

**MEMORANDUM AND RECOMMENDATION OF  
THE PRESIDENT OF THE  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
TO THE EXECUTIVE DIRECTORS  
ON A PROPOSAL TO RESTRUCTURE  
THE HIV/AIDS PREVENTION AND CONTROL PROJECT (LOAN 7065-DR)  
FOR THE DOMINICAN REPUBLIC**

1. I submit for your approval a proposal to restructure the HIV/AIDS Prevention and Control Project, Loan 7065 for the Dominican Republic.

2. The proposed restructuring would support the government to comprehensively respond to the challenges of preventing and controlling HIV/AIDS. Currently, projects of development partners, including the Bank, restrict the use of funds to a limited set of activities. As a result, some intervention areas that are critical to effectively respond to the epidemic are under-funded, including the coordination of activities. The proposed changes to the Bank project would expand the eligibility of expenditures to match the full scope of activities required to strengthen, expand and deepen the response to the epidemic, moreover, they would, where appropriate, simplify administrative Project procedures. The revised development objectives would include, in addition to the original objective to reduce the risk of HIV transmission, to improve the quality of life of those infected and affected and to strengthen the coordination and management of the response to the epidemic.

3. **Recommendation.** I am satisfied that the proposed restructuring of the Dominican Republic HIV/AIDS Prevention and Control Project (Loan 7065) would comply with the Articles of Agreement of the Bank. I recommend that the Executive Directors approve this proposal in accordance with the terms of this Memorandum and attached Project Paper. Upon approval, the Loan Agreement will be amended accordingly.

Paul D. Wolfowitz  
President

By Graeme P. Wheeler

Washington DC

[Date]

**PROJECT PAPER  
DATA SHEET**

Date: xxx		Team Leader: Christoph Kurowski		
Country: Dominican Republic		Sector Director: Evangeline Javier		
Project Name: HIV/AIDS Prevention and Control		Country Director: Caroline Anstey		
Project ID: PE –P-071505		Environmental Category: B		
Borrower: Dominican Republic				
Responsible agency: Consejo Presidencial del SIDA (COPRESIDA)				
Revised estimated disbursements (Bank FY/US\$m)				
FY	2002-2005	2006	2007	2008
Annual	8,300,000	4,300,000	8,700,000	3,700,000
Cumulative	8,300,000	12,600,00	21,300,000	25,000,000
Current closing date: December 31, 2006				
Revised closing date: December 31, 2007				
Does the restructured Project require any exceptions to Bank policies?			o Yes x No	
Have these been approved by Bank management?			o Yes x No	
Is approval for any policy exception sought from the Board?			o Yes x No	
Revised Project development objective/outcomes: Reduce the risk of HIV transmission and improve the quality of life of those infected and affected by the HIV epidemic by reorganizing the National Response, developing a National Strategic Plan and a corresponding monitoring and evaluation system, and implementing selected interventions.				
Does the restructured Project trigger any new safeguard policies? No				
Revised Financing Plan (US\$m.)				
Source			Total	
Borrower			\$ 5 million	
IBRD/IDA			\$25 million	
Total			\$30 million	

## PROJECT PAPER

### Introduction

1. This Project Paper seeks the approval of the Executive Directors to introduce the following changes in the Dominican Republic, HIV/AIDS Prevention and Control Project, Loan 7065, Project ID PE-P-071505 and any accompanying amendments to the Project's legal documents. The proposed changes would support the government to comprehensively respond to the challenges of preventing and controlling HIV/AIDS. Currently, projects of development partners, including the Bank project, restrict the use of funds to a limited set of activities. As a result, some intervention areas that are critical to effectively respond to the epidemic are under-funded, including the coordination of activities. The proposed changes would expand the eligibility of expenditures to match the full scope of activities required to strengthen, expand and deepen the response to the epidemic. Furthermore, the changes would, where appropriate, simplify administrative Project procedures. The revised development objectives would include, in addition to the original objective of reducing the risk of HIV transmission, improving the quality of life of those infected and affected and strengthening the coordination and management of the response to the epidemic.

### Background and Reasons for Restructuring

2. The Board approved the HIV/AIDS Prevention and Control Project on June 28, 2001 for \$25 million with the objective to assist the Borrower in reducing the spread of the HIV/AIDS epidemic through: (a) increasing health prevention and control programs targeted in particular to high risk groups of the population; (b) increasing awareness with respect to HIV/AIDS infection and prevention amongst the Borrower's population; and (c) strengthening of the institutional capacity of the Participating Entities and the Participating Agencies to ensure the effectiveness and the sustainability of the Project.
3. In its first three years, the Project suffered from substantial implementation delays. As of March 2005, and more than 3 years after Project effectiveness, only about \$7 million, or less than 30% of the loan amount were disbursed. Implementation and disbursement delays resulted primarily from limited administrative and technical capacity in the Consejo Presidencial del SIDA (COPRESIDA). COPRESIDA is the government's agency responsible for the coordination of all efforts in the country to prevent and control HIV/AIDS (National Response) and for the implementation of the Bank project. Implementation and disbursement delays also resulted from insufficient government allocations of Project counterpart funds.
4. In the past, the coordination of the National Response lacked a comprehensive and programmatic approach and though some pioneering activities were launched, Project activities remained patchwork. In the absence of a national monitoring and evaluation system, evidence of the activities' impact and progress towards the Project's Development Objective is lacking.
5. Following the general elections in 2004, the new administration replaced the COPRESIDA team and increased the allocation of counterpart funds in consecutive

years. Under an action plan with firm deadlines designed to improve Project performance, the COPRESIDA team, which has been gaining experience, managed to implement an ambitious 12 month procurement plan that scaled up prevention activities delivered by more than 30 public and private organizations in multiple sectors resulting in disbursements of \$3.5 million between April 2005 and March 2006.

6. Over the last 12 months, the COPRESIDA team also took important steps to improve the coordination of the National Response. Most importantly, the team elaborated and initiated a process to develop a comprehensive 10 year National Strategic Plan with biannual implementation plans. As a first step in this process, COPRESIDA facilitates the formation of self-governing public-private alliances that serve individual target populations such as People Living with HIV/AIDS or high risk groups. As a second step, such alliances, with the support of COPRESIDA, define strategic objectives, intervention areas and targets and develop and implement action plans and monitoring and evaluation systems. The 10-year National Strategic Plan encompasses the strategic objectives, intervention areas and targets of all alliances, while the biannual implementation plans lay out the targets and action plans for each two-year period. Eight public-private alliances have already been established, three of which have defined strategic objectives, intervention areas, targets and action plans.
7. Furthermore, COPRESIDA prepared a first biannual action plan incorporating the: (i) action plans of already-established alliances, (ii) activities required to establish the remaining four alliances; (iii) activities that will strengthen the implementation capacity of alliances and individual organizations; and (iv) ongoing prevention and care interventions.
8. Above and beyond the reorganization of the National Response and the development of the National Strategic Plan, COPRESIDA faces two main challenges. First, it has to develop a national monitoring and evaluation system. For reasons of efficiency, this system cannot simply be the sum of the monitoring and evaluation systems that individual alliances will set up.
9. Second, the requirements for using external resources, including the Bank's are demanding and uncoordinated. This has constrained the flow of funds. Since the inception of the Project, external resources, and in particular grants became increasingly available and according to conservative estimates, are sufficient to cover the incremental costs of the National Strategic Plan between 2006 and 2009. Most importantly, as of June 2004, the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) started to provide grant funds with an initial commitment of \$14.7 million until 2006 and, dependent on project performance, an additional \$22 million between 2007 and 2009. Donors, however, impose strict criteria for the use of funds by type of intervention and implementing agency. In addition, norms and procedures to access funds tend to be cumbersome. As a result, some areas of the National Response are now over-funded while others are under-funded. For example, the resources available to strengthen organizations and institutions, in particular, the administration and coordination of the National Response are insufficient.

## Proposed changes

10. The original Bank Project supported government action to reduce the spread of HIV. While the eligible activities are critical to the National Response, they only capture a subset of what constitutes an effective National Response to control and prevent HIV/AIDS. Furthermore, they overlap with project activities of other development partners. At the same time, other areas of the National Response remain under-funded. Therefore, the proposed changes focus on facilitating the use loan resources to bridge current and future financing gaps. Achieving this goal would require two sets of actions. First, it would be necessary to expand the eligibility of expenditures under the original Project design to match the scope of activities included in the first biannual implementation plan of the National Strategic Plan. Second, simplified administrative Project procedures should be introduced, where appropriate. As it has been an under-funded priority, strengthening the coordination of the National Response would become a central component of the restructured Project's development objectives.
11. The Development Objective of the restructured project would be to reduce the risk of HIV transmission and improve the quality of life of those infected and affected by the HIV epidemic. These objectives would be achieved by reorganizing the National Response, developing a National Strategic Plan and the corresponding monitoring and evaluation System, and implementing selected interventions.
12. The restructured Project would include three components. The **first** component would contain activities that strengthen the coordination of the National Response including those required to reorganize it and to develop the National Strategic Plan and a corresponding national monitoring and evaluation system. Activities include consultancies, training, administration and management. The **second and third** components would consist of interventions that are effective in reducing the risk of HIV transmission and improving the quality of life of infected and affected persons. The **second** component would comprise those activities to be implemented by public sector organizations, while the **third** would support activities to be implemented by civil society organizations.
13. Activities under components 1, 2 and 3 would mirror the range of activities contemplated in the first biannual action plan of the National Strategic Plan. This alignment would provide the necessary flexibility for the use of loan resources to fill current and future financing gaps. In comparison with the original project design, activities of component 2 and 3 would contain, for example, all aspects of treatment and care including treatment with anti-retroviral drugs and, in the area of prevention, communication interventions to bring about behavior change.
14. Under the restructured Project, the original share of 83% Bank financing would be sustained. However, loan and counterpart funds would be used to fully finance distinct and separate Project activities. Bank loan proceeds would fully finance a portion of all Project activities included in the procurement plan that equal 83% of total costs; government counterpart funds would fully finance separate activities of the procurement plan that equal 17% of total costs. The overall 83/17 financing share would be monitored by the procurement plan. Preparation and continuous updates of

the procurement plan will be mandatory following the adoption of the new procurement guidelines (see below). Disbursements would be documented and monitored according to Project components.

15. The proposed changes to the financing parameters and their monitoring would simplify the financial management and execution of the Project. First, the simplified disbursement schedule would reduce the probability of reallocating resources across disbursement categories over the life-time of the project and thus enhance flexibility in the use of loan resources. Second, the arrangements to finance Project activities either out of loan or counterpart funds would simplify payment procedures and, thus, facilitate the decentralization of Project activities to implementing agencies.
16. The restructured Project would adopt the Bank's procurement guidelines dated May 2004. This change would yield three main benefits. First, the introduction of additional procurement procedures would provide more flexibility and ultimately increase the efficiency of the use of loan funds. Second, the abolishment of aggregate thresholds for procurement procedures would facilitate the financial management of an increasingly decentralized implementation design. Third, the mandatory use of a procurement plan would support planning and coordination across projects and agencies.
17. The restructuring would extend the loan's closing date by 12 months to December 31, 2007. This extension would provide the government with sufficient time to achieve the revised Development Objective, in particular, the organizational and institutional strengthening of the National Response. The current balance of approximately \$15 million would be sufficient to finance ongoing Project activities and, in addition, to cover financing gaps of the first biannual action plan. The latter would propel disbursement levels to \$4.3 million in FY 2006 and \$8 million in consecutive fiscal years.

### **Analysis**

18. None of the proposed changes would require modification of the original technical, institutional or social aspects of the original Project. The financial implications are discussed above (see 14 to 16).
19. At this stage, it is impossible to determine the exact effect on the economic aspects of the Project, as the intended flexibility to fill current and future funding gaps does not permit predicting all Project financed activities. However, the literature suggests that activities supported by the Project are highly cost-effective and would produce acceptable economic returns. Moreover, the Government, under the guidance of the UN Millennium Project, has produced cost estimates for the National Strategic Plan 2005/15 and will produce estimates of benefits and cost-benefit ratios.

### **Expected outcomes**

20. The proposed restructuring includes changes to the Project's Development Objectives and the monitoring matrix of the implementation letter. The revised Project Development Objectives are to:

*Reduce the risk of HIV transmission and improve the quality of life of those infected and affected by the HIV epidemic by reorganizing the National Response, developing a National Strategic Plan and a corresponding monitoring and evaluation System, and implementing selected interventions.*

Project monitoring indicators and targets have been jointly developed by COPRESIDA, the task team, the Global AIDS Monitoring and Evaluation Team and the UNAIDS office in the Dominican Republic. The revised implementation letter is presented in annex 1.

### **Benefits and risks**

21. Achieving the Project's Development Objectives would imply major progress towards the principles proposed by the family of UN agencies for national-level coordination of the HIV/AIDS response (The Three Ones).
22. If COPRESIDA fails to mobilize and unite all stakeholders in support of the National Strategic Plan and its first biannual implementation plans, the Project is unlikely to achieve its Development Objectives. COPRESIDA has already initiated processes that will permit broad stakeholder participation in the reorganization of the National Response and development of the National Strategic Participation. The Project would support activities to achieve the same objective and closely monitor their implementation.
23. The national monitoring and evaluation system is nascent. Monitoring and evaluation is commonly perceived as a control mechanism rather than a management tool. If such cultural barriers are not overcome and the system rapidly strengthened, it will be impossible to monitor whether and how intended outcomes will be achieved over time. COPRESIDA committed itself to develop a comprehensive national monitoring and evaluation system by the end of 2007. The Project would support all efforts required to build this system, including technical assistance by the Global AIDS Monitoring and Evaluation Team. Other development partners have committed their support and collaboration.
24. The financial sustainability of the National Response is uncertain. There are three main risks. First, if prevention efforts are ineffective to control the transmission of the disease, costs for treatment and care will be escalating. Second, the Government may not meet the criteria to enter into the second phase of the GFATM Project. Third, external resources will substantially diminish or cease in 2008 and 2009. The Project would try to mitigate these risks. First, the restructured project would finance the full range of interventions effective to prevent the spread of the disease, furthermore, would closely monitor their implementation. Second, the loan would continue, if necessary, to provide bridge-funding for GFATM project activities when cash-flow problems hamper the achievement of quarterly performance targets so that the GFATM project performance permits entering phase II. Third, the Bank Project would support a meeting that will bring together Government and development partners early in 2007 to discuss the financing of the National Strategic Plan in subsequent years.

**Annex 1**

**Revised Implementation Letter**

<b>Development Objective</b>	<b>Intervention area</b>	<b>Results</b>	<b>Indicators</b>	<b>Targets</b>	
Reorganizing the National Response, developing a National Strategic Plan and a corresponding monitoring and evaluation system	National Strategic Plan	National Strategic Plan fully developed and reflecting a consensus across alliances, including intervention lines for each target population	National Strategic Plan prepared, including intervention lines for each target population	December 2006	
	Monitoring and evaluation	Monitoring and Evaluation system of the national response fully functioning	Design of the national monitoring and evaluation system fully developed, reflecting a consensus across all alliances	October 2006	
			Monitoring and evaluation system under implementation, information on some indicators is available	March 2007	
			Monitoring and evaluation system fully functioning, a first annual report about the status of the National Response is widely distributed	December 2007	
	Absorption capacity of resources	Increased absorption of resources available to finance the National Response	Amount of investments in HIV/AIDS prevention and control by financing source and implementing agency	Targets to be defined dependent on baseline to be available in Dec. 2006	
Reducing the risk of transmission and improving the quality of life of those infected and affected	Care and treatment	Improved coverage of anti-retroviral treatment	% of persons that needed ARV treatment and received it in the last 12 months	2005: 33% (2,800) 2006: 70% (5,000) 2007: 85% (7500)	
	Social marketing of condoms	Increase in the use of condoms among young people	% of young population (15 to 24 years old) that report the use of condom in the last sexual relation with a non regular partner in the last 12 months	Targets to be defined dependent on baseline to be available in Dec. 2006	
	Voluntary Counseling and Testing	Improve the population's knowledge about its serological status	population aged 15 to 49 who voluntarily requested an HIV test, received the test and received their results within the last 12 months	2005: 82,915 2006: 170,000 2007: 250,000	
	Prevention of Mother-to-Child Transmission	Decrease the transmission from mother to child	% of health facilities providing birth attendance that provide prophylactic treatment according to national norms	2005: 60% 2006: 75% 2007: 80%	
	Treatment of sexually transmitted infections other than HIV	Improve the diagnosis and treatment of STIs	% of patients with STIs who are appropriately diagnosed and treated according to national guidelines of all STI patients	2005: 70% 2006: 80% 2007: 90%	
	Discrimination and stigma	Improve accepting attitudes towards those living with HIV	Improve accepting attitudes towards people living with HIV	% of people expressing accepting attitudes towards people with HIV, of all people surveyed, broken down by different environments (workplace, schools, etc)	Targets to be defined dependent on baseline to be available in Dec. 2006
			Reduce stigma and discrimination at health facilities	% of health personnel expressing accepting attitudes towards people with HIV, of all health personnel surveyed	Targets to be defined dependent on baseline to be available in Dec. 2006
			Reduce stigma and discrimination in the community	% of PLWHA that report felt stigma	Targets to be defined dependent on baseline to be available in Dec. 2006