges are in need of repair, and there is high potential to expand and diversify port capacity, to respond to the growth in international trade.⁵¹ These deficiencies raise logistics costs, limit market access, and weaken the integration of the export sector with the local economy, reducing opportunities to generate greater value-added. Second, electricity supply remains costly and unreliable due to technical and operational inefficiencies all along the value chain and a high dependency on fossil fuels. Third, the mining sector needs to build institutional capacity, to create enabling conditions for its consolidation and diversification that ensure the sector's sustainability. Fourth, technical and sanitation gaps continue to exist in strategic sectors such as agriculture, together with challenges in the sustainability and management of natural and cultural resources, which are critical for activities like tourism and agroindustry. Problems like water pollution, coastal erosion, soil degradation, and deforestation make these key sectors of the Dominican economy less competitive. Fifth, difficulties in accessing formal finance and less competitive markets⁵² limit productive sector growth. Credit is insufficient, and many sectors are left unserved, such as micro, small, and medium-sized enterprises (MSMEs),⁵³ which face an estimated financing gap of almost 19% of GDP. Lastly, the progressive public safety improvements in the Dominican Republic strengthen its potential to attract private investment, foster entrepreneurship, and consolidate sustainable and inclusive economic growth.

2.16 The transportation and logistics sector faces challenges, such as limited infrastructure and road safety, that hinder the transition to a more sophisticated growth model and improved social well-being. Logistics costs are high in the Dominican Republic, as a destination for local and foreign private investment, hindering integration into regional value chains and reducing private sector competitiveness. Ground freight costs in the country for a 40-foot container (US\$4.75 per kilometers) are three times higher than the Mesoamerican average (US\$1.21 to 1.85 per kilometer). This has a negative effect on logistics sector competitiveness. Although agricultural and industrial export industries are concentrated in the north of the country (El Cibao)⁵⁴ with output destined primarily for the U.S. market, this area has limited port, transportation, and logistics infrastructure to support their development.⁵⁵ More broadly, the country's road system includes more than 60,000 kilometers of roads,⁵⁶ 34% of which are in poor condition. Meanwhile, more than 50% of bridges require some type of rehabilitation. Both of these statistics are a reflection of limited investment in the sector (below the regional level) (Figure 3). Discontinuities in the transportation network, caused by critical point

⁵¹ The country ranks 88th out of 139 economies in the Logistics Performance Index, which is below average for Latin America and the Caribbean and the OECD countries (World Bank, 2023).

⁵² High market concentration in the Dominican Republic raises input costs, reduces quality, and limits international competitiveness. A 2023 OECD-IDB analysis identified regulatory weaknesses and recommended reforms aligned with good practices. Recent studies confirm that competition issues affect productivity with concentration levels above the regional average, particularly in key sectors like food, fuels, telecommunications, and transportation. In addition, almost half of the country's manufacturing companies operate in low-competition markets, which is significantly higher than in countries like Uruguay, Bulgaria, or Tunisia (World Bank, 2023; OECD and IDB, 2023).

⁵³ MSMEs represent 98% of all companies, contributing around 39% of GDP and generating more than 54% of employment. Nonetheless, most are informal and face difficulties in accessing credit, scaling up, exporting, or achieving integration into more sophisticated value chains. (National Intellectual Property Office, 2022; Ministry of Industry, Trade, 2020).

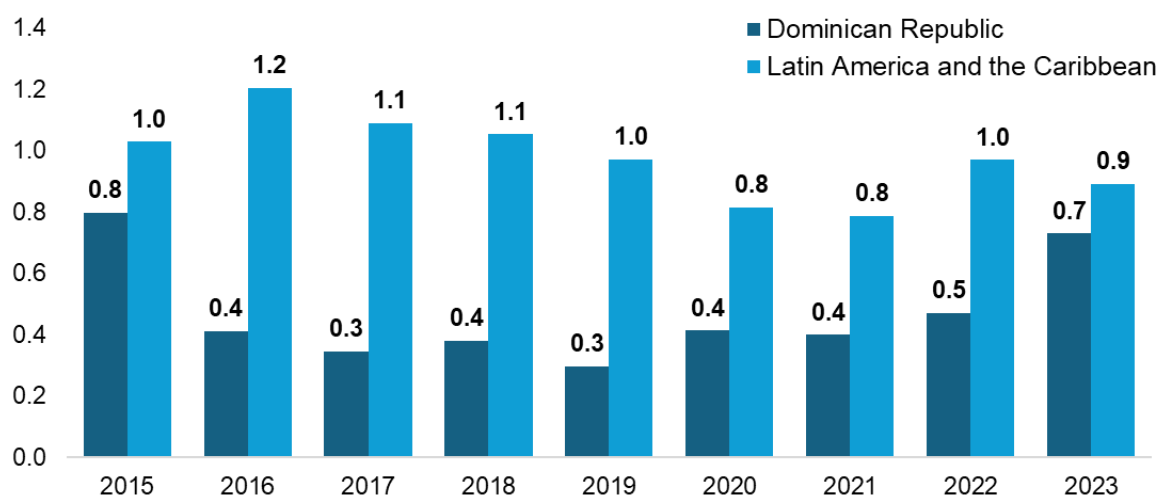
⁵⁴ Seven provinces, with two million inhabitants and a high poverty rate (45%). Diagnóstico para el desarrollo económico de la región de Cibao Norte (Economic Development of the Cibao Norte Region: Diagnostic Assessment), 2018.

⁵⁵ National Freight Logistics Plan (PNLOG) 2020-2032.

⁵⁶ Paved and unpaved rural roads and rural tracks. [GeoPortal MOPC](#).

failures due to torrential rainfall, storms, and hurricanes, impede access to basic services and affect business performance.⁵⁷ This hinders sustained economic growth, with the cost of damages and losses from a lack of network resilience standing at 2.1% of GDP. Compounding this situation, the country has one of the highest road traffic fatality rates in the world,⁵⁸ and the annual economic costs of traffic accidents are equivalent to 2.2% of GDP,⁵⁹ stemming from the loss of life, direct spending on medical care, lost production, and physical damages. The younger population (ages 9-34) is worst affected.

FIGURE 3. PUBLIC INVESTMENT IN TRANSPORTATION INFRASTRUCTURE, 2015-2023 (% OF GDP)



Source: [Infralutam](#) database, 2025.

2.17 High electricity costs and low commercial efficiency affect the financial sustainability of user businesses, given the high cost, and the sustainability of electricity service. Businesses in the Dominican Republic face power outages at almost triple the average rate for Latin America and the Caribbean, and report sales losses almost 50% higher than the regional average.⁶⁰ These weaknesses are due to multiple factors, but the main one is that the electricity supply chain—spanning generation, transmission, and distribution—faces historical challenges that have a direct impact on the sustainability of the electricity system and the quality of its service. The power generation system is highly dependent on imported fossil fuels, which accounted for 81% of energy production in 2024.⁶¹ As a result, the electricity market is exposed to volatility in international oil and gas prices, leaving supply costs in the electricity system vulnerable to upward price

⁵⁷ In all, 75 bridges were affected by heavy rainfall between 2017 and 2023, severing communications with more than 617 towns. This reflected the impact that storms have in terms of transportation network connectivity. [Eventos naturales. Una mirada georreferenciada \(Natural Events. A Georeferenced Overview.\)](#) National Statistics Office (ONE), 2023.

⁵⁸ From 2016 to 2024, the road traffic death rate was 25.9 to 30.9 per 100,000 inhabitants,⁵⁸ equivalent to an annual average of 2,900 deaths, in addition to 109,000 injuries. Permanent Road Safety Observatory ([OPSEVI](#)).

⁵⁹ [National Strategic Road Safety Plan \(PENSV\)](#), 2021-2030.

⁶⁰ World Bank Enterprise Survey.

⁶¹ Natural gas, 39.7%; coal, 28.6%; fuel oil, 12.4%.

movements.⁶² In the transmission segment, rapid demand growth and the significant introduction of nonconventional renewable energy sources like solar and wind power create pressure for additional investments to ensure a reliable and flexible network that optimizes supply costs. This creates a risk of lags in the expansion of network capacity.⁶³ In the electricity distribution segment, quality remains suboptimal and challenges are significant. Technical and nontechnical losses were 37.6% in 2024, far above the regional average and the levels seen in most Latin American and Caribbean countries (Figure 4). The collections index, meanwhile, was 95.3% in 2024, below the optimal level of 99%. Reports indicate substation overloads and congestion in medium-voltage networks, and the average monthly frequency of service interruptions is three times higher than the regional average.⁶⁴ Low efficiency on the part of electricity distribution companies is reflected in high losses and low collection rates, while electricity charges are also insufficient. These factors lead to operating deficits that are covered by the government through subsidies to the cost of supplying final users. This, in turn, translates into excessive and regressive fiscal expenditures.⁶⁵ Although the country's renewable energy installed capacity has risen (reaching 2,445 MW in 2024),⁶⁶ renewable sources still account for only a limited share of total generation (19.3% in 2024) and have been rapidly absorbed by the sustained increase in demand (6.7% per year). As part of a process of transition in the power matrix that can only occur through the inclusion of other generation technologies, the country has set targets for low-cost renewable generation at different levels, stipulating shares of 25% in 2025 and 30% in 2030.⁶⁷ There are also targets for improving efficiency through reductions in losses (the Electricity Pact). Together, these provide a path to sustainability that will include the challenge of securing transformation through mass investments in the electricity supply chain and changes in distribution management, both aimed at achieving the targeted results.

2.18 The country has the potential to diversify through sustainable mining. In 2024, mining accounted for 1.4% of GDP and 12.3% of goods exports, concentrated in gold, which represented 87.5% of mineral exports.⁶⁸ However, the sector needs to advance in building institutional capacity, while at the same time seizing the opportunity to diversify production into the rare earth segment,⁶⁹ which, given its potential, has been declared a strategic priority by the government. Along these lines, the growing global demand for technological inputs based on the industrialization of rare earths creates an opportunity for the country to leverage its mining potential, promoting the sustainable development of

⁶² The average historical cost of supplying power to the final user is made up of the cost of generation (72%), the cost of transmission (4.5%), and the cost of distribution (23.5%).

⁶³ This includes high-voltage transmission lines, substations, connection capacity for new generation (particularly from renewable sources), and technological infrastructure for system monitoring and protection.

⁶⁴ The number of electricity service interruptions was estimated at 21 per month on average in 2024. (Authors' calculations based on the weighted average number of monthly interruptions per customer (reported in the monthly Electricity Service Quality Indicators report published by the Superintendency of Electricity) and the number of active monthly contracts (reported in the Commercial Management Report of the Ministry of Energy and Mines).

⁶⁵ Electricity subsidies totaled 1.3% of GDP in 2022, and 1.1% in 2023, equivalent to around one third of the fiscal deficit. The government has also subsidized the rise in fuel prices at a cumulative cost of around US\$1.2 billion between 2021 and October 2023 (authors' calculations based on data from the Ministry of Industry, Trade, and MSMEs).

⁶⁶ This includes hydroelectric capacity of 623 MW and distributed solar capacity of 422 MW.

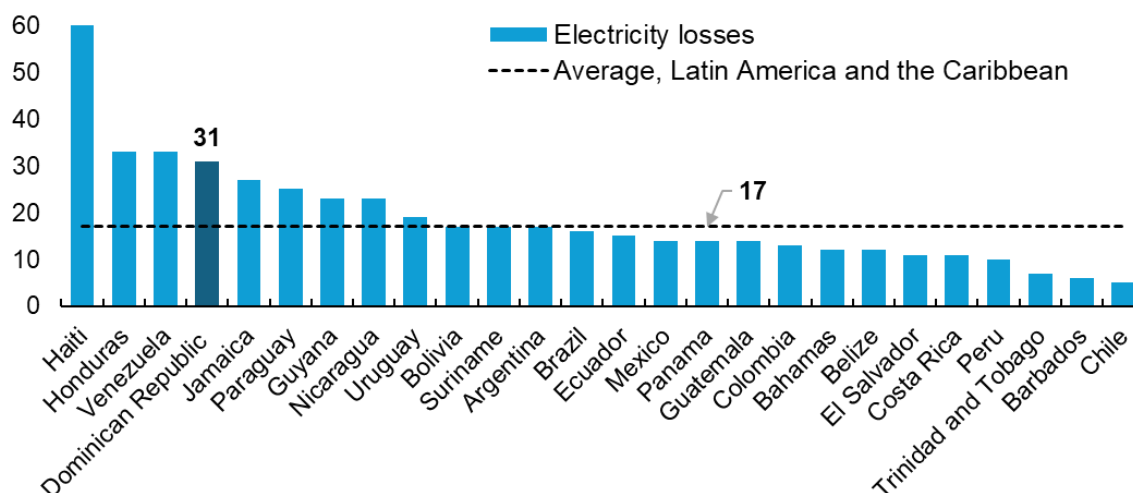
⁶⁷ Law 57 of 2007, Sustainable Development Goals, and the [Electricity Pact](#).

⁶⁸ BCRD data.

⁶⁹ Seventeen elements share common chemical and physical properties and are crucial components in various high-tech applications, including electronics, renewable energy technologies, and defense systems.

a sector capable of diversifying and expanding the export base, supporting the Plan Meta RD 2036 objectives.

**FIGURE 4. ELECTRICITY LOSSES IN LATIN AMERICA AND THE CARIBBEAN
(% OF AVAILABLE POWER)**



Source: [Economics of Electricity Losses in Latin America and the Caribbean, 2024](#).

Note: Average of available data for 2015-2019. The average for Latin America and the Caribbean excludes Haiti. The situation in the Dominican Republic has deteriorated, reaching 37.6% in 2024.

2.19 The agriculture sector, which is a key component for economic output, rural income, and food security, faces challenges related to productivity and resilience.

The agriculture sector contributes 6.1% of GDP, creating jobs for more than 16.6% of the employed population and producing over 90% of locally produced fresh food.⁷⁰ Despite its economic importance, the agriculture sector faces a structural problem of low productivity, with yield gaps of as much as 82% in some product categories compared with the Central American countries.⁷¹ Some of the key factors contributing to low levels of productivity are insufficient investment in innovation and technology, inefficient use of natural resources, degradation of ecosystem services, and a lack of adequate infrastructure. Just 0.19% of agricultural value-added has been invested in innovation and technology, far below the levels in countries like Chile (2.4%) and Brazil (1.8%). The limited access to finance for the sector, which represents less than 5% of the financial system portfolio, partly explains these deficits and, in turn, deepens them. The sector consumes 70% of available water in the country, yet less than 25% of this is used efficiently for irrigation. The lack of adequate infrastructure, such as rural roads and irrigation systems, hinders access to markets and reduces production efficiency. Other factors such as the lack of secure land tenure reduce productivity-enhancing investment. This situation is worsened by poor access to extension services and poor agricultural practices that reduce soil fertility and contribute to environmental degradation. Meanwhile, vulnerability to natural phenomena like droughts,

⁷⁰ OECD/United Nations Conference on Trade and Development/ECLAC, 2020; Office of the Deputy Minister of Economic and Social Analysis (VAES), 2024; OECD, 2023.

⁷¹ Authors' calculations using FAOSTAT data for countries in the Bank's Country Department for Central America, Haiti, Mexico, Panama, and the Dominican Republic.

torrential rain, hurricanes, and tropical storms directly affects agricultural output through losses and reduced yields.⁷²

2.20 The Dominican Republic has significant natural and cultural assets, yet their sustainable use poses challenges for the country's productive potential. Coastal restoration and conservation, a key condition for the country's tourism potential, have generated high costs.⁷³ One of the causes of beach erosion is the degradation of coral reefs, which lessens their functions of producing sand and acting as a buffer against waves.⁷⁴ Additionally, the country faces the challenge of preserving its cultural and historical capital, which also offers tourist potential. For example, the Colonial City of Santo Domingo, the first settlement in the Americas, has played a critical role in the history of the Dominican Republic.⁷⁵ It contains the country's most significant cultural heritage assets, both tangible (its historical buildings) and intangible (traditions and customs that persist due to the social and cultural diversity of its inhabitants). Despite its variety of uses (residential, commercial, touristic, and governmental), the Colonial City is deteriorating, due partly to residents and businesses relocating to more modern parts of the city. This drain has created problems in the urban, residential, economic, and cultural tourism spheres, which need to be addressed in order to preserve and revitalize this historic center.

2.21 Productive financing gaps deter greater private investment in existing and emerging sectors, depressing productivity and crisis resilience. The financial system lacks depth, and there are gaps in terms of financing and trade integration. Evidence shows that developed financial systems help to improve productivity by channeling resources to projects with higher returns, while also promoting innovation, research, and development, facilitating access to higher value-added markets, and helping to mitigate volatility and macroeconomic crises. Credit to the private sector in the Dominican Republic stands at just 29.5% of GDP, far below the averages for Latin America and the Caribbean (46.9%) and the OECD countries (72.4%). From the financial inclusion perspective, just 51% of adults aged 15 and older say they have a formal financial services account, compared with 73% in Latin America and the Caribbean. The financing gap for MSMEs in the formal sector is almost US\$13 billion.⁷⁶ If informal demand is included, the percentage could be as much as 30% of GDP, similar to the Latin America and Caribbean region. Measurements show that only 43% of MSMEs are owned by women,⁷⁷ and almost one third of these face partial restrictions in accessing credit.⁷⁸ Lastly, capital markets are

⁷² VPSA, 2023; Ovalles, 2011.

⁷³ A recent assessment of historical and current shoreline positions (ATN/OC-16820-DR) has found that in Las Terrenas, 76% of Playa Bonita is exhibiting shoreline recession rates of as much as -1 meters per year, while 70% of the shoreline at Playa de Los Pescadores–Punta Popy is being eroded with recession rates of up to -3 meters per year. Meanwhile, 74% of the coastline between Arena Gorda and Cortecito in Bávaro (north of Punta Cana) is being eroded at rates of more than -6 meters per year. Overall, the rate of erosion of coastal ecosystems at the sample beaches for this operation was found to be approximately 9.3% per year.

⁷⁴ Certain natural coastal resources, such as coral reefs, seagrass meadows, and mangroves, are of vital importance for the sustainability of dune ecosystems in coastal areas, as they supply them with sand and protect them from erosion by dissipating the force of waves and marine currents.

⁷⁵ The Colonial City was designated a World Heritage Site by UNESCO in 1990.

⁷⁶ Companies with fewer than 10 employees.

⁷⁷ National MSME Directory 2022, BCRD.

⁷⁸ MSME Finance Gap defines women-led companies as follows: Option 1: At least 50 percent female ownership, sole proprietorships that are female-owned, or female participation in ownership and management (senior management). Option 2: Sole proprietorships that are female-owned, or female participation in ownership and management (senior management).

characterized by low volumes and a lack of depth: stock exchange capitalization only 1% of GDP (compared with an average of 50% for Latin America and the Caribbean).⁷⁹

- 2.22 Safety is an essential condition for advancing economic growth led by the private sector because it creates an environment of greater investment confidence, facilitates business operations, and improves quality of life.** In this area, the Dominican Republic has shown significant progress in controlling violence. The homicide rate had been decreasing since 2010, and reached 8.7 homicides per 100,000 inhabitants in 2020. Although an increase was recorded in 2021, and the rate climbed to 12.37 in 2022, an improvement was observed in subsequent years: the homicide rate was 11.5 in 2023 and in 2024 decreased to 9.6 homicides per 100,000 inhabitants. While still above the 2020 level, these rates are significantly below the regional average of 19 homicides per 100,000 inhabitants. These results reflect the country's potential to continue strengthening its citizen security policies as a key factor in boosting entrepreneurship, attracting more private investment, and consolidating sustainable and inclusive economic development.

WHAT WE WILL DO:

- 2.23 The IDB Group's work under this pillar with leadership from IDB Invest supporting private investment, the IDB strengthening strategic reforms and institutional improvements, and IDB Lab as an innovation laboratory, seeks to align closely with Plan Meta RD 2036.** The strategic guidelines in the following paragraphs describe actions aimed at supporting the private sector as the country's engine of growth with the ultimate objective of achieving a substantial improvement in GDP per capita. The plan proposes overcoming the structural limitations facing the Dominican economy through strategic investments and support for reforms in key sectors for the functioning of businesses. Given the importance that the Plan Meta RD 2036 puts on the private sector for leading the country's transformation, IDB Invest is expected to make a similar contribution to achieving the strategic objectives described in the following paragraphs, particularly in the sectors of infrastructure, including energy, agroindustry and tourism diversification, and MSMEs, trade, local industry, and technology, including through partnerships with financial institutions. Consistent with IDB Invest's New Vision and Business Model (IDBInvest+), priority will be placed on mobilizing resources from private sector development partners and institutional investors, thus enhancing the scope and financial sustainability of interventions.
- 2.24 Safe, resilient transportation and logistics solutions will be provided that make the productive sector more competitive and improve conditions for private participation in the sector.** Investments will be financed in port infrastructure, connectivity, and road upgrades, incorporating resilience criteria, as well as improvements in their management. Priority will also be placed on improvements in road safety with the aim of reducing traffic accident deaths and ensuring that transportation services are safe, reliable, and accessible. The strategy will promote development in the north of the country through the restoration of port and logistics infrastructure at the Port of Manzanillo, together with improvements to the road infrastructure in the port's area of influence comprising the Duarte highway⁸⁰ and a network of secondary and rural roads. Efforts will

⁷⁹ For more information, see <https://statistics.world-exchanges.org/>.

⁸⁰ Montecristi – Navarrete – Santiago de los Caballeros – Santo Domingo.

also target improvements in road infrastructure resilience with a special focus on the country's most critical bridges, as identified using the Blue Spot model.⁸¹

- 2.25 The IDB will seek to play a leading role strengthening the enabling conditions for sustainability and efficiency of the electricity and mining sector.** Firstly, The IDB Group will promote improved conditions for enhancing the quality of the energy supply, and will work on the conditions for the development of sustainable mining. The country will be supported in the development of infrastructure to modernize and expand the electricity distribution network in order to reduce losses, improve service continuity, and strengthen the capacity of the system to meet the sustained increase in demand. At the same time, institutional strengthening actions will be supported, to transform distribution management by promoting spaces for private sector participation that contribute to improvements in operational and commercial capacity. These actions will be aimed at increasing electricity system reliability by minimizing the duration and frequency of power outages. In the transmission segment, the IDB will continue promoting proposals for new infrastructure investments that ensure the early incorporation of new nonconventional renewable energy and energy storage projects. Support will also continue for public sector energy efficiency through technology substitution in such areas as public lighting, pumping systems, and air conditioning, thus contributing to lower electricity consumption. By promoting interventions to strengthen the governance, management, and operational capacity of public institutions in the electricity system, the strategy will help to develop the enabling conditions for financial sustainability in the electricity sector. In the mining sector, the country will be supported in determining the technical, environmental, and economic feasibility of developing the country's rare earth potential, while consolidating a legal framework for attracting investment into the expansion of sustainable mining through a new mining law and regulations.
- 2.26 Public goods will be provided in the agriculture sector, and conditions will be improved for the sustainable use of natural and cultural capital, cementing the country's comparative advantages.** The provision of public goods that improve agro-industrial productivity, increase private sector investment, and enhance food security will be strengthened, while also improving or restoring the natural resources on which the resilience and competitiveness of the agriculture sector depend. In terms of public goods, technology innovation and transfer systems will be upgraded, to facilitate the development and adoption of new agricultural technologies that will be validated and made available to producers. Extension systems will be improved by updating the relevant policies governing them, as well as strengthening extension providers to improve the delivery of rural advisory services. Animal and plant health and food safety services will be strengthened, alongside agricultural statistics systems for decision-making and public policy formulation. The strategy will continue to assist with interventions to improve land tenure in the country's priority watersheds, while building the capacity of entities responsible for designing, operating, and maintaining irrigation and drainage infrastructure, to reduce flood risk and improve the conveyance of water for irrigation in the priority watersheds. These actions are part of the América en el Centro regional program under its "Climate adaptation and resilience" pillar through disaster risk management and preparedness for climate-induced social challenges.⁸² Meanwhile, work to revitalize the Colonial City of Santo Domingo from an urban, economic, and cultural tourism perspective will continue

⁸¹ This methodology, which supports risk management within a decision-making-under-uncertainty framework ([Blue Spot Analysis](#)), has been introduced in the Dominican Republic with IDB support and is now fully operational.

⁸² Channeled through the investment operation "Project for the Yuna River Watershed Management Plan" (DR-L1161).

through the restoration of public spaces and historical monuments, improved livability conditions for residents, the development of local economies, and strengthened management.

2.27 IDB Invest will seek to focus its efforts on strategic sectors, consistent with the country's vision regarding the private sector's role in growth. IDB Invest will seek to support opportunities for expanding private sector participation in the transportation and logistics sector. These actions will promote resilient productive infrastructure provision in road transportation, integration with logistics hubs, and port development in the Northwest, including the promotion of risk-adjusted financing structures to facilitate the participation of new players. This will mean creating investment-friendly conditions through PPPs, especially for investments in roads, including robust demand projections, bankable and fiscally responsible PPP structures, and competitive concessioning processes, as well as strengthening the associated regulatory framework to increase legal certainty. Secondly, IDB Invest will foster diversification of the energy supply by financing and mobilizing private investor resources for generation projects using renewable sources like solar and wind power, encompassing everything from the design to the operation and maintenance of these facilities. Additionally, IDB Invest financing for battery energy storage systems will allow for better nonconventional renewable energy integration, while contributing to the reliability and stability of the electricity system.⁸³ Taken as a whole, these actions represent progress in the direction of an energy transition consistent with the country's climate targets as set out in its Nationally Determined Contributions.

2.28 The private sector has a fundamental role to play in strengthening the sustainable use of natural and cultural capital. The adoption of nature-based solutions, payment for environmental services programs, climate-smart technologies and practices, certification of good agricultural practices, and increased lending in the agricultural sector for investment in climate technologies will be encouraged, including through IDB Invest. IDB Invest will also assess opportunities for contributing to the diversification of sustainable tourism offerings with multiplier effects on the domestic economy and a distinctive offering, as well as the sustainable development of new tourist destinations.

2.29 IDB Invest will seek to increase financing for production and international trade. An expansion and diversification of the supply of more sophisticated financial products that can effectively meet long-term financing needs in local currency will be promoted through IDB Invest. IDB Invest will also continue working to strengthen value chains and access to international markets through financial solutions in the areas of international trade finance and the supply chain integration of local businesses, supported by commercial banks and partnerships with anchor companies. At the same time, it will seek to fill financing gaps, particularly in the agriculture,⁸⁴ local industry, technological innovation, and MSME sectors, focusing on traditionally unserved segments.⁸⁵ Support for MSMEs will be complemented by programs to provide training, technical assistance, financial education,

⁸³ IDB Invest has created formal partnerships to finance the country's energy transition through pioneering, historical, and innovative projects, such as the largest financing package so far for renewable energy projects in a Caribbean economy (390 MW of renewable capacity under six projects in 2024), battery power storage as a complement to solar generation, and the first commercial vehicle charging station in the Caribbean.

⁸⁴ Through loans focused on productivity and investment in climate technologies.

⁸⁵ In partnership with the Women Entrepreneurs Finance Initiative (We-Fi), IDB Invest is promoting financing for women entrepreneurs through WeCode, launched in the Dominican Republic in 2023 as a pioneer country in the region. This initiative, which promotes sustainable change in how the financial sector addresses the credit needs of Dominican women, has garnered the commitment of 14 financial institutions, the support of the central bank and the Superintendency of Banks, and strengthening of the Multibank Association of the Dominican Republic as the national coordinator. IDB Invest is working to expand this experience regionally.

and business acceleration services, thus encouraging sustainability and growth in this segment.

- 2.30 The IDB Lab will continue strengthening the entrepreneurial ecosystem and promoting innovation in strategic sectors, to improve private sector productivity and competitiveness.** Its priorities will include promoting the open finance ecosystem and development of the venture capital industry, as well as exploring opportunities to support the adoption of efficient, sustainable, next-generation transportation solutions. IDB Lab will also continue supporting innovative solutions that promote the sustainability of natural capital, including the promotion of models for the recovery and productive use of waste and sargassum weed.
- 2.31 The IDB will support private sector growth by promoting a more secure environment through the Alliance for Security, Justice, and Development.**⁸⁶ This partnership, of which the Dominican Republic is a member, is a regional platform that promotes dialogue, cooperation, knowledge sharing, and resource mobilization to combat organized crime in the region. Although the country does not face the levels of violence or crime seen elsewhere in the region, it participates actively in the initiative in recognition of the emerging risks and the need to build institutional capacity in the field of security and justice. The alliance mobilizes human, technical, technological, and financial resources to strengthen the regional institutional response to organized crime, addressing both its causes and consequences. It does so through three types of regional products: (i) generation of knowledge, tools, and methodologies for evidence-based decision-making; (ii) creation of interagency coordination mechanisms at the national and transnational levels; and (iii) development of policy innovations and pilot interventions with potential for scale and impact. The Dominican Republic can benefit from these regional products by accessing adaptable solutions, good practices, and tools to strengthen its national capabilities and contribute to preserving a safe and enabling environment for private investment.

EXPECTED IMPACT

Enhanced resilience of the ground transportation network and increased port logistics capacity. The strategy will help to improve the hydrometeorological resilience of the country's 150 most vulnerable and critical bridges with the objective of strengthening the logistics network and contributing through the reduction of damage and losses to economic growth. This will benefit more than 1.9 million people in the provinces making up the El Cibao region, as well as exporters (who will be able to access better facilities and logistics services) and agricultural producers. In addition, through the use of resilience criteria for the rehabilitation and upgrading of the road network in 12 of the country's 31 provinces, operating costs and travel times on roads and highways are expected to decline, as will the number of road closures due to natural disasters, benefitting 430,000 inhabitants. Rehabilitation and expansion of the Port of Manzanillo, the main port in the north of the country, will help to expand opportunities for the private sector and shorten transportation and logistics times to the United States (the country's main trading partner) by one day. The use of PPPs and other arrangements is expected to attract greater private investment into the operation and maintenance of resilient infrastructure assets and services supported by IDB Invest.

Improved road safety. Efforts will seek to improve the safety of the road network through interventions targeting major highways, investment in infrastructure, and other priority actions, thus helping to lower the number of traffic accidents and resulting fatalities. Regulation, control, and education actions and care for victims will benefit the entire Dominican population directly and indirectly. The more than 7.2 million annual users of the targeted

⁸⁶ For more information, see [link](#).

highways will experience improvements in infrastructure, and around 219,000 people living in the area of influence of the same highways will benefit indirectly from safer mobility conditions in their vicinity.

Increased efficiency of the electricity system. The strategy will contribute to increased electricity system capacity and efficiency (loss reduction) through investments in distribution infrastructure; grid modernization; the construction, operationalization, and modernization of substations; and improvements in the operational and business management of distribution companies. The aim of these measures will be to reduce the deficit in the electricity market, helping to improve its financial sustainability, meet demand over the long term, and increase system reliability by minimizing both the duration and frequency of interruptions in network availability. In the transmission segment, the initiative will continue for proposals to support to new infrastructure investments that ensure the early incorporation of new nonconventional renewable energy and energy storage projects.

Increased sources of power generation. IDB Invest will finance nonconventional renewable generation, storage, and other technology projects that drive the energy transition. The impact of these projects will be measured through an increase in the share of these sources within the national electricity matrix.

Increased investment in sustainable mining. The IDB will support analysis of the technical, environmental, and economic feasibility of developing the country's rare earth potential, while simultaneously developing a legal framework to help attract investment into the expansion of sustainable mining development.

Increase in agricultural producers using technology. Agriculture sector interventions focused on public and private goods will contribute to improving the country's productivity levels, exports, and food security. Interventions are expected to increase the number of producers receiving technical assistance or extension services to around 34,000; the number of producers who adopt climate-smart technologies or achieve certification in good agricultural practices; and the area covered by nature-based solutions or payments for environmental services by around 29,000 hectares. The strategy will also seek to increase financing flows from second-tier banks for investments in adaptation and mitigation technologies that help to improve production sustainability.

Expansion in coastal conservation zones and rehabilitated public and historical spaces. The IDB will support the restoration and conservation of priority tourism-oriented coastal zones by expanding the area covered by either coastal ecosystems or beaches/dunes that are maintained and recovered through land-use planning measures.⁸⁷ This will facilitate an increase in economic activity in these areas. This will benefit around 128,000 local residents, 15 alternative enterprises with a total of 350 direct employees from coastal communities, and more than 5 million domestic and international visitors each year. In addition, revitalization of the urban and economic dimensions of the Colonial City of Santo Domingo is expected with the aim of strengthening the supply of cultural tourism, improving livability conditions for residents, developing the local economy, and strengthening the management of cultural and urban tourism. Additionally, IDB Invest will support the creation of more than 2,000 jobs during the construction of hotel infrastructure, 400 jobs during operation, and productive development in a municipality with high current poverty levels, in addition to incorporating multiple sustainability elements. IDB Lab will seek to support the coastal areas of the eastern part of the country through targeted interventions for the collection and processing of sargassum weed, with the goal of turning this environmental challenge into a development opportunity.

Increased lending to unserved segments. IDB Invest interventions are expected to contribute to closing gaps in productive financing to the private sector, fostering financial inclusion with a focus on MSMEs, women, and unserved groups. Financial inclusion will also be improved through the development of digital channels, an interoperable payment ecosystem, and strengthening of the banking system, including nonbank financial intermediaries. Lastly, MSMEs will benefit from adequate financing, training programs, and advisory services. Specifically, MSMEs in the agriculture sector are expected to be supported for productive financing and climate technologies with enhanced technical assistance benefits for the sector, women, and strengthening of Banco Agrícola de República Dominicana (BAGRICOLA).⁸⁸ The expected outcomes include increased access to long-term financing in local currency, development of sophisticated financial products, promotion of climate finance, and increased participation in international value chains and markets. Meanwhile, dialogue will continue with Banco de Desarrollo y Exportaciones (BANDEX), the Ministry of Finance, and the financial authorities, to

⁸⁷ IDB support for restoring and conserving priority coastal areas used for tourism will take into account national spatial planning tools that incorporate a long-term vision regarding prolonged hydrometeorological phenomena.

⁸⁸ Program to Finance Sustainable Investments and Improve Productivity in the Dominican Republic's Agriculture Sector: <https://www.iadb.org/en/project/DR-L1157>, and Improvement of the Institutional Capacity of Banco Agrícola to Support the Execution of Loan DR-L1157: <https://www.iadb.org/en/project/DR-T1267>.

leverage the impact on access to financial services. The mobilization of private and institutional capital to deepen the debt capital market will also be promoted.

Increased and mobilization of financing for private investment and international trade credit. The strategy seeks to increase the resources mobilized by IDB Invest from private development partners to finance sustainable, high-impact investments in sectors of the real economy. Opportunities will also be explored to expand the international trade flows promoted by IDB Invest through financing solutions for international trade and supply chains. IDB Lab will continue to nurture the entrepreneurial ecosystem by encouraging innovation and the adoption of new technologies that contribute to improving private sector competitiveness.

Programmatic approach.⁸⁹ The program's objective is to provide safe, resilient transportation and logistics solutions and promote the sustainability and efficiency of the electricity sector. To do so, integrated interventions will be promoted to strengthen the country's strategic infrastructure with an emphasis on making the road system more resilient, improving port logistics capacity, making roads safer, optimizing the operational efficiency of the electricity system, and expanding the share of renewable energy in the generation mix.

In transportation and logistics, a holistic vision is promoted aimed at strengthening strategic connectivity, increasing productivity, and improving road resilience and safety. With an initial subnational focus on the northern region, priority is being given to the rehabilitation and expansion of the Port of Manzanillo and its connection to the main road network through the modernization of the Duarte Highway and secondary and rural roads, to facilitate the El Cibao region's integration into national and international logistics corridors. These investments will reduce transportation times and costs, benefiting exporters, agricultural producers, and local communities. To reduce loss and damage caused by vulnerability to natural disasters, rehabilitation and maintenance programs are being implemented for the national road network, including the reinforcement of 150 critical bridges against hydrometeorological events, with positive impacts on operational continuity and fewer interruptions. Progress is also being made in improving trunk corridors prioritized in the National Road Safety Plan through infrastructure interventions, increased enforcement, road safety education, and victim assistance. This effort is complemented by strategic partnerships with the French Development Agency (AFD), the European Union, Japan International Cooperation Agency (JICA), the FIA Foundation, PAHO/WHO, the World Bank, and ECLAC, which provide technical support and other key initiatives in road safety. These actions are supported by a robust knowledge agenda and ongoing technical assistance, which have made it possible to update key instruments like the National Freight Logistics Plan, implement the National Mobility Policy, and advance on strategic regulatory reforms. The transportation and logistics program will support reforms and investment to make the Dominican economy more productive and competitive, consolidate regional integration by positioning the country as a logistics and nearshoring hub, and thus accelerate economic growth. In addition, private sector participation is promoted through public-private partnerships, and innovative sustainable transportation solutions are explored through IDB Lab, creating a more competitive, resilient, and safe ecosystem.

In the energy sector, the transition is being accelerated towards a more sustainable, efficient, and resilient system. The program includes marquee investments in modernization and expansion of the distribution grid, electrical substations, and new transmission infrastructure that, together with energy storage solutions, will facilitate the incorporation of nonconventional renewable energy. These actions seek to reduce technical and nontechnical losses, improve service continuity, and make the electricity system more reliable, while promoting the operational efficiency and financial sustainability of distribution companies. In recent years, the IDB has supported this agenda through a series of programmatic and investment loans, as well as technical cooperation operations that have contributed to expanding renewable generation installed capacity, strengthening regulatory and operational planning for the sector, and carrying out studies for the energy transition, improvement of distribution efficiency, and promotion of private participation. In generation, priority is given to financing projects with clean sources and low-emission technologies by mobilizing private investment through IDB Invest, including storage systems to optimize the integration of renewables into the grid. The energy program combines investment loans, technical cooperation operations, and specialized assistance within the sector reform agenda as a result of ongoing technical dialogue with the government. Key reforms have been promoted within this framework, such as tariff reform and distributed generation regulation, aimed at promoting financial sustainability and user investment in clean solutions.

⁸⁹ In transportation and logistics, the referenced operations are: DR-L1168, DR-L1132, DR-L1140, DR-L1141, DR-L1151, DR-L1166, DR-T1101, DR-T1290, DR-T1312, DR-T1172, and DR-T1216. In energy, the referenced operations are: DR-L1122, DR-L1128, and DR-T1218; IDB Invest 14542-01 and IDB Invest 14676-01.

PILLAR 3. INCREASE PUBLIC SECTOR EFFICIENCY AND RESILIENCE

WHY IT MATTERS:

- 2.32 The country needs a sustainable fiscal policy for the satisfactory delivery of public services, driven by resilient, high-quality public expenditure.** Although the country has made efforts to implement reforms that improve fiscal revenue and public expenditure quality, sustainability challenges remain. Tax revenue intake is insufficient to cover public investment and social expenditure needs, limiting the government's ability to promote economic growth and close social gaps. Furthermore, weaknesses in public spending and high budget rigidities make it difficult to improve the efficiency of public resource allocation, and resilience and regional/spatial planning criteria are absent. Overcoming these obstacles affecting growth requires efforts to improve fiscal sustainability and the quality of public expenditure, promote transparency and accountability, and update and improve regulatory frameworks in key areas like resilience and private sector participation mechanisms (PPPs).
- 2.33 Low fiscal revenue limits the government's capacity to finance essential services and respond to shocks.** Tax revenue in the Dominican Republic is among the lowest in the region with a tax ratio of 13.9% of GDP in 2022, versus the Latin American and Caribbean average of 21.5% (Figure 5). This low level of revenue is mainly the result of a fiscal structure characterized by significant levels of evasion (43.6% in the industrialized goods and services transfer tax (ITBIS) and more than 57% in the corporate income tax (ISR PJ));⁹⁰ high levels of informality, which erode the tax base and hinder tax enforcement; and a weak cadastre system that limits the collection of property taxes and fees.⁹¹ Improvements in tax administration have been insufficient. Although the share of taxpayers filing tax returns has risen (from 47% to 74% in the ITBIS between 2017 and 2024, and from 59% to 72% in the corporate income tax over the same period), the effect on the revenue intake from core taxes has been comparatively limited.⁹² Levels of tax expenditure are also high, further shrinking the tax base⁹³ and undermining the equity and sustainability of the fiscal system. This severely limits the fiscal space available to the country and hampers its ability to sustainably finance key public services and infrastructure investments for development.

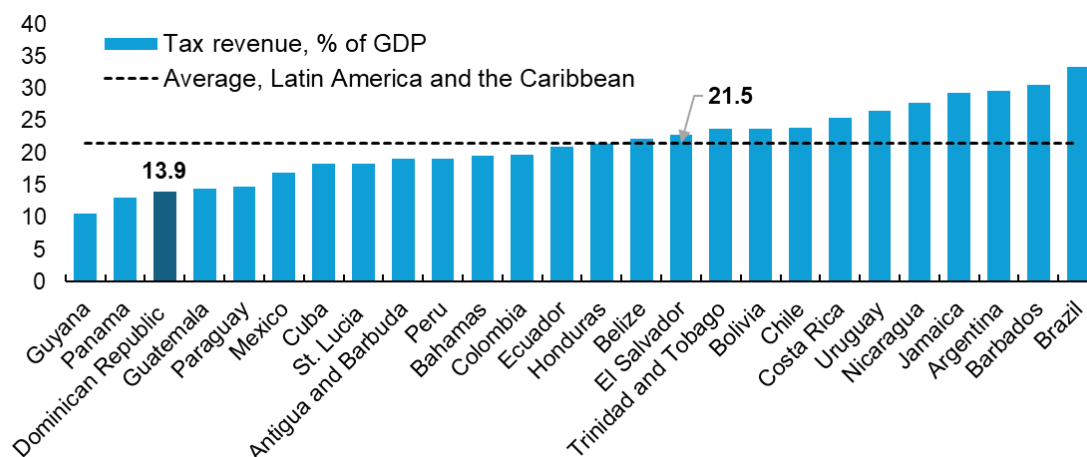
⁹⁰ The ITBIS is equivalent to other countries' value-added taxes, and the ISR PJ is levied on the net profits of legal entities or companies. [Ministry of Finance, BCRD, and Ministry of Economy, Planning, and Development \(MEPD\) \(2018\)](#).

⁹¹ In addition to affecting revenue from the real estate tax, which is levied by the central government, these latter two factors also interfere with municipal tax revenue.

⁹² ITBIS revenue rose from 4.51% of GDP in 2017 to 5.14% in 2024, and corporate income tax revenue rose from 2.21% to 2.61% in the same period.

⁹³ At an estimated 4.81% of GDP in 2024 and 4.73% in 2025, tax expenditure in the Dominican Republic is relatively high. Individual exemptions from the ITBIS account for more than half of this, mostly benefiting social strata with greater purchasing power. A further proportion reflect various tax incentive regimes, the most significant of which are the industrial free zones.

**FIGURE 5. TOTAL GOVERNMENT TAX REVENUE, 2022
(% OF GDP)**



Source: OECD database.

Note: Includes central or federal government, regional and local governments, and social security funds.

2.34 Public spending is both insufficient and rigid and faces challenges of quality and resilience. Inadequate fiscal revenue has hindered growth in public expenditure, which stands below the average for Latin America and the Caribbean: 18.5% of GDP in 2022, versus 34.8% for the wider region. In addition, the country's regulatory/institutional framework is insufficiently capable of ensuring that public funds are allocated and used efficiently. Spending is highly rigid, with more than 60% predefined by special laws. This limits the government's ability to strategically allocate resources and respond to new priorities or shocks without jeopardizing fiscal sustainability. The lack of resilience in public expenditure is particularly significant for a country with high exposure to extreme natural events. Despite recent progress in developing tools and capabilities for identifying, monitoring, and evaluating those parts of expenditure aimed at preparing the public sector for such events, there are still no regulations to ensure that the government's procurement of goods and services (e.g., the public investment projects that it finances) meets adequate resilience standards.

2.35 The quality of public expenditure is compromised by weaknesses in the SIGEF financial management information system and its connections to other key information systems, as well as weaknesses in the management of the civil service. The public sector has weak institutional capacity for ensuring traceability in public expenditure, hindering the prevention of irregularities, control of corruption, and efficient use of public resources. Despite progress with respect to important reforms (e.g., the strengthening of interoperability between financial and procurement systems; adoption of a budget classifier relating to climate change, risk management, and biodiversity; and progress on implementation of the results-based multiyear budget), significant challenges remain in terms of interoperability between the planning, budget, investment, procurement, and monitoring and evaluation systems, as well as the limited coverage of internal and external control mechanisms. Efficiency in human resource management is also limited. The Civil Service Development Index was only 41 points out of 100 in 2024,

reflecting stagnation in civil service professionalization,⁹⁴ and it is estimated that less than 2% of public employees were hired through competitive processes.⁹⁵

- 2.36 Limited institutional capacity restricts development and resilience at the subnational level.** Only 5% of municipios in the Dominican Republic have urban and spatial development plans,⁹⁶ and a lack of own-source revenues limits their ability to effectively implement such plans. At the same time, most subnational investments are made by sector ministries and have no systematic link with local demands. Strengthening public expenditure prioritization capabilities and improving synergies between central and local planning dynamics are key for ensuring the viability of investments that can effectively attract investment and local economic growth, reduce risks through climate- and earthquake-resilient infrastructure and housing, and improve the quality of life at the subnational and local levels.

WHAT WE WILL DO:

- 2.37 Two strategic objectives will be pursued under this pillar:** (i) strengthen fiscal sustainability; and (ii) integrate planning and resilience criteria into public investment and improve spatial planning.
- 2.38 Strengthened fiscal sustainability.** To strengthen the public finances, support will be provided for country-led reforms to make the tax system more effective and progressive and ensure public expenditure quality and sustainability. The Bank will thus continue to provide technical and financial support to modernize the tax system and improve the quality of public expenditure. In terms of revenue, measures will be supported to increase tax revenue intake by strengthening enforcement, facilitating taxpayer compliance through the digital transformation of tax administration, risk analysis, and electronic invoicing. In addition, assistance will be provided to strengthen the regulatory and institutional framework for public expenditure management, as well as the SIGEF financial management information system and its links with public procurement and investment systems and the Office of the Comptroller General of the Republic (CGR). The Bank will also continue to support the implementation of results-based budgeting with the design of investment appraisal methods that incorporate resilience and energy efficiency criteria, the implementation of sustainable procurement policies, and other measures.
- 2.39 Improved public management efficiency and transparency of the national government.** The strategy will contribute to the consolidation of transparency, integrity, and accountability in public resource management by reinforcing internal control mechanisms, ensuring traceability in the administration of public resources, promoting citizen participation and access to information, and strengthening integrity in both the public and private sectors. It will also seek to strengthen crosscutting public management systems by improving the professionalization of the civil service based on merit and efficiency. To this end, planning and transparency in public employment will be strengthened with improved controls over the creation of new positions for administrative

⁹⁴ For comparison, in the 2014 evaluation the country scored 39 points. See the publication "[Better Governments for Better Lives](#)," IDB 2024.

⁹⁵ See the "[Institutional Diagnostic Assessment of the Civil Service: Dominican Republic](#)," IDB 2020.

⁹⁶ According to the performance ranking produced by the municipal public administration monitoring system (SISMAP), 85 of the country's 158 municipios have some level of performance in regional/spatial planning. Only Santiago has a performance level of 95%. Eight municipios have achieved an 85% performance level, with the National District at 80% (significant progress), 5 municipios at 65%, 22 municipios at 60% (some progress), 5 municipios at 50%, 9 municipios at 40%, and 24 municipios at 30% (little progress).

support and simplified statute employees, refinement of the merit-based recruitment and selection process based on external competition, payroll audits, the correction of salary inequities, strengthening of human resource units, and creation of a transparency portal. Support will be provided to modernize technological infrastructure at the Ministry of Public Administration through an expansion of the payroll-linked civil service administration system, improvements in cybersecurity and interoperability, and a technology maintenance plan. Lastly, staff capabilities for digital transformation will be strengthened through training in processes, digital skills, telework, and talent management leadership. This framework will help to strengthen digital identity for citizens and businesses, a key process for improving public administration efficiency and creating a more favorable environment for the private sector.

2.40 Resilience criteria integrated into public investment and improved spatial planning.

The strategy will continue to support the adoption of resilience criteria through the expansion and application of the budget classifier related to climate expenditure, risk management, and biodiversity; strengthening of the methodology and tool for appraising and prioritizing public investment projects with reference to resilience criteria and the implementation of sustainable procurement policies; and strengthening of the environmental capabilities of the Ministry of Environment and Natural Resources. These actions are part of the América en el Centro regional program under its “Climate adaptation and resilience” pillar through the strengthening of disaster risk management and preparedness for social impacts caused by climate change.⁹⁷ Spatial planning and subnational development mechanisms will be strengthened, so investments can be prioritized based on municipal plans. Local public management capacity-building will focus on issues of resilience.

EXPECTED IMPACT

Improved efficiency of tax administration. Tax compliance will be improved through process digitalization, mandatory electronic invoicing, and improvements in enforcement and the cadastre system. These measures seek to increase the percentage of taxpayers who file ITBIS and income tax returns (versus the total number required to file), thus helping to increase tax revenue.

Increased efficiency and transparency in public expenditure. The strategy will support strengthening of the SIGEF financial management information system, the national public procurement system, and the public investment system, as well as interconnections between all of these systems. This measure seeks to increase the percentage of institutions that use the SIGEF for execution and use Web services to update their data on public investment under the current national budget, thus enhancing public sector efficiency and transparency. Efforts will also promote greater equity and professionalization of the civil service, including progress towards gender equality in public employment. Strengthening of the Ministry of Public Administration is expected to increase the number of civil service recruitment processes that use competitive selection methods.

Increased resources and institutional capacities for resilience and spatial planning. The strategy will strengthen the incorporation of energy resilience, security, and efficiency objectives into public sector management (measured as the proportion of resilience-related public expenditure that is executed). Efforts will also strengthen the resilient use of land through a bottom-up planning system that ensures that investments identified by subnational entities are prioritized in accordance with the objectives of the National Land Management Plan (PNOT) for the population’s well-being, natural resource management and resilience, and promotion of economic competitiveness.

⁹⁷ Channeled through the technical cooperation operation “Fiscal Policy and Climate Change: Support for the Ministry of Finance of the Dominican Republic” (DR-T1259).

Programmatic approach.⁹⁸ The objective of the planned program for the coming years is to strengthen the Dominican Republic's fiscal sustainability through an integrated agenda of reforms aimed at improving the efficiency of the tax system, the quality of public expenditure, and transparency in public management. The expected outcomes include a sustained improvement in the efficiency of tax administration, as well as an increase in the efficiency and transparency of public expenditure, contributing to fiscal discipline, better resource allocation, and greater institutional capacity. In recent years, the IDB has supported the country with a series of operations and technical instruments supporting the technological modernization of tax administration, the redesign of auditing and invoicing processes, and the strengthening of information and control systems for expenditure management. Additionally, under a strategic partnership the IDB and the World Bank are working closely together in the Dominican Republic to strengthen the country's fiscal sustainability. This agenda is implemented through a combination of knowledge products, investment operations, and technical cooperation operations that enable progress on critical processes such as the digital modernization of the Internal Revenue Office (DGII), the mandatory adoption of electronic invoicing, and the strengthening of audit systems with a focus on risk profiles. In terms of expenditure, the program promotes the modernization of the SIGEF financial management information system, the strengthening of the country systems for investment, public procurement, and internal control, and SIGEF interoperability with these systems. It also supports the implementation of the results-based multiyear budget, the integration of climate resilience and environmental sustainability criteria into the management and evaluation of public expenditure and national investment and public procurement systems, and the implementation of the first National Plan for the Evaluation of Public Policies and Programs. Support is also provided for civil service professionalization and the digital transformation of the Ministry of Public Administration, including the expansion of the public servant administration system and the promotion of digital identity for citizens with a view towards more efficient, transparent, and results-focused public management.

CROSSCUTTING THEMES

WHY THEY MATTER:

2.41 Weaknesses persist in the creation of economic opportunities for vulnerable groups, and are aggravated by natural disasters. The Dominican Republic has made progress in gender equality, as reflected in its performance on the Global Gender Parity Index, where it scored 0.771 in 2022, above the regional average (0.751). Nonetheless, significant challenges remain, particularly in the economic sphere:⁹⁹ in 2024, only 53.5% of women of working age participated in the labor market, compared with 78.3% of men, while 59.8% of employed women work in the informal sector, where productivity is low and the greatest income gaps exist.¹⁰⁰ Although women account for 69% of higher education graduates, this investment in human capital is not fully reflected in workforce participation or access to higher-quality jobs. The reasons for this paradox include traditional gender norms, which assign care responsibilities to women and restrict their access to productive opportunities. In terms of financial inclusion, women lead only 5% of MSMEs, and approximately one third of these face partial constraints in their access to credit.¹⁰¹ Gender-based violence remains a serious problem. Around 70% of women over age 15 have experienced some type of violence, and the country has the region's fourth highest rate of femicide (2.9 per 100,000 women).¹⁰² Moreover, 4.6% of female adolescents

⁹⁸ In fiscal strengthening, the referenced operations are: DR-L1142, DR-L1150, DR-L1169, DR-T1220, DR-T1258, DR-T1259, and DR-T1293.

⁹⁹ The Dominican Republic scored 0.603 in Women's Empowerment Index published by UN Women in 2022, 5% below average for Latin America and the Caribbean. This places the country in the medium-low empowerment category, even though it belongs to the medium-high group on the Human Development Index.

¹⁰⁰ Female labor income was equivalent to only 89% of male labor income in 2019. Urquidi, Serrate, and Chalup (2023).


¹⁰¹ MSME Finance Gap (2017): Assessment of the Shortfalls and Opportunities in Financing Micro, Small and Medium Enterprises in Emerging Markets.

¹⁰² This is well above the OECD average (23%). <https://www.oecd.org/gender/vaw.htm>.

aged 15-25 have experienced sexual violence, while less than 20% of female victims of physical or sexual violence seek help from specialized institutions. Lastly, the rate of adolescent pregnancy is one of the highest in the region and remains a risk factor for neonatal mortality, school dropout, and labor exclusion for young women. Meanwhile, persons with disabilities face sizeable gaps in access to education and work opportunities. Some 18.1% of young persons with disabilities (ages 5-29) have never attended school, and more than 80% remain outside the labor market.¹⁰³ This context is aggravated by the limited accessibility of public infrastructure and services for this population. Lastly, these vulnerable groups, together with low-income individuals, are disproportionately affected by climate or environmental events¹⁰⁴ due to a lack of resilient housing and infrastructure, basic services, and effective social protection mechanisms.

- 2.42 Public sector institutional capacities are limited, while capacities in some parts of the private sector also need to be strengthened.** The Dominican Republic is at an intermediate stage of regulatory development that hampers private sector productivity. It also needs to strengthen its institutional framework in order to improve the efficiency and transparency of governance.¹⁰⁵ The country still needs to build capacity in such areas as (i) results-based budgeting; (ii) using national fiscal management systems to improve the efficiency and transparency of public spending; (iii) meritocracy in the civil service;¹⁰⁶ (iv) regulatory and integrity issues, including international standards in money-laundering legislation;¹⁰⁷ (v) project preparation and risk management for PPPs; and (vi) integrating women and vulnerable groups into the workforce and promoting equality and violence prevention through education. Private participation in infrastructure projects, based on satisfactory enabling conditions and the use of PPPs or other mechanisms, has the potential to yield quality services. However, some of the limitations experienced by the relevant public institutions with respect to the design, preparation, structuring, and monitoring of these types of projects will need to be addressed, as will their capacity to manage associated risks. Consequently, a satisfactory environment would not only be in the interests of private investors and financial institutions, but would also help to narrow the country's infrastructure gaps and lead to sustainable improvements in services.¹⁰⁸

WHAT WE WILL DO:

- 2.43 The strategic areas of this country strategy take a crosscutting approach to the inclusion of vulnerable groups, institutional and business capacity-building, and strengthening resilience.** These themes will be integrated into all actions and throughout the different stages of projects with the objective of achieving more inclusive, scalable, and sustainable results.
-  **2.44 Social services will be strengthened, and economic opportunities created, for the most vulnerable population groups.** Improvements will be promoted in essential services like water and sanitation, health, and social protection, and regulatory frameworks

¹⁰³ [ECLAC \(2023\)](#).

¹⁰⁴ Estimates are that more than one third of the population lives in households that may be considered vulnerable to adverse natural events (World Bank, 2022).

¹⁰⁵ OECD (2022). [OECD Program for Latin American Competitiveness](#).

¹⁰⁶ State of Integrity at Latin American and Caribbean Businesses. IDB (2023).

¹⁰⁷ The country is in noncompliance or partial compliance with several key recommendations, which limits the effectiveness of the system and represents a reputational and operational risk for the financial and business sector. Financial Action Task Force of Latin America. Dominican Republic: Progress Update (2022).

¹⁰⁸ Economist Impact and IDB, 2024.

will be strengthened to reduce discrimination and encourage greater participation by women and diverse groups in the formal labor market. In order to facilitate quality workforce integration, work will be done in partnership with the education sector to develop skills among populations where gaps are greatest, and with the private sector to increase access to formal employment, adequate financing, and entrepreneurship opportunities. As a complement to this, support will be provided for implementing integrated services to meet the specific needs of women (particularly adolescents and victims of gender-based violence), and government capabilities will be strengthened for the design and implementation of policies to support gender equality and violence prevention.

➔ **2.45 Public sector institutional capacity will be expanded.** Work will be done to strengthen the institutions responsible for identifying, prioritizing, and evaluating projects. The capabilities of the relevant entities will be further developed across the entire project cycle: planning, financial management, structuring, procurement and contracting, implementation, and monitoring and evaluation. Advisory services will be used to strengthen the ability of private stakeholders to identify and mitigate financial and nonfinancial risks (e.g., contextual, environmental, social, governance, and integrity risks) in a timely and effective manner.

➔ **2.46 The resilience of households, infrastructure, and public management to natural disasters will be strengthened.** Greater resilience of households, infrastructure, and institutions will be promoted by developing resilient social and productive infrastructure and clean energy generation, and by systematically incorporating resilience, adaptation, and mitigation criteria into the planning and execution of public management. Access to resilient water and sanitation infrastructure will be prioritized, together with proper solid waste management, thus helping to lessen the population's exposure to environmental risks and build its capacity to respond to natural disasters. In addition, climate resilience criteria will be incorporated into transportation and logistics investments, the energy transition will be promoted, and nature-based solutions will be encouraged in order to restore ecosystems. Operations aligned with the country's low-emissions strategy are also included, and the Dominican Republic's participation in the Ready and Resilient Americas program will be leveraged to strengthen its risk management through better information and early warnings, greater regional coordination, and access to innovative financial solutions. In public management, instruments like the climate expenditure budget classifier and methodologies for assessing resilience-focused investments will be adopted, and may be integrated into spatial planning processes. Lastly, institutional capacities for preparing and managing resilient projects will be strengthened, including a review of PPP arrangements, which will not only mobilize resources for investment, but also improve the quality of public infrastructure and associated services.



III. HOW WE WILL DO IT

A. PROGRAMMATIC APPROACH

- 3.1 Programmatic approach to increase impact.** The 2025-2028 country strategy has been designed to increase the IDB's impact on the Dominican Republic's development through greater selectivity, identifying priority sectors and addressing the country's structural challenges. This approach has yielded a logic of sequential, subnational, and institutional intervention that has been used to cluster high-impact operations in key sectors. In water and sanitation, the IDB is promoting a sequential, subnational strategy in the coastal corridor of Greater Santo Domingo and the southeast region, executing operations in Boca Chica, La Romana, San Pedro, and Higüey, and preparing new interventions in Santo Domingo and Punta Cana-Bávaro along more than 140 kilometers of coastline. The program has coordinated investment loans, technical cooperation operations, and knowledge products to move forward quickly with critical studies and strengthen execution. This approach has built INAPA's institutional capacity by promoting innovative contractual models, digital tools, and improved coordination mechanisms, consolidating practices of efficiency, sustainability, and continuous learning. In transportation and logistics, the IDB promotes a holistic vision for improving strategic connectivity, road safety, and infrastructure resilience with a subnational emphasis on the northern region. Priority is given to the rehabilitation of the Port of Manzanillo, modernization of the Duarte Highway, and reinforcement of critical bridges. In energy, the IDB is supporting reforms for the financial and operational sustainability of the electricity sector and supporting investments in distribution, transmission, and storage. Private financing is being mobilized through IDB Invest for renewable generation, and reforms have been promoted, such as the electricity rate schedule and distributed generation regulation. The programmatic approach combines investment, technical assistance, and ongoing institutional dialogue to accelerate the energy transition and strengthen the country's electricity system. In the fiscal sphere, the IDB is promoting a reform agenda to strengthen the Dominican Republic's fiscal sustainability, focused on improving tax efficiency, expenditure quality, and transparency. In recent years, the IDB has been supporting key processes for the modernization of tax administration. In public expenditure, the IDB is promoting the modernization of the SIGEF financial management information system, interoperability with investment and public procurement systems, a results-based multiyear budget, and the evaluation of public policies. It also supports the digital transformation of the Ministry of Public Administration and civil service professionalization, strengthening institutional efficiency and results-focused management.

B. SYNERGIES

- 3.2 The 2025-2028 country strategy has been designed to provide holistic solutions to the country's development challenges.** The IDB, IDB Invest, and IDB Lab will coordinate to identify and implement complementary interventions that optimize impact and sustainability. The different windows will work together to create favorable conditions for private sector projects, while providing advisory services to promote technical, financial, and environmental sustainability. At the same time, the strategy will promote improvements in legal and regulatory frameworks to support private investment, the creation of markets, business competitiveness, and productivity gains in the medium and long term. This approach will be strengthened by IDB Invest's New Vision and Business Model, which offers additional tools for greater resource mobilization from institutional investors, increase support for vulnerable populations, and promote new financing opportunities, especially for underserved segments of the population. In addition, IDB Lab's new business model emphasizes innovative solutions and business models that can be adopted and scaled up by the public and private sectors. Synergies related to the different strategic areas identified in Section II are described below.
- 3.3 Pillar 1. Strengthen human capital and social conditions.** The IDB will strengthen the enabling conditions for private sector participation in expanding the coverage and quality of infrastructure for water and sanitation, solid waste management, and health. Technical assistance will be provided to the institutions responsible for structuring investment mechanisms that include private participation (including public-private partnerships), ensuring that such projects are bankable, sustainable, and attractive to private investors. Similarly, opportunities will be explored for offering advisory services to interested companies, along with adequate financing that incorporates best practices in the areas of sustainability, resilience, and inclusion. Lastly, IDB Lab will seek to test innovative mechanisms with scale-up potential aimed at promoting water and sanitation solutions for vulnerable populations and expand the portfolio of innovative business models and technologies in the health sector value chain.
- 3.4 Pillar 2. Advance growth led by the private sector.** The IDB will promote synergies between the public and private sectors to improve the regulatory and institutional frameworks that govern public-private investment mechanisms, and to build public sector capacity for greater private participation in resilient transportation and logistics infrastructure projects, which are key for strengthening the country's competitiveness and sustainability. Opportunities will also be explored in the areas of renewable energy, low-emission technologies, and energy efficiency (including storage and distributed generation); sustainable mining; capacity-building for generating and implementing best practices for project feasibility; and optimizing bidding processes through technical assistance to the relevant public institutions. Support will be provided for the gradual electrification of the vehicle fleet in the public and private sectors. To facilitate access to credit, IDB Invest will strengthen its support for local financial institutions in order to reduce the perceived risks associated with unserved sectors (e.g., MSMEs) and promote growth in international trade. The capital market will be strengthened through the mobilization of resources from pension funds to provide long-term financing for the private sector, as well as the implementation of reforms to expand local currency offerings,¹⁰⁹ while mitigating currency mismatch and market risks. IDB Invest will promote the development of the

¹⁰⁹ Consideration will be given to deploying local currency solutions for the real sector. The availability of this option will be contingent on the plan to expand relevant capacity as part of the action pillars envisaged under IDB Invest's New Vision and Business Model (IDBInvest+).

financial ecosystem by strengthening thematic investment and supporting initiatives in renewable energy, low-emission technologies, energy efficiency, inclusion, and resilience. IDB Lab will continue to promote financial inclusion through specialized digital technologies in microfinance and digital payments, facilitating access to financial services for businesses and vulnerable populations.

- 3.5 Pillar 3. Increase public sector efficiency and resilience.** The IDB Group will support the country in building capacity in relation to bankable infrastructure projects involving PPPs, including their identification, design, and structuring, bidding processes, and project management, as well as ensuring legal certainty and effective risk identification and management.¹¹⁰ To facilitate project development and efficient, sustainable public-private collaboration, the preinvestment phase will be strengthened, and regulatory frameworks improved, in the areas of governance, planning, and financing. In addition, there are opportunities for improvement with respect to performance evaluations for active contracts and identifying lessons learned that can be used to guide future project preparation.¹¹¹ These improvements are aimed at attracting greater private investment into infrastructure and related services, including with potential financial support from IDB Invest. These efforts are also consistent with Plan Meta RD 2036, particularly as regards second-generation actions to enhance productivity and promote coordination between the public and private sectors in support of sustainable growth.

C. IDENTIFICATION OF REFORMS

- 3.6 The IDB will continue providing support and advice in the fiscal sphere (Pillar 3).** The strategy seeks to support policy measures such as the adoption and implementation of electronic invoicing and the use of risk profiles to supervise compliance; updating property assessments for the property tax; implementing the multiyear results-based budget; restructuring the public administration; and developing an implementation protocol for the first National Policy and Program Evaluation Plan. The reforms promoted under the program build on and supplement a series of initiatives financed under Bank investment operations now in execution, such as institutional strengthening of the Internal Revenue Office (DGII) and the finance ministry's public financial management systems (DR-L1117), as well as the creation of a monitoring, supervision and evaluation system under the National Public Investment System (SNIP), modernization of the electronic public procurement system, and the implementation of interoperability between the SIGEF and the information systems of the SNIP, the Office of Public Procurement (DGCP), and the Office of the Comptroller General of the Republic (CGR) (DR-L1150).
- 3.7 Support will continue for sustained economic growth through resilience (Pillars 2 and 3).** Policy measures in this area will seek to facilitate the evaluation of public expenditure quality using a budget classifier for resilient expenditure, sustainable public procurement, and a review of the technical standards and methodological guidelines for the SNIP. Support will also be provided for the approval of highway and bridge regulations incorporating resilience parameters, as well as a tool for prioritizing transportation infrastructure investments with the aim of strengthening network resilience. Efficiency will also be supported in the electricity sector, and investment in renewable energy will be promoted, to enhance sector resilience. At the same time, assistance will be provided for generating hydrometeorological data and hydrometeorological disaster scenarios,

¹¹⁰ Incorporating environmental and social sustainability criteria into the project selection process and improving the general framework for managing risks and potential fiscal impacts, including disaster risks.

¹¹¹ [Economist Impact and IDB, 2024.](#)

updating the risk management law, using nature-based solutions for greater resilience in hydrographic basins, updating the Nationally Determined Contributions, and other activities. The country received a programmatic operation in this sector in 2023.

3.8 Technical assistance will be provided to the logistics, transportation, and road safety sectors (Pillar 2). The most significant actions will include an update of the National Plan for Freight Logistics and Trade Facilitation – Strategic Roadmap 2025-2035,¹¹² which is a long-term strategic instrument for guiding sector development and supporting the country's emergence as a regional logistics hub. The reform of Competition Act 42-08 will also be supported, along with its implementation.¹¹³ The IDB is also supporting the implementation of the National Mobility, Ground Transportation, Traffic Management, and Road Safety Policy and is assisting the government in developing a productive and subnational economic strategy under Plan Meta RD 2036, which provides for the development of logistics corridors and economic development hubs.¹¹⁴ The IDB will continue supporting these reforms through technical assistance, knowledge generation, and an active technical dialogue with the government. In the area of road safety, the government formulated the [Strategic National Plan for Road Safety 2021-2030](#) under [Law 63 on Mobility, Ground Transportation, Traffic Management, and Road Safety](#). This plan, which was supported by the IDB and is aligned with the pillars recommended by the [Global Plan for the Decade of Action for Road Safety 2021-2030](#), is based on a participatory approach that includes all stakeholders involved in road safety and seeks to coordinate efforts to prevent, control, and reduce traffic-related risks. The IDB will support these efforts through an investment operation (Program to Implement the National Road Safety Policy), the objectives of which are to improve the safety of roads in the primary network and school zones, while also strengthening management, supervision, and education in areas relevant to road safety, together with care for victims. Since 2015, the Bank has been providing technical and financial support to the Government of the Dominican Republic in the logistics, transportation, and road safety sectors, including programmatic support under two previous operations.

3.9 Specialized support and technical advisory services will continue to be provided in relation to the policy reform agenda in the electricity sector, as well as the diversification of sustainable mining (Pillar 2). The policy measures under this program have been part of the ongoing technical dialogue between the government and the IDB Group and have been the subject of technical and financial assistance under IDB technical cooperation projects and investment loans. Efficiency will be supported in the electricity sector through competitive processes and improved management by substituting high-emission technologies and promoting an updated legal framework for sustainable mining. The measures include change in the business management of distribution companies to improve efficiency by reducing losses and increasing revenue collection; approval of the energy efficiency law, which creates a framework for promoting energy consumption savings; and the approval of implementing regulations for distributed generation, aimed at encouraging user investment in clean generation systems and

¹¹² The Roadmap has identified five major action clusters aimed at tackling the problems specific to the sector, as well as those arising from its interactions with other important national sectors like industry, agriculture, and tourism.

¹¹³ As a continuation of the assistance provided over the last 15 years, the IDB partnered with the OECD to support the preparation of a Peer Review of the Dominican Republic's competition law policy, which was presented at the Twenty-first Latin American and Caribbean Competition Forum 2023, held in Quito, Ecuador, in September 2023. This review includes substantive recommendations for policy, legislative, and regulatory reforms based on international best practices. The Bank's support also included a draft proposal for reforms to the existing law.

¹¹⁴ This study will be presented at the Tenth Summit of the Americas, which will be held in the Dominican Republic in late 2025.

ensuring the balanced allocation of costs vis-à-vis the distribution system. Since 2011, the country has received three programmatic operations in the energy sector, demonstrating the Bank's long-term support for the country through the use of a variety of instruments to provide technical and financial assistance.

D. IDB REGIONAL FLAGSHIP PROGRAMS

- 3.10 América en el Centro (AEEC) is a regional program that seeks to promote sustainable, inclusive, and resilient development in Central America, Panama, and the Dominican Republic by means of a strategic framework that addresses common and crossborder challenges in the region.** The framework has three pillars and one crosscutting area: (1) productivity and economic integration; (2) climate adaptation and resilience; (3) social development of the youth; and as a crosscutting area, institution-strengthening and capacity-building. Although the Dominican Republic shares no physical borders with the rest of the Central American countries, national operations and technical cooperation operations that support the program's objectives and regional vision have been approved in recent years. These interventions are presented in detail in the section on main pillars of action and expected impact. Pillar 1 of this strategy supports the AEEC "Social development of youth" pillar by strengthening employability and narrowing the skills gap. Pillar 2 of this strategy contributes to the AEEC "Climate adaptation and resilience" pillar by promoting disaster risk management and preparedness for climate-induced social challenges. Pillar 3 of this strategy also contributes to the AEEC "Climate adaptation and resilience" pillar by promoting the integration of climate action into the country's fiscal management and policy.
- 3.11 There are opportunities for AEEC to support national priorities.** The AEEC "Productivity and economic integration" pillar seeks to promote logistics integration and trade with other countries of the region, as well as expand the Dominican Republic's participation in regional and global value chains. This pillar can also support efforts to increase energy efficiency in the country through international experiences. The AEEC "Climate adaptation and resilience" pillar will support national efforts to design shock-responsive social protection systems, based on successful experiences in other countries of the region, and the expansion and implementation of the climate-related public expenditure classifier, risk management, and the promotion of resilient public investment and sustainable public procurement. As part of the "Social development of youth" pillar, the program will support the implementation of successful experiences in other countries to improve the provision of fundamental skills and close the skills gap.
- 3.12 The Dominican Republic will benefit from knowledge generation under AEEC and dialogue with governments on regional priorities.** The country is part of the regional field study on "Technological Innovations for Sargassum Resilience and Adaptation of Latin American and Caribbean Economies." This study presents effective technologies for transforming sargassum over the past 10 years, as a guide for different actors in the region in their search for solutions to contain and transform these algae. Furthermore, in line with the Productive Development Model, the country, supported by the IDB, is evaluating short-, medium-, and long-term measures to facilitate better integration with Central American countries. Studies dealing with the country include the report "América en el Centro: Driving development in Central America, Panama, and the Dominican Republic;" as well as studies to be published in 2025-2027: "Productivity spillovers through trade integration in Central America" and "Unlocking growth opportunities through trade integration."

- 3.13 Alliance for Security, Justice, and Development.** As noted above, the Alliance for Security, Justice, and Development is a regional platform that promotes dialogue, cooperation, knowledge sharing, and resource mobilization to combat organized crime in the region. Although the Dominican Republic does not have the levels of violence and crime seen in other countries of the region, it participates actively in the initiative in recognition of the emerging risks and the importance of building institutional capacity in security and justice. The strategy supports this initiative by strengthening social and economic resilience through the promotion of access to basic services, primary healthcare, and social protection systems, helping to prevent social crises, reduce risk factors associated with crime, and create a more stable and secure environment for private investment. The IDB will continue to support online spaces for dialogue regarding the government's priorities, providing technical assistance to strengthen institutions and improve the quality of citizen security and justice services.
- 3.14 Ready and Resilient Americas.** Ready and Resilient Americas is a regional program designed to increase disaster resilience in Latin America and the Caribbean.¹¹⁵ Using a collaborative approach, it emphasizes governance for risk prevention and reduction, disaster preparedness, and rapid response. The program offers a strategic platform that could support the Dominican Republic in strengthening its natural disaster response capacity through three complementary pillars. Firstly, the country could benefit from better risk data and information, including more accurate early warning systems and modeling tools that allow for planning preventive interventions, which are key in a setting of high exposure to hurricanes and flooding. Secondly, the program promotes more effective regional coordination, which would facilitate the Dominican Republic's exchange of experiences and good practices with other countries of the region, while strengthening ties between the government, the private sector, and civil society to address risks in a coordinated manner. Lastly, the country could access innovative financial solutions for risk management that would enable a faster, more efficient response to emergencies, reducing fiscal impacts and improving the resilience of vulnerable communities.

E. STRATEGIC PARTNERSHIPS

- 3.15 The IDB has the most substantial presence of any of the multilateral agencies active in the Dominican Republic.** It has worked in coordination with other cooperation partners in both the design and approval phases of projects, as well as during their execution. This close collaboration is reflected in the Bank's work on the sectors prioritized by the government for this country strategy, including each of its pillars.
- 3.16 In Pillar 1:**
- a. Water and sanitation.** In the water and sanitation sector, the IDB has established significant partnerships with the Spanish Agency for International Development Cooperation (AECID)¹¹⁶ through the Development Promotion Fund (FONPRODE) and Korea Infrastructure Fund (KIF). As a result, and under the IDB's leadership, cofinancing is being provided for the Dominican Republic's [Universal Sanitation Program in Coastal and Tourist Cities](#) to improve the well-being and health of Boca Chica residents by providing access to sustainable and safely managed sanitation services.

¹¹⁵ For more information, see [link](#).

¹¹⁶ For more information, see [link](#).

- b. **Solid waste.** The IDB has established significant partnerships with the Japan International Cooperation Agency (JICA) and AECID, resulting in the cofinancing of the [Greater Santo Domingo Sustainable Integrated Solid Waste Management Program](#), which seeks to close Duquesa, the largest open dumpsite in the region.
- c. **Health sector.** The IDB, together with the Ministry of Public Health (MISPAS), the National Health Service (SNS), Pan American Health Organization (PAHO), and the World Bank, has established the Partnership for Primary Care, a strategic mechanism for coordinating, prioritizing, and mobilizing resources. The project “Strengthening the Health System to Prevent and Manage Chronic Noncommunicable Diseases (CNCDS): Diabetes and Cardiovascular Diseases” will be implemented as part of this framework.

3.17 In Pillar 2:

- a. **Road Safety.** The IDB has supplemented its interventions with the following projects and initiatives now in execution that have been financed by international agencies: (i) implementation of the National Urban Mobility Policy (PNMU) and Urban Sustainable Mobility Plan (PMUS), supported by the French Development Agency (AFD) and the European Union; (ii) the project Development of Traffic Management Capacities in Greater Santo Domingo, supported by JICA; (iii) the design of a single standard for motorcycle helmets consistent with international best practices, developed by the National Transit and Ground Transportation Institute (INTRANT) with support from the FIA Foundation; and (iv) the 2025-2035 Action Plan under the National Strategic Road Safety Plan, which strengthens INTRANT with technical support from the Bank and PAHO and advice regarding international best practices from the World Bank and the Economic Commission for Latin America and the Caribbean (ECLAC).

3.18 In Pillar 3:

- a. **Fiscal sustainability.** The IDB and the World Bank are collaborating in the Dominican Republic to strengthen the country’s fiscal sustainability. Both institutions have coordinated their efforts in such areas as fiscal management, modernization of tax administration, and improvement of the efficiency of expenditure and public policy. They have also worked together in such sectors as energy and water and sanitation, in coordination with other international agencies. These strategic partnerships reflect the commitment of both entities to providing support for the sustainable development and economic stability of the Dominican Republic.
- b. **Disaster risk management.** The IDB and the World Bank have established a memorandum of understanding to support close collaboration in efforts to strengthen natural disaster resilience in the Caribbean. The objective of this joint World Bank-IDB initiative is to assist the countries of the Caribbean in better managing the impacts of disasters on lives, assets, livelihoods, and economies, while better preparing themselves for catastrophic events. The initiative focuses on helping countries to strengthen their development and implementation of sound disaster-risk financing strategies that enhance the ex ante public financial management of post-disaster rapid recovery funds (including access to immediate liquidity), while also addressing crisis preparedness needs and adaptation. In light of the country’s high vulnerability to natural disasters and the importance of continuing to strengthen its financial and fiscal resilience, and given also the substantial progress achieved by the Government of the Dominican Republic with the use of financial instruments like the IDB’s Contingent

Credit Facility and the World Bank's Catastrophe Deferred Drawdown Option, the two institutions plan to continue working together on advancing this resilience agenda.



IV. CONSIDERATIONS FOR IMPLEMENTATION AND CAPACITY-BUILDING

A. KNOWLEDGE

- 4.1 The IDB's operational work will be complemented by a knowledge agenda, based on greater selectivity in accordance with the priority areas and the dialogue with the government.** The IDB supports Plan Meta RD 2036 (DR Goal Plan 2036) through five knowledge initiatives seeking to promote the country's productivity and sustainable growth by preparing technical studies and publications, as follows: (i) productive and subnational economic strategy for the Dominican Republic;¹¹⁷ (ii) update of the National Infrastructure Plan for 2025-2036;¹¹⁸ (iii) action plans for strategic sectors such as semiconductors, rare earths, and the medical equipment value chain, as well as improvements in the quality and efficiency of education; (iv) a Climate Action Plan; and (v) national infrastructure plans in the transportation, logistics, education, and water and sanitation sectors and the sustainable medical waste management system (the sectors targeted under this country strategy). Under the América en el Centro initiative, the Dominican Republic takes part in regional knowledge generation, including its participation in a study on technologies for transforming sargassum weed and strengthening resilience to its impacts. Furthermore, in line with Plan Meta RD 2036 and the productive and subnational economic strategy, the country is participating in such studies as [“América en el Centro: Driving Development in Central America, Panama, and the Dominican Republic”](#) and future publications planned for 2025-2027 on trade integration, productivity spillovers, and opportunities for unlocking regional economic growth. In addition, past, present, and future operations have been included in the HUELLA impact measurement project, an IDB research initiative that estimates the impact of its operations at the municipio level. Implementation of the HUELLA methodology enables highly accurate estimates of the local impact of public policies. HUELLA does this by combining georeferenced project data with local socioeconomic information and uses the generalized synthetic control method.¹¹⁹ This technique compares beneficiary municipios with others having similar characteristics that did not receive funding, to assess whether the interventions generate impact over time. HUELLA complements the IDB's existing evaluation tools by providing information on the impact of economic indicators.

¹¹⁷ As part of the implementation of Plan Meta RD 2036, the Bank will facilitate public-private coordination aimed at identifying and resolving market and coordination failures and fostering a favorable environment for growth in the productive sectors.

¹¹⁸ In 2020 the government, with IDB support, presented the [National Infrastructure Plan 2020-2030](#), which identifies the infrastructure needed to increase productivity, competitiveness, resilience, and quality of life for the population. The update takes the work done on the previous plan into account and incorporates methodological and technical support into the selection of priority projects.

¹¹⁹ The generalized synthetic control method is based on interactive fixed effects models. Xu, Y. (2017). Generalized synthetic control method: Causal inference with interactive fixed effects models. *Political Analysis*, 25(1), 57-76.

- 4.2 The knowledge agenda will support all of the pillars in the 2025-2028 country strategy.** Together, the proposed products will support the three pillars of the strategy. They will strengthen Pillar 1 through the contribution of technical knowledge on investment needs in the water and sanitation sector; Pillar 2 through infrastructure modernization, economic diversification, and support for sectors with high growth potential; and Pillar 3 through the use of transparency, efficiency, and resilience criteria to guide planning and public expenditure, contributing to the vision of doubling GDP by 2036 and the targets set in the National Development Strategy 2030.

B. MONITORING AND EVALUATION CAPACITY

- 4.3 The Dominican Republic has established a sound policy and operational framework to comprehensively govern planning, budget and, more recently, monitoring and evaluation systems.** This framework includes the National Planning and Public Investment System (SNPIP),¹²⁰ which governs strategic planning and promotes results-based public management. The SNPIP operates in different levels and areas of the public sector with a set of planning instruments, including the National Development Strategy 2030 and the Public Sector Multiyear National Plan (PNPSP).¹²¹ The National Development Strategy Law created the National Monitoring and Evaluation System (SNME) with the objective of coordinating information systems and monitoring public policies. Although progress has been made with regard to the institutional framework for the SNME, its complexity has created implementation challenges. The SNME regulations provide for the participation of other stakeholders, such as the Ministry of Finance in relation to budget execution and public expenditure monitoring, acting through the Budget Office (DIGEPRES) and the Ministries of the Presidency and Public Administration in relation to the supervision of institutional management and alignment with strategic priorities. Lastly, other stakeholders such as the legislative branch, the Office of the Comptroller General of the Republic (CGR), and the National Statistics Office (ONE) participate in the planning, budget, and monitoring and evaluation systems since they require key information to ensure informed decision-making, accountability, and the generation of new information to feed into these systems.
- 4.4 There are regulations governing the monitoring and evaluation system, but implementation and integration have room for improvement.** The SNME is organized into two subsystems: monitoring, which centralizes information and prepares performance reports; and evaluation, which analyzes the effectiveness of programs and projects. However, the lack of integration between planning, monitoring, and budget dilutes the connection between strategic priorities and resource allocations. This problem is intensified by limited interoperability between information systems (National Planning System (SISPLAN), National Public Investment System (SNIP), and Financial Management Information System (SIGEF)), which hinders data consolidation and interagency coordination. For example, information on public investment is limited to financial data and physical targets and cannot be used for project prioritization or social

¹²⁰ The MEPD is currently responsible for the system, but draft legislation seeks to merge the MEPD with the Ministry of Finance, which would affect monitoring and evaluation systems.

¹²¹ The National Development Strategy puts forward a long-term vision (2030) and is the overarching strategic planning tool for the SNPIP, while the PNPSP encompasses the objectives and activities for the entire public sector in support of the medium-term implementation of the National Development Strategy (four years). The public policies included in the PNPSP provide the basis for determining, aligning, and coordinating institutional plans such as the Strategic Institutional Plan (PEI) and Annual Work Plan (POA). Planning instruments also include regional, sector, and territorial strategic plans.

evaluation. The use of indicators also remains limited, with only 400 of the 600 available indicators being used to evaluate programs and policies. To strengthen the impact of these systems, it will be essential to ensure that they are integrated while also improving the automation of information flows and moving forward with the adoption of results-based budgeting and the development of the First National Evaluation Plan. More effective mechanisms also need to be established for aligning objectives and indicators, together with a compliance unit in the Center of Government with responsibility for monitoring strategic priorities.

- 4.5 Opportunities exist to support institutions involved in monitoring and evaluation, together with those responsible for planning and budgeting.** It will be essential to strengthen the Center of Government by operationalizing the Compliance Unit, while also strengthening its interagency coordination capabilities. The formulation of annual work plans should also be standardized, ensuring the inclusion of indicators aligned with national planning and budgeting. In terms of monitoring and evaluation, information systems need to be modernized and coordinated with interoperability between the SNIP and SIGEF and improvements in the automation of data gathering. Lastly, the culture of evaluation must be strengthened, ensuring that findings from the SNME are used for policy formulation and improvements in public management.

C. COUNTRY FIDUCIARY SYSTEMS

- 4.6 The Bank makes use of national budget, treasury, accounting, and reporting systems for managing sovereign-guaranteed loan operations executed by the Government of the Dominican Republic.** During the 2025-2028 country strategy period, the Bank plans to undertake actions arising from the application of the Public Expenditure and Financial Accountability (PEFA++) framework in the Dominican Republic, with the aim of strengthening country systems. Implementation of the Supreme Audit Institutions' Performance Measurement Framework (SAI PMF) is planned as part of efforts to strengthen the country's external control body, the Cámara de Cuentas (Audit Office), while support will continue to the Government Accounting Office (DIGECOG) for implementing International Public Sector Accounting Standards (IPSAS), consistent with international good practices. Updating of the diagnostic assessment using the Methodology for Assessing Country Procurement Systems (MAPS) is ongoing with completion expected in the second half of 2025. Before initiating the process, the administration sent Congress a proposal to amend Law 340-06, which was still under consideration when this report was completed. The diagnostic assessment will be used to determine an action plan that will guide Bank support to the country. The 2016 MAPS concluded that the country procurement system was based on a comprehensive, hierarchical legal framework applicable to all procurement at the national level. In terms of country systems, the Bank has validated the subsystems for shopping, small purchases of goods and nonconsulting services, and works, although in the case of works this is subject to specific exceptions. These exceptions relate to the need for the lead agency to issue instructions eliminating requirements such as opening branches or establishing partnerships with local companies. As these have not yet been issued, the use of these subsystems is restricted to goods and services. Lastly, the national reporting system is capable of disseminating information regarding IDB contracts but has not incorporated the Bank's business rules, preventing its use in operations.

D. EMERGENCY RESPONSE

- 4.7 The 2025-2028 country strategy is designed to offer a comprehensive response to potential emergencies arising from natural disasters and public health events.** The interventions planned under the strategy pillars seek to strengthen the country's social, economic, fiscal, and climate preparedness and resilience. These efforts will be supplemented by the IDB Group's financial and nonfinancial mechanisms¹²² that can facilitate responses to a catastrophic event when time is limited. This is important in a setting like the Dominican Republic, which according to the 2024 INFORM Risk Index ranks ninth in Latin America and the Caribbean in terms of its exposure and vulnerability to disasters.¹²³ In addition, recent estimates by the IDB and World Bank indicate that economic losses due to natural disasters could reach more than US\$11 billion.¹²⁴
- 4.8 The first pillar seeks to strengthen social resilience.** Improvements in access to safe drinking water and continuous sanitation help to prevent and mitigate outbreaks of transmissible diseases in situations of climate stress (e.g., floods or droughts), particularly in densely populated areas or highly exposed coastal zones.¹²⁴ Similarly, more efficient solid waste management reduces pollution hotspots and disease vectors, minimizing the environmental impacts that usually have the greatest impact on the most vulnerable population during emergencies. In health, the strengthening of primary care and prevention of chronic noncommunicable diseases reduces pressure on hospitals and improves the system's capacity to respond to large-scale health emergencies. The consolidation of the Single Beneficiary System (SIUBEN) as a robust social information system will allow affected households to be identified quickly, triggering targeted assistance mechanisms, including care for dependent populations in the event of service interruptions. Lastly, the strengthening of adaptive social protection programs will help to accelerate the response to vulnerable households affected by disasters by providing cash transfers.
- 4.9 The second pillar seeks to strengthen economic resilience.** The provision of resilient transportation and logistics solutions will help to maintain subnational connectivity and ensure supply chain continuity in emergency scenarios. In parallel, investments in electricity distribution and transmission will improve system reliability, reducing outages during extreme events. In the agriculture sector, modernization and technological upgrading, improvements to irrigation systems, and the restoration of ecosystem services will reduce the exposure of production to droughts, flooding, and storms, thus protecting food security in critical situations. The promotion of agricultural insurance will also help to

¹²² Notable in this regard has been the recent approval of the "Ready and Resilient Americas" program, which is an IDB regional initiative aimed at increasing the region's resilience to natural disasters. The IDB has allocated US\$10 million in grant funding for this purpose for the period 2025-2030 in addition to the resources already provided to member countries.

¹²³ Hazard and exposure index reported as part of the INFORM Risk Index, which is prepared by the European Commission for 191 countries. Between 1961 and 2023, the country recorded 84 severe natural events, including tropical storms (44%), floods (39%), and epidemics such as dengue, cholera, influenza (11%), and COVID-19. [Fiscal Risk Report 2024](#), Ministry of Finance, Government of the Dominican Republic.

¹²⁴ Gestión financiera y aseguramiento del riesgo de desastres en República Dominicana: Avances y perspectivas (Disaster risk financial management and insurance in the Dominican Republic: Progress and outlook). IDB and World Bank (2024).

¹²⁵ The Dominican Republic is exposed to health events such as epidemic outbreaks of dengue, chikungunya, cholera, and leptospirosis, as well as the more recent COVID-19 pandemic, which caused GDP to contract in 2020, with more than 600,000 confirmed cases and 4,384 deaths. This highlights the need to strengthen the country's capacity to weather such crises.

strengthen the resilience of the sector and vulnerable producers to extreme natural events. At the same time, the impetus to productive financing and financial inclusion will facilitate rapid resource mobilization, so companies can keep operating amid economic shocks, disasters, or health emergencies.¹²⁶

4.10 The third pillar seeks to increase public sector resilience. The interventions will support the public sector in confronting economic contingencies, natural disasters, health crises, and climate change impacts, all without compromising fiscal sustainability or investments in public goods and services. Specifically, support will be provided to the country, to improve the effective management of contingent fiscal liabilities associated with disasters through the adoption of innovative risk retention and transfer instruments for addressing emergencies. The strengthening of tax administration will expand the available fiscal space for responding to emergencies. To increase public sector resilience, it will also be key to integrate resilience, risk management, and climate change criteria into spatial planning and public investment prioritization processes.

4.11 In addition to supporting structural resilience, the IDB Group and its strategic partnerships will provide instruments and technical assistance in response to emergencies. One such instrument is the IDB's Contingent Credit Facility (CCF),¹²⁷ which allows the country to access financing of up to US\$400 million in the immediate aftermath of a natural disaster event, health emergency, or drought, using parametric and nonparametric modalities. Through the Integrated Natural Disaster Risk Management Plan (PGIRDN) and compliance with the International Health Regulations, this loan also helps to strengthen the response capacities of the key actors involved in disasters and health crises: Ministry of Finance, Ministry of Economy, Planning, and Development (MEPD), National Emergency Operations Committee (COE), and Ministry of Public Health (MISPAS). Additionally, the Dominican Republic participates in the joint IDB/World Bank initiative that provides technical assistance to Caribbean countries to strengthen their integrated strategies for disaster risk financing, insurance, resilient fiscal planning, and market access. Such coordination seeks to consolidate the public financial architecture for anticipating and responding effectively to the fiscal impacts of catastrophic events.¹²⁸ Lastly, the "[Ready and Resilient Americas](#)" regional impact program can support the Dominican Republic in strengthening its risk management.

¹²⁶ During the COVID-19 pandemic, IDB Invest mobilized liquidity for exporters and importers through its Trade Finance Facilitation Program, preserving supply chain continuity and acting as a key countercyclical instrument in the economic recovery.

¹²⁷ For more information, see [link](#).

¹²⁸ The objective of this World Bank–IDB initiative is to help Caribbean countries strengthen disaster risk financing strategies and expand access to financial instruments that support rapid, fiscally sustainable recovery. In the case of the Dominican Republic, the country's use of IDB loan DR-O0011 and the World Bank's Catastrophe Deferred Drawdown Option as a platform to further this agenda has been recognized.

E. RISK EVALUATION

INSTITUTIONAL AND EXECUTION RISKS

- 4.12 Risk:** The administration's second term in office has allowed the IDB to deepen its work in the country, facilitating greater selectivity and reducing the risk of shifting priorities. Nevertheless, some projects face delays in ratification by Congress, affecting initial planning, performance, and timely execution. At the same time, both the public and private sectors face constraints on their project preparation and execution capacities. These include: (i) difficulties in coordinating across government agencies to expedite processes and procedures; and (ii) technical, operational, and financial constraints of companies for managing large projects effectively.
- 4.13 Mitigation measures:** The legislative ratification process will be facilitated during the country strategy period by offering sound, evidenced-based narratives regarding the value proposition of each IDB project, in collaboration with the authorities and local media. The Bank will work with the authorities and teams at execution units to ensure that Bank policies are applied at all stages of the project life cycle, building the capacity of execution units and training them in: (i) project management; (ii) application of fiduciary policies, guidelines, and processes for procurement and financial management; and (iii) increased monitoring and evaluation to facilitate timely corrective action. In private sector projects, the Bank will also seek to build the necessary capacities at all stages of the project cycle, while disseminating industry best practices.

INTEGRITY

- 4.14 Risk:** Integrity and reputational risks may arise at any point in the life cycle of public and private projects, affecting the costs, time frames, and quality of execution. Contractors in the infrastructure segment face the challenge of a concentration of contracts with a single offer, to the detriment of its financial capacity and ability to manage contingencies and meet contractual commitments.
- 4.15 Mitigation measures:** During this country strategy period, bidding processes for Bank-financed projects will continue to include preventive measures such as integrity statements, the identification of companies' ultimate beneficial owners, and compliance plans. In addition, the Bank will work with counterparts to identify these risks at an early stage, implement integrity measures, improve the transparency of procurement processes, and ensure the ongoing involvement of the Office of Institutional Integrity (OI) at all stages of the projects.

NATURAL DISASTERS

- 4.16 Risks:** Among the countries included in the Notre Dame Global Adaptation Initiative (ND-Gain) Index, the Dominican Republic ranks 99th among in terms of its vulnerability to hydrometeorological events and 115th in terms of its preparedness for such events.¹²⁹ It is highly vulnerable to storms, hurricanes, and floods, as well as more gradual changes such as rising temperatures and sea levels. These events directly affect at least 30% of the population, including their livelihoods. Together with a lack of resilient infrastructure, these risks are amplified by unsustainable economic activities that lead to environmental

¹²⁹ The [ND-GAIN Country Index](#) summarizes a country's vulnerability to climate change and other global challenges in combination with its preparedness to improve resilience.

degradation and a loss of biodiversity, particularly in coastal and vulnerable areas. These events could alter national priorities, affect budget execution, or lead to unanticipated requests for IDB support.

- 4.17 Mitigation measures:** The IDB will seek to support the country's preparedness for natural disaster mitigation and response, making mechanisms and instruments designed for such purpose available to the authorities and incorporating disaster risk resilience, prevention, and management measures into the design of operations. As part of this approach, priority will be put on monitoring disaster risk management during the execution of Bank-financed operations, as well as building executing agency capacity in this area and assisting the country to strengthen institutions for risk management (including processes like updating the Risk Management Law). Another key element for mitigating and managing this type of risk is the availability of instruments such as contingent financing, as well as instruments enabling the IDB Group to act both before and after an event, thus ensuring a timely and sustained response.

SOCIAL

- 4.18 Risk:** The viability and execution of projects developed by the different IDB windows could be affected where these are located in areas of greater socioenvironmental fragility. Risks of opposition or social conflict could emerge in response to economic displacement, relocations of vulnerable communities (either forced or voluntary), or unrest due to prolonged service interruptions, such as road closures. The complexity of the social management of projects is heightened by the presence of social groups living in vulnerable conditions, particularly Haitian migrants and Dominicans of Haitian origin, who are exposed to discrimination and a lack of legal protections. Weaknesses in the application of environmental and health regulations by the authorities and contractors could lead to regulatory noncompliance that affects the sustainability of interventions. In addition, execution in areas with poor infrastructure and limited resources increases the likelihood of operational discontinuities, cost overruns, and delays. Against this backdrop, there is a risk that projects will not only fail to achieve their social objectives but will also have negative impacts on the most vulnerable groups, exacerbating inequalities and social tensions. These risks are accompanied by challenges (albeit of less intensity) with regard to the effective application of human rights, particularly in the case of more socially vulnerable areas or groups.
- 4.19 Mitigation measures:** To mitigate these risks, the IDB will monitor social networks and media on an ongoing basis, to anticipate conflicts and adjust strategies during execution, thus ensuring that projects achieve their social objectives without negative impacts on vulnerable communities. Spaces for dialogue with stakeholders will be strengthened, to build awareness among the population regarding the impact and benefits of the interventions. Inclusion and diversity criteria will be incorporated into projects, and their design and execution will be strengthened to reflect the requirements of the IDB's Environmental and Social Policy Framework (GN-2965-23) for the protection and inclusion of vulnerable individuals/groups. IDB projects also promote quality job creation and access to finance for vulnerable population groups. Private sector capacities will be strengthened, to ensure compliance with environmental and social laws and regulations. Where necessary, the design and execution arrangements for interventions will be strengthened using the actions included in the Framework to Support Populations in Situations of Fragility, Conflict, and Criminal Violence 2024-2027 (GN-3199-2, CII/GN-541-2). In addition, the greatest possible alignment will be sought with the requirements of the IDB's Environmental and Social Policy Framework (GN-2965-23) for the protection and inclusion

of vulnerable individuals/groups. This will allow the IDB to monitor national efforts to strengthen human rights protection in vulnerable areas, covering issues such as forced labor, access to social protection, and the implementation of instruments such as the Escazú Agreement, which is pending ratification.¹³⁰

MACROECONOMIC

4.20 Risk: During this country strategy period the Dominican economy faces risks stemming from fiscal vulnerabilities, external shocks (e.g., a slowdown in the United States or volatility in commodity prices), or natural disasters that could lead to budget reallocations, higher financing costs, delays in the execution of strategic projects, and worsening business financial sustainability. In addition, the recent imposition of an across-the-board 10% tariff by the United States on the country's exports affects preferential access to the U.S. market under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR).¹³¹ Lower exports (produced mainly by free zones) may lead to a slowdown in the Dominican economy, even before taking into account the indirect impact of these measures on investment, tourism, and remittances due to potentially lower economic growth in the U.S. Shifts in supply chains could reduce flows of foreign direct investment, affecting exchange rate stability and funding for strategic projects. Lastly, if mass deportations occur, this could reduce flows of remittances, affecting primarily the stability of homes that depend on this source of income.

4.21 Mitigation measures: The following measures are proposed to mitigate the identified risks: (i) assisting the budget authorities in monitoring key indicators, to ensure that the necessary fiscal space is available to execute Bank-financed projects, including the early identification of possible adjustments to budget lines due to spending reallocations, inflation, or exchange rate fluctuations; (ii) strengthening economic policy supervision and interagency coordination, to ensure a coordinated response with measures that support the country's macroeconomic objectives; (iii) expanding private sector financing solutions. The analysis of economic risks must also be strengthened as part of the supervision of individual projects and the portfolio as a whole, to anticipate impacts on timelines and execution. It will be essential for preventive purposes to continue deepening the strategic and technical dialogue with the authorities on key economic issues such as tariffs or migration.

¹³⁰ The [Escazú Agreement](#) is a regional agreement on access to information, public participation in environmental decision-making, and justice in environmental matters in Latin America and the Caribbean. It also includes specific provisions to protect human rights defenders in environmental matters.

¹³¹ Lower exports could affect key sectors such as medical devices, agricultural equipment, and textiles and free zone products, which account for more than two thirds of the country's exports and employ more than 200,000 people. Some 79% of these exports are absorbed by the U.S. market.

ANNEX I – RESULTS MATRIX

Government priority	Strategic area	Strategic objective	Expected outcome	Indicator	Baseline	Year	Source
Access to water and improvements in water resources and access to health and social security	Strengthen human capital and social conditions	Improve living conditions through increased access to safe water and sanitation	Expanded coverage of drinking water and sanitation services in coastal cities and tourist areas	Households in targeted areas with access to safely managed drinking water	25%	2024	SaniHUB and National Water and Sewer Institute (INAPA)
				Households in targeted areas with access to safely managed sanitation	0	2024	SaniHUB and INAPA
				Percentage of INAPA users registered for billing	31%	2022	INAPA
			Smaller areas covered by open dumpsites in the Greater Santo Domingo area	Number of hectares covered by open dumpsites that have been closed in the Greater Santo Domingo area	0	2024	Ministry of Environment and Natural Resources (MMARN)
		Strengthen health and social protection services and promote skills development	Improved prevention and management of chronic noncommunicable diseases (CNCDs)	Number of primary healthcare units implementing the HEARTS* strategy for diagnosing and treating CNCD	0	2024	First level of healthcare information system (SIPNA)
				Percentage of individuals with a hypertension and/or diabetes diagnosis who have received a nutrition plan at targeted units	0	2024	SIPNA
			Improvement in social protection programs	Percentage of households registered in the Single Beneficiary System (SIUBEN+)	78%	2024	SIUBEN+ database
				Individual cash transfer beneficiaries as a percentage of the total population living in monetary poverty	54%	2022	National Multipurpose Household Survey (ENHOGAR), 2022
			Upgraded skills development and workforce integration services	Percentage of jobseekers certified in workforce integration training courses through the National Employment Service (SENAE)	0	2024	Training certification, administrative data from the National Employment Service (SENAE)
			Domestic and external trade, industrial development, environmental sustainability	Advance growth led by the private sector	Provide safe, resilient transportation and logistics solutions	Enhanced resilience of the ground transportation network and increased port logistics capacity	Upgraded roads and highways that incorporate climate resilience criteria in their design (km)
Number of containers (twenty-foot equivalent units) handled for export through Manzanillo	14,846	2023					Dominican Port Authority
	Improved road safety	Percentage of kilometers of targeted roads classified as safe (rated ≥ 3 stars according to the International Road Assessment Program (iRAP))			7%	2025	Ministry of Public Works and Communications

Government priority	Strategic area	Strategic objective	Expected outcome	Indicator	Baseline	Year	Source
		Promote sustainability and efficiency of the electricity and mining energy sectors	Increased efficiency of the electricity system	Electricity distribution losses as a percentage of total electricity available for distribution	38%	2024	Performance report prepared by the Ministry of Energy and Mines
			Increased sources of power generation	Electricity generated from renewable sources as a percentage of total electricity generated	19%	2024	Report of the Coordination Agency and the National Energy Commission (CNE)
			Increased investment in sustainable mining	Investment in nontraditional strategic minerals (US\$ million)	0	2024	Ministry of Energy and Mines
		Improve the modernization and technological upgrading of agriculture and strengthen the sustainability of natural and cultural capital	Increase in agricultural producers using technology	Number of agricultural producers adopting sustainable agricultural systems or technologies	0	2024	Ministry of Agriculture
			Expansion in coastal conservation zones and rehabilitated public and historical spaces	Number of hectares covered by protected coastal ecosystems conserved and expanded in the targeted coastal zones	0	2024	Ministry of Tourism and MMARN
				Rehabilitated streets in the Colonial City of Santo Domingo (linear meters)	2,457	2024	Ministry of Tourism
		Increase financing for production and international trade	Increased lending to unserved segments	Credit to MSMEs as a percentage of the total financial system credit portfolio	25%	2023	Superintendency of Banks of the Dominican Republic
				Percentage of women-led MSMEs that benefit from financial support	19%	2024	Multibank Association of the Dominican Republic
			Increased mobilization of financing for private investment and international trade credit	Private investment mobilized by IDB Invest (US\$ million)	US\$435 million	2023	IDB Invest Mobilization and Asset-Sharing Division
				International trade flows promoted by IDB Invest (US\$ million)	US\$429 million	2023	IDB Invest Mobilization and Asset-Sharing Division
Efficient, democratic institutions and environmental sustainability	Increase public sector efficiency and resilience	Strengthen fiscal sustainability	Improved efficiency of tax administration	Taxpayers filing returns for the industrialized goods and services transfer tax (ITBIS) as a percentage of those required to file	74%	2024	Internal Revenue Office (DGII)
			Increased efficiency and transparency in public expenditure	Percentage of public institutions that use the SIGEF integrated financial management system for execution and are interoperable with the National Public Investment System (SNIP)	0	2024	Ministry of Finance
				Percentage of contracting processes that use noncompetitive selection methods	58%	2023	Public Contracting Office

Government priority	Strategic area	Strategic objective	Expected outcome	Indicator	Baseline	Year	Source
		Integrate resilience criteria into public investment and improve spatial planning	Increased resources and institutional capacities for resilience and spatial planning	Percentage of investment projects admitted in the SNIP that were evaluated using resilience criteria	0	2024	Public Investment Office
				Percentage of investment projects submitted to the SNIP that reflect regional demand	16.9%	2024	Department for the Promotion of Development Councils and Public Investment Office

* HEARTS will be the model of care for cardiovascular risk management, including hypertension, diabetes, and dyslipidemia in primary healthcare in the region of the Americas by 2025. For more information, see [link](#).

ANNEX II – PORTFOLIO ALIGNMENT AND INDICATIVE PIPELINE 2025-2026

Strategic area	Strategic objective	Program	Indicative pipeline 2025-2026
Strengthen human capital and social conditions	Improve living conditions through increased access to safe water and sanitation	<p>DR-L1158-Universal Sanitation Program in Coastal and Tourist Cities</p> <p>DR-L1158-Universal Sanitation Program in Coastal and Tourist Cities II¹³²</p> <p>DR-L1156-Greater Santo Domingo Sustainable Integrated Solid Waste Management Program</p> <p>IDB Lab-A Clean Solution to a Dirty Problem: Expanding Access to Safe Sanitation Through Payment for Results (DR-G0010 and DR-T1273)</p>	<p>DR-L1171-Resilience and Sustainability in the Santo Domingo Water Supply</p> <p>DR-L1172-Integrated Drinking Water, Universal Sanitation, and Water Reuse Program for the Punta Cana-Bávaro Area</p>
	Strengthen health and social protection services and promote skills development	<p>DR-L1167-Strengthening the Health System to Prevent and Manage Chronic Noncommunicable Diseases: Diabetes and Cardiovascular Diseases¹³³</p> <p>DR-L1152-Support for Consolidation of an Inclusive Social Protection System in the Dominican Republic</p> <p>DR-L1155- Support for the RD-Trabaja Flexible Employment System</p> <p>IDB Lab-MEDS Innovation for Chronic Patient-Focused Primary Care (DR-L1159 & DR-T1257)</p>	

¹³² Operation pending ratification by the Legislative Assembly.

¹³³ Operation pending ratification by the Legislative Assembly.

Strategic area	Strategic objective	Program	Indicative pipeline 2025-2026
Advance growth led by the private sector	Provide safe, resilient transportation and logistics solutions	<p>DR-L1141-Manzanillo Port Rehabilitation and Expansion</p> <p>DR-L1151-Road Infrastructure Rehabilitation and Maintenance Program</p> <p>DR-L1166-Climate Resilience Program for Bridge Infrastructure in the Dominican Republic¹³⁴</p>	DR-L1168-Program to Implement the National Road Safety Policy in the Dominican Republic
	Promote sustainability and efficiency of the electricity and mining sectors	<p>DR-L1122-Implementation of the Dominican Republic's Energy Efficiency Program</p> <p>DR-L1128-Program to Expand Electricity Networks and Reduce Technical Losses in Distribution Systems</p> <p>IDB Invest-AES Warehouse Facility for Renewable Projects</p> <p>IDB Invest-Enertur Solar PV & Battery Energy Storage Project</p>	
	Improved modernization and technological upgrading of agriculture and strengthened sustainability of natural and cultural capital	<p>DR-L1134-Sustainable Agroforestry Development Program</p> <p>DR-L1137-Agricultural Health and Innovation Project</p> <p>DR-L1157-Program to Finance Sustainable Investments and Improve Productivity in the Dominican Republic's Agriculture Sector</p> <p>DR-L1154-Sustainable Coastal Management Project</p> <p>DR-L1084-Comprehensive Tourism and Urban Development Program for the Colonial City of Santo Domingo</p> <p>IDB Lab-Development of a Voluntary Market for Biodiversity Credits to Strengthen Financing for Making the Dominican Republic More Resilient to Climate Change (DR-T1298)</p>	DR-L1161-Project for the Yuna River Watershed Management Plan

¹³⁴ Operation pending ratification by the Legislative Assembly.

Strategic area	Strategic objective	Program	Indicative pipeline 2025-2026
	Increase financing for production and international trade	IDB Invest-Tropicalia II Sustainable Tourism IDB Invest-SME and Gender-based Financing in the Financial System IDB Invest-Trade finance facilitation programs with BanReservas, Promerica, and BHD IDB Lab- Acceleration of the Dominican Republic's Venture Capital Ecosystem (DR-G0007 and DR-T1250)	
Increase public sector efficiency and resilience	Strengthen fiscal sustainability	DR-L1142-Program to Strengthen Civil Service Management in the Dominican Republic DR-L1150-Program to Support the Transparency and Integrity Agenda in the Dominican Republic	DR-L1169-Program to Strengthen Fiscal Sustainability and Public Expenditure Quality
	Integrate resilience criteria into public investment and improve spatial planning	DR-O0011-Contingent Loan for Natural Disaster and Public Health Emergencies	DR-L1170-Comprehensive Sustainable Territorial Development Program

Source: Prepared by the authors.

ANNEX III – DEVELOPMENT EFFECTIVENESS MATRIX

COUNTRY STRATEGY: DEVELOPMENT EFFECTIVENESS MATRIX

In August 2008, the Board of Executive Directors approved the Development Effectiveness Framework (document GN-2489) to increase the evaluability of all Bank development products.

The Development Effectiveness Matrix for Country Strategies is a checklist of the elements that are necessary to evaluate a country strategy. It is based on the evaluation criteria set out by the Evaluation Cooperation Group of the multilateral development banks in the document “Good Practice Standards for Country Strategy and Program Evaluations.”

COUNTRY STRATEGY: DOMINICAN REPUBLIC

STRATEGIC ALIGNMENT

Refers to the degree to which the design and objectives of the country strategy are consistent with the country development challenges and with the government's development plans and priorities.

EFFECTIVENESS

Measures whether the country strategy is likely to achieve its intended objectives, through an examination of three dimensions: (i) the quality of the diagnostics on which Bank action is based in each area of work; (ii) the quality of the results matrix for the strategy; and (iii) the use and build up of country systems.

Dimensions of effectiveness	
I. Country Diagnostic Assessment - Country Development Challenges (CDC)*	Yes/No
- The CDC is comprehensive / holistic / complete	Yes
- The CDC clearly identifies the main development challenges	Yes
- The CDC describes the magnitude of the main development challenges, based on empirical evidence	Yes
II. Diagnostic Assessments of Priority Areas	%
- Clearly identify and indicate the magnitude of the specific constraints and challenges in the priority area, based on empirical evidence.	100%
- Clearly identify and indicate the magnitude of the main factors or causes underlying the specific constraints and challenges, based on empirical evidence.	100%
- Provide policy recommendations	100%
III. Results Matrix**	%
- Strategic objectives are clearly defined	100%
- Expected outcomes are clearly defined	100%
- Strategic objectives and expected outcomes are directly related to the main constraints identified in the diagnostic assessment	100%
- Indicators are outcome indicators and are SMART	100%
- Indicators have baselines	100%
IV. Vertical logic	Yes/No
- The country strategy has vertical logic	Yes

* This analysis includes any diagnostic document used for information.

** The Results Matrix consists of indicators that are meaningful for the expected outcomes and capture progress towards them. The expected outcomes are derived from the strategic objectives.

ANNEX IV – COUNTRY SYSTEMS MATRIX

Strategic objectives	Expected result during strategy period	Indicator	Unit of measure	Baseline	Base year	Main objective	Time distribution	Alignment Corporate Results Framework
Expand the use of country systems	Continue to use the budget subsystem	Active portfolio using the budget subsystem	Percentage of the active portfolio	100%	2025	100%	End of strategy period	-Institutional capacity and rule of law
	Continue to use the treasury subsystem	Active portfolio using the treasury subsystem	Percentage of the active portfolio	100%	2025	100%	End of strategy period	-Institutional capacity and rule of law
	Continue to use the accounting and reporting subsystem	Active portfolio using the accounting and reporting subsystem	Percentage of the active portfolio	100%	2025	100%	End of strategy period	-Institutional capacity and rule of law
	Validate and expand the use of the individual consultancy subsystem	Active portfolio using the individual consultancy subsystem	Percentage of the active portfolio	0%	2025	15%	End of strategy period	-Institutional capacity and rule of law -Productivity and innovation -Social inclusion and equality
	Expand the use of the shopping subsystem	Active portfolio using the shopping subsystem	Percentage of the active portfolio	5%	2025	100%	End of strategy period	-Institutional capacity and rule of law -Productivity and innovation -Social inclusion and equality
	Validate and expand the use of the national competitive bidding subsystem	Active portfolio using the national competitive bidding subsystem	Percentage of the active portfolio	0%	2025	15%	End of strategy period	-Institutional capacity and rule of law -Productivity and innovation -Social inclusion and equality

Strategic objectives	Expected result during strategy period	Indicator	Unit of measure	Baseline	Base year	Main objective	Time distribution	Alignment Corporate Results Framework
Strengthen country systems	Eliminate gap with respect to international standards (IPSAS) - DIGECOG (Government Accounting Office)	Progress under the IPSAS implementation plan	Percentage progress under the IPSAS implementation plan	10%	2025	20%	End of strategy period	-Institutional capacity and rule of law
	Cámara de Cuentas (Audit Office) evaluated using the Supreme Audit Institutions' Performance Measurement Framework (SAI PMF)	SAI PMF evaluation report	SAI PMF evaluation report	0	2025	1	End of strategy period	-Institutional capacity and rule of law
	Implementation of the action plan resulting from the Methodology for Assessing Country Procurement Systems (MAPS) assessment	Progress towards implementing the action plan	Percentage progress under the implementation plan	0%	2025	100%	End of strategy period	-Institutional capacity and rule of law -Productivity and innovation -Social inclusion and equality
	Implementation of the electric procurement system used in all Bank-financed loan operations	Active portfolio managed using the system	Percentage of the active portfolio	0%	2025	100%	End of strategy period	-Institutional capacity and rule of law -Productivity and innovation -Social inclusion and equality

ANNEX V – PROJECTED LENDING SCENARIO

The sovereign-guaranteed financing framework provides for approvals of between US\$850 million and US\$1 billion between 2025 and 2028. This range of values was determined based on the country's financing needs, the strategic dialogue with the national authorities, and the ongoing operational dialogue between the sector departments and the country. The IDB Group will continue to provide technical support in the strategic areas and will also explore lending opportunities in local currency, targeting the private sector in particular. IDB Invest and IDB Lab amounts for the Dominican Republic during the country strategy period will be in addition to these approvals. In addition to positioning the Bank as a strategic partner for the country in terms of technical support and knowledge generation, the expected approvals and respective disbursements¹³⁵ should allow the Bank to maintain a share of 6% to 7% of the country's total debt and 9% to 11% of the total external debt.

US\$ million	Country Strategy for 2022-2024			
	2022	2023	2024	Total
Approvals	622	465	630	1,717
Disbursements	145	439	420	1,004
Repayments (principal)	166	210	409	785
Net capital flows	-21	229	12	220
Subscriptions and contributions	-	-	-	-
Interest and fees	99	250	274	623
Net cash flow	-120	-21	-263	-404

IDB debt ¹³⁶	3,966	4,196	4,208
Multilateral debt	6,673	7,529	7,830
External public debt	36,358	38,130	42,246
Total public debt	51,855	54,105	59,093
IDB debt/multilateral debt (%)	59.4%	55.7%	53.7%
IDB debt/external public debt (%)	10.9%	11.0%	10.0%
IDB debt/total public debt (%)	7.6%	7.8%	7.1%

Country Strategy for 2025-2028									
2025		2026		2027		2028		Total	
Low	High	Low	High	Low	High	Low	High	Low	High
805	1,000	850	1,000	850	1,000	850	1,000	3,400	4,000
400	450	600	700	650	750	800	900	2,450	2,800
456	456	333	333	315	315	329	329	1,433	1,433
-56	-6	267	367	335	435	471	571	1,017	1,367
-	-	-	-	-	-	-	-	-	-
251	251	255	255	243	243	230	230	979	979
-307	-257	12	112	92	192	241	341	38	388

4,181	4,616	5,078	5,646	
8,135	8,750	9,207	9,814	
44,587	46,770	49,738	52,905	
63,482	68,225	73,428	79,045	
51.4%	52.8%	55.2%	57.5%	
9.4%	9.9%	10.2%	10.7%	
6.6%	6.8%	6.9%	7.1%	

¹³⁵ Disbursement projections are based on operations now in execution or ratified by the legislature.

¹³⁶ Debt projections are based on the Dominican government's [Medium-term Public Debt Management Strategy 2024-2028](#).