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SIMULTANEOUS DISCLOSURE

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**DOMINICAN REPUBLIC**

**PROGRAM TO FINANCE SUSTAINABLE INVESTMENTS AND IMPROVE  
PRODUCTIVITY IN THE DOMINICAN REPUBLIC'S AGRICULTURE SECTOR**

**(DR-L1157)**

**LOAN PROPOSAL**

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## CONTENTS

### PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING .....	1
A.	Background, problem addressed, and rationale.....	1
B.	Objectives, components, and cost .....	10
C.	Key results indicators .....	12
II.	FINANCING STRUCTURE AND MAIN RISKS .....	13
A.	Financing instruments .....	13
B.	Environmental and social safeguard risks.....	14
C.	Fiduciary risks .....	15
D.	Other key issues and risks.....	15
III.	IMPLEMENTATION AND MANAGEMENT PLAN .....	16
A.	Summary of implementation arrangements .....	16
B.	Summary of arrangements for monitoring results .....	20

ANNEXES	
Annex I	Summary Development Effectiveness Matrix (DEM)
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements
LINKS	
<b>REQUIRED:</b>	
1.	<a href="#"><u>Multiyear execution plan and annual work plan</u></a>
2.	<a href="#"><u>Monitoring and evaluation plan</u></a>
3.	<a href="#"><u>Procurement plan</u></a>
4.	<a href="#"><u>Environmental and social review summary</u></a>
<b>OPTIONAL:</b>	
1.	<a href="#"><u>Economic analysis</u></a>
2.	<a href="#"><u>Program Operating Regulations</u></a>
3.	<a href="#"><u>Analysis of green and climate lines of business opportunities</u></a>
4.	<a href="#"><u>Analysis of the demand for credit in the Dominican Republic's agriculture sector – Project DR-L1157</u></a>
5.	<a href="#"><u>Procedural manual for Component 2 of the technical assistance</u></a>
6.	<a href="#"><u>Banco Agrícola Strategic Plan 2021-2024</u></a>
7.	<a href="#"><u>Pilot agricultural insurance program to strengthen Banco Agrícola's climate risk management</u></a>
8.	<a href="#"><u>Bibliographic references</u></a>
9.	<a href="#"><u>Positive list of climate investments</u></a>
10.	<a href="#"><u>Program vertical logic</u></a>
11.	<a href="#"><u>Climate finance analysis</u></a>

## ABBREVIATIONS

AFD	Agence française de développement (French Development Agency)
BAGRÍCOLA	Banco Agrícola de la República Dominicana (Agricultural Bank of the Dominican Republic)
BCRD	Banco Central de la República Dominicana (Central Bank of the Dominican Republic)
ESRMS	Environmental and social risk management system
FAO	Food and Agriculture Organization of the United Nations
GHG	Greenhouse gas
ICB	International competitive bidding
JICA	Japan International Cooperation Agency
MRV	Monitoring, reporting, and verification
MSMEs	Micro, small, and medium-sized enterprises
PAIA	Paris Alignment Implementation Approach
PMU	Program management unit
QCBS	Quality- and cost-based selection
SIB	Superintendencia de Bancos (Superintendency of Banks)

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Financial Terms and Conditions			
<b>Borrower:</b>		<b>Flexible Financing Facility<sup>(b)</sup></b>	
Dominican Republic		<b>Amortization period:</b>	15 years
<b>Executing agency:</b>		<b>Disbursement period:</b>	5 years
Ministry of Agriculture		<b>Grace period:</b>	15 years <sup>(c)</sup>
<b>Source</b>	<b>Amount (US\$ millions)</b>	<b>%</b>	<b>Interest rate:</b> SOFR-based
			<b>Credit fee:</b> (d)
IDB (Ordinary Capital):	95	79	<b>Inspection and supervision fee:</b> (d)
Joint financing: Agence française de développement (AFD): <sup>(a)</sup>	25	21	<b>Weighted average life:</b> 15 years
			<b>Approval currency:</b> United States dollar
<b>Total:</b>	120	100	

**Project at a Glance**

**Objectives:** The program's general development objective is to promote investments in climate adaptation and mitigation technologies, along with complementary technologies that contribute to making Dominican agricultural production more sustainable. The specific development objective is to increase the provision of credit for investment and the adoption of climate and complementary technologies for micro, small, and medium-scale farmers.

**Special contractual conditions precedent to the first disbursement of the financing:** The executing agency will provide evidence to the Bank: (i) that a subsidiary agreement has been signed between the Ministry of Finance and the Ministry of Agriculture; (ii) that an interagency execution agreement has been signed between the Ministry of Agriculture and Banco Agrícola de la República Dominicana (BAGRÍCOLA); (iii) that the project management unit (PMU) has been established and the program general coordinator appointed; and (iv) that the [program Operating Regulations](#) have been approved, as agreed upon with the Bank, and have been put into effect by the PMU. The [program Operating Regulations](#) will include, among other things, the necessary socioenvironmental considerations, in accordance with the [Environmental and Social Review Summary](#) (paragraph 3.12).

**Exceptions to Bank policies:** None.

Strategic Alignment			
<b>Challenges:<sup>(e)</sup></b>	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
<b>Crosscutting themes:<sup>(f)</sup></b>	GE <input checked="" type="checkbox"/> and DI <input type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>

- (a) The Bank and AFD will sign a Joint Financing with Services Agreement for cofinancing the program, pursuant to the provisions of the AFD-IDB Partnership Framework Agreement signed on 11 October 2018. The Bank will supervise the funds disbursed separately to the borrower by each institution, jointly and on a *pari passu* basis. The Bank will charge and retain a nonrefundable fee to help defray the administrative costs of supervising the AFD cofinancing, which will be distributed among the relevant Bank departments.
- (b) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take into account operational and risk management issues when reviewing such requests.

- (c) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- (d) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.
- (e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (f) GE (Gender Equity) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic context.** The Dominican Republic has one of the most stable economies in Latin America and the Caribbean, with economic growth averaging 5.3% per year over the last decade (compared to a regional average of 1%). It has also succeeded in keeping inflation under control at 4% over the last 10 years (2013-2022), which is within the target range set by the Central Bank of the Dominican Republic (BCRD). Although external price pressures pushed inflation above the upper bound of the target range for more than two years from the last four months of 2020,<sup>1</sup> by May 2023 the rate was 4.4%. Prices in the food and nonalcoholic beverages group went from a year-on-year increase of 13% in June 2022 to one of 6% by 2023.<sup>2</sup> Macroeconomic stability has helped promote foreign direct investment (about US\$4 billion in 2022), particularly in the tourism sector, which is the country's main and most consolidated activity. The Dominican Republic has a per capita income of more than US\$10,700 (US\$24,100 in purchasing power parity terms), and it has been classified as an upper-middle income economy since 2005. Economic activity is expected to grow by 4% in real terms in 2023; and the fiscal (general government) and external (current account) deficits are projected to be between -3% and -4% of GDP.
- 1.2 **Context of the agriculture and rural sector.** Agroindustrial activities generate 10.6% of GDP<sup>3</sup> (as of end-2022) and are an important socioeconomic sector that affects population wellbeing and food security directly. Agriculture is crucial to the Dominican economy, representing over 6.2% of GDP in 2022. The sector employed 403,463 people, or approximately 10% of the working population on average, between 2014 and 2021),<sup>4</sup> and it is the fourth most important sector in terms of local job creation. More than 2.5 million people, 25% of the country's total population,<sup>5</sup> gain their livelihoods from agriculture, either directly or indirectly. The sector generated 20.8% (US\$9.8 million) of the country's exports<sup>6</sup> in 2020 and is critical for food security, producing 85% of the basic food basket.<sup>7</sup> In four of the main products (rice, bananas, plantains, and eggs), domestic production supplies 100% of needs.<sup>8</sup> This program recognizes the agriculture sector's strategic importance in the Dominican Republic, from the production, employment, export,

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<sup>1</sup> The BCRD raised its monetary policy interest rate from 3% in November 2021 to 8.5% in late 2022, as a measure to combat high inflation. This pushed the overnight rate to its highest level in the last 13 years. After a 7-month pause, it then cut the monetary policy rate to 8% in May 2023.

<sup>2</sup> The context of international instability and global slowdown could threaten agricultural production capacity. Russia's invasion of Ukraine has an effect on productive inputs such as fertilizers that are crucial for the production of coffee, rice, or sugar cane, since 23% are imported from Russia. Sanctions may result in restricted access to these inputs.

<sup>3</sup> [Optional link 8\[2\]](#).

<sup>4</sup> [Optional link 8\[3\]](#).

<sup>5</sup> [Optional link 8\[4\]](#).

<sup>6</sup> Over the last 20 years, agricultural exports have grown by 8% per year, outpacing the 3.4% growth of total exports.

<sup>7</sup> The Food and Agriculture Organization of the United Nations (FAO) conducted an analysis of 10 products in the basic food basket and found food self-sufficiency to be above 90% [\(optional link 5\)](#).

<sup>8</sup> [Optional link 8\[5\]](#).

and food security standpoints. Its purpose is to support that sector through a combination of financing, institutional capacity, and technical assistance, to improve its sustainability and productivity, supporting gender and climate finance (paragraph 1.13).

- 1.3 **Climate vulnerability.** Climate phenomena affect Dominican agricultural production partly because of the country's geographic location in the Caribbean.<sup>9</sup> The National Adaptation Plan identifies agriculture as a sector that is vulnerable to climate change. Tropical cyclones have proven to be the most damaging events, with agriculture absorbing more than one third of the estimated cumulative damage. In the case of Hurricane Noel in 2007, productive sectors suffered up to 76% of the damage caused, especially in essential products such as chicken, plantains, and bananas. Economic losses resulting from climate change between 2000 and 2020 amounted to US\$5.4 billion.<sup>10</sup> Moreover, if the Dominican Republic does not adopt measures against climate change, the losses caused could represent 4.8% of GDP by 2030.<sup>11</sup> Climate change is expected to increase the risk of floods and landslides (60% of the country's surface area is exposed to flooding) and droughts, especially in the southwestern provinces bordering Haiti.<sup>12</sup> The Dominican Republic's carbon dioxide emissions grew by 19% between 2010 and 2015.<sup>13</sup> In its [Nationally Determined Contribution](#), the country committed to reducing its greenhouse gas (GHG) emissions by 27% relative to "business as usual" by 2030. To achieve this, measures will need to be adopted in sectors such as agriculture, which generated 19.9% of emissions in the base period. These will include sustainable soil management, efficient irrigation systems, diversity and resilience of agricultural crops, food security, and others.<sup>14</sup>
- 1.4 The Dominican Republic has 877,000 hectares of arable land<sup>15</sup> that has sparse vegetation and poor soil fertility and is highly vulnerable to climate change. The Global Climate Risk Index 2019<sup>16</sup> ranks it 12th among the world's most climate-change vulnerable countries. It also identifies 13 provinces (40% of the country's surface area) as being highly or extremely vulnerable, impacting the agriculture sector significantly and to varying degrees according to region. Climate change and natural disasters pose major risks for agricultural production in most of the predominant crops. The International Center for Tropical Agriculture (CIAT) identified the following climate change risks affecting Dominican agriculture: (i) droughts; (ii) floods; (iii) loss of agricultural productivity; (iv) migration of agroclimatic zones to higher altitudes; and (v) rising sea levels (resulting in the

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<sup>9</sup> In the case of hurricanes and earthquakes, disaster damage is estimated to be at least US\$667 million every 10 years (more than 1% of GDP).

<sup>10</sup> Hurricanes Jeanne (2004) and Noel (2007) caused agricultural losses of US\$73 million and US\$100 million, respectively.

<sup>11</sup> [Optional link 8\[6\]](#).

<sup>12</sup> Since 2013, rainfall has been insufficient in many agricultural areas, impacting soil moisture.

<sup>13</sup> [Optional link 8\[18\]](#).

<sup>14</sup> [Optional link 8\[19\]](#).

<sup>15</sup> [Optional link 8\[7\]](#).

<sup>16</sup> [Optional link 8\[8\]](#).

salinization of agricultural soils).<sup>17</sup> The French Development Agency (AFD) considers that the key vulnerabilities existing in the country's strategic crop growing systems (e.g., banana, rice, beans, cocoa, coffee, and plantain) are related to drought and flooding.<sup>18</sup> Climate change has also depleted the natural resources and raw materials used in agricultural production;<sup>19</sup> and the sector faces major vulnerabilities in making its production sustainable. Lastly, the country does not have a climate risk credit policy linked to the adaptation and mitigation objectives identified in the Nationally Determined Contribution at the country and sector levels.<sup>20</sup> Climate change risks, together with the global crisis and the international context in agriculture, compounded by the lack of appropriate financial products for the sector, threaten the sustainability of local agricultural value chains. As a result, the sector is subject to significant production and food security vulnerabilities, which heighten the risk of reliance on imported commodities and the repercussions that this would have on the population.

- 1.5 **Financing for agriculture and climate adaptation and mitigation technologies (climate technologies).** The agriculture sector requires climate finance. As of end-2022, bank lending to the sector represented just 1.7% of the overall portfolio of the financial system and 0.73% of total credit granted (less than the sector's GDP share).<sup>21</sup> Agriculture fails to attract the regulated financial system, partly owing to the need for specialized technical support in addition to credit. Moreover, the credit on offer is short-term and thus incompatible with the period of the investments to be financed.

**Table 1. Agricultural credit portfolio (RD\$ millions)**

Balance/Years	2018	2019	2020	2021	2022
Agricultural	21,258	22,215	24,477	25,305	27,662
Financial system	1,109,875	1,225,122	1,255,953	1,408,529	1,617,276
<b>Share (%)</b>	<b>1.92</b>	<b>1.81</b>	<b>1.95</b>	<b>1.80</b>	<b>1.71</b>

Source: Prepared by the authors ([optional link 3](#)).

- 1.6 **Problem of access to financing for climate technologies.** Lending for investments in climate technologies (those aimed at climate change-related risk mitigation and adaptation),<sup>22</sup> or in complementary technologies to improve

<sup>17</sup> Heightened risk for dry crops and changes in areas suitable for crops such as coffee and banana. This implies the possibility of lower yields of irrigated rice and corn crops and rainfed beans, leading to greater reliance on imports.

<sup>18</sup> [Optional link 8\[17\]](#).

<sup>19</sup> [Optional link 8\[9\]](#).

<sup>20</sup> [Optional link 8\[15\]](#).

<sup>21</sup> The financial sector's portfolio has been growing at a rate of approximately RD\$1 trillion. However, its share has declined from 1.92% in 2018 to 1.80% in 2021.

<sup>22</sup> Technologies that save energy, reduce greenhouse gas emissions, restore degraded areas, allow for efficient pump irrigation and refrigeration, conserve forests or other natural ecosystems, etc. The [positive list of climate investments](#) indicates which technologies are eligible for this loan.

productivity,<sup>23,24</sup> is scarce in the Dominican financial market. The supply of credit in the commercial market for the (nonagricultural) business sector is targeted almost exclusively on (thermal and photovoltaic) solar panels and energy efficiency. The financing of climate technologies will make it possible to adapt to the physical risks of climate change, by optimizing the management of agricultural inputs, such as land or water. It will also facilitate mitigation through technologies that help reduce emissions, for example.

- 1.7 The scarcity of financing for climate and complementary technologies is due to factors such as: (i) the high perceived risk of the agriculture sector, owing largely to the lack of adequate real collateral; (ii) lack of sufficient financial resources to support the sector; and (iii) insufficient specific banking products to meet this demand, owing to ignorance of the technologies.<sup>25</sup> On the demand side, knowledge of the technologies can be improved and their financing can be promoted from a development perspective. The provision of technical assistance, support and continuous expertise, and the demonstration effect resulting from application of the technologies, will make it possible to take advantage of the opportunity. The demand for technologies can also be generated by making financial products available in adequate amounts and on appropriate terms. As part of the preparation for this loan, a study was financed to analyze the business opportunities in the aforementioned technologies ([optional link 3](#)), evaluating those with the greatest chance of being financed successfully by the program.
- 1.8 **Agricultural insurance to promote climate resilience.** In addition, by complementing the supply of credit, agricultural insurance can play a key role in enabling the sector to adapt to and mitigate climate change. Firstly, insurance mitigates the risk of default, thereby protecting farmers from climate-related income losses. Secondly, by reducing insolvency risk, it enhances farmers' creditworthiness. However, this insurance product is seldom provided in the country. Banco Agrícola de la República Dominicana (BAGRÍCOLA) (paragraph 1.11), the sector's main financier, only insures about 27% of its loans.
- 1.9 **Gender gap.** In the Dominican Republic, there is a persistent gender gap in financing, even though women represent almost half of the agricultural workforce.<sup>26</sup> According to the National Plan for Gender Equality and Equity 2020-2030 (PLANEG), a major factor in the reproduction of poverty among women, particularly in rural areas, is their meager access to productive resources, including crucial assets such as land ownership, credit, training, and support.<sup>27</sup> The

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<sup>23</sup> These include green and nonclimate technologies including organic certifications; also, investments to increase productivity that meet the Bank's social and environmental requirements.

<sup>24</sup> Examples include investments related to water and marine resources, pollution management, risk and disaster management, environmental goods and services, circular economy, environmental governance and biodiversity, and other issues.

<sup>25</sup> According to the demand study, BAGRÍCOLA takes about four weeks to disburse a loan application, in smaller amounts than requested.

<sup>26</sup> [Optional link 8\[10\]](#).

<sup>27</sup> [Optional link 8\[11\]](#).

2015 National Agricultural Pre-census<sup>28</sup> showed that women account for just 16.3% of all farmers.

- 1.10 The scant information available for the Dominican Republic indicates that 5% of businesses are owned by women (compared to a Latin American and Caribbean average of 13%). Moreover, the proportion of female-owned businesses that are credit constrained (33%) is higher than the regional average. Although the portfolio of loans to women has grown by 37.5% in the last eight years,<sup>29</sup> the size of the commercial portfolio for women is a quarter of that for men. Lastly, the Women's Crop and Livestock Sector Office, attached to the Office of the Ministry of Agriculture, leads public policy actions to raise the profile and strengthen the participation of women in production processes in the sector. This highlights the importance of targeting more efforts toward rural women, as a neglected population segment that could potentially contribute to the country's economy. BAGRÍCOLA (paragraph 1.11) noted that 8% of the loans that could be financed by this program go to women (as individuals). In the case of the portfolio of loans to micro, small, and medium-sized enterprises (MSMEs), there are no disaggregated data to classify the portfolio and establish a baseline.
- 1.11 **BAGRÍCOLA.** This is an autonomous, decentralized State institution established by Law 908 on 1 June 1945. It supplies specialized financial products and services to farmers, rural microenterprises, and manufacturing industries in the Dominican Republic. As a development finance institution,<sup>30</sup> BAGRÍCOLA operates as a commercial bank specialized in the rural sector and agricultural activities. Its objective is to foster production by channeling financial resources to develop productive activities in rural areas.<sup>31</sup> BAGRÍCOLA is a solvent development finance institution, with assets of more than US\$643 million, and has preserved its initial capital contributions. In late 2021 it had a net worth of US\$230 million and a loan portfolio of more than US\$486 million. It is the sector's main financial institution and, in many cases, the only entity in a position to meet the needs of MSMEs and large agricultural enterprises. It accounts for 33% of the total amount lent to producers, leaving a gap in access to formal financing of more than 67% in 2023. This funding gap is bridged by financial intermediaries and informal lenders that charge interest rates that sometimes exceed 60% per annum ([optional link 4](#)). BAGRÍCOLA's financing of agricultural and marketing activities represented 33% of total lending to the agriculture sector by all financial institutions as of July 2023. Although BAGRÍCOLA does not have credit lines devoted specifically to climate technologies, in 2022 and 2023 it lent a total of US\$20 million in support of green, nonclimate technologies such as organic certifications. Of the total loans granted, 73% supported agricultural activities; 11% targeted agroindustry, manufacturing, and rural microenterprises; 14% were channeled to

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<sup>28</sup> [Optional link 8\[12\]](#).

<sup>29</sup> [Optional link 8\[13\]](#).

<sup>30</sup> BAGRÍCOLA, public, mixed-ownership entities alongside the Export Development Bank (BANDEX).

<sup>31</sup> BAGRÍCOLA serves as executor of the government's public policies, such as in relation to the agricultural development fund (FEDA). Component 3 of the program will provide support in separating BAGRÍCOLA's own duties and responsibilities from those pertaining to its role as executing agency.

- livestock activities; and 2% for consumption,<sup>32</sup> with an average loan size of around US\$40,000.
- 1.12 **Potential demand.** A study assessed the agriculture sector's potential demand and needs for financing, in particular for climate and other complementary technologies ([optional link 4](#)). This found a potential unmet credit demand of US\$12 billion in the agriculture sector through 2026, and US\$1.1 billion for technologies.
- 1.13 **Proposed program strategy.** The program provides subloans, technical assistance, and institutional strengthening to promote investment in climate and complementary technologies for productivity. In this context, a sequence will be followed in which, from the first year of execution, the focus will be on developing BAGRÍCOLA's institutional capacity, including organizational considerations, human talent development, and developing its technological platform. The program will finance the development and implementation of new forms of agricultural support, the design of an innovative financial risk transfer solution for potential losses caused by catastrophic events, and an integrated georeferenced information system and risk analysis for a pilot insurance program (paragraph 1.28) ([optional link 7](#)). In addition, Ministry of Agriculture extension workers, technicians, and BAGRÍCOLA development agents will be trained in climate technologies. Working with external experts, they will provide continuous training and extension in capacity-building for application and investment in climate technologies for Dominican farmers, with greater intensity in the first year of the project to promote demand and prepare the sector technically. In the first year, credit will also be provided to enable farmers to invest in complementary productive technologies (paragraph 1.29). Alongside this, AFD will implement a climate monitoring, reporting, and verification (MRV) system and will work with the Bank on gender issues (paragraph 1.25). Technical assistance resources will also be allocated before the start of the program, for updating the inventory of technologies and suppliers available in the Dominican market (paragraph 1.19). From year two onward, the program is expected to have the technical capacities and demand needed to make subloans in climate technologies (paragraph 1.28). This sequence is expected to have a demonstration effect for adopting and financing the aforementioned technologies. The financing of women farmers is crosscutting for the program. As a positive spillover, private banks are expected to finance the technologies targeted by the program, once their viability has been demonstrated.
- 1.14 In addition to the study done on the potential demand for financing (paragraph 1.7), the Bank also contracted consulting services to evaluate the climate technologies that were the most technically and financially viable for BAGRÍCOLA to promote and finance. This analysis, performed in conjunction with BAGRÍCOLA and beneficiaries interviewed in the main value chains, found that 12 technologies were available. As a result, a positive list of climate investments is included as an annex ([optional link 9](#)), based on the multilateral development banks' joint methodology

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<sup>32</sup> [Optional link 8\[14\]](#).

for tracking climate finance and aligned with a low environmental and social impact profile.<sup>33</sup> These will be included in the [program Operating Regulations](#).

- 1.15 **The Bank's experience and lessons learned.** This program draws on potential synergies and lessons learned from other Bank operations in the Dominican Republic, to boost agricultural competitiveness and the adoption of sustainable investments in other sectors of the economy. These include: Productive Development and Competitiveness of the Province of San Juan (loan [3107/OC-DR](#), approved in 2014 for US\$38.3 million, fully disbursed); Program in Support of Innovation for Agricultural Technology (loan [2443/OC-DR](#), approved in 2010 for US\$34.3 million, fully disbursed); and the Sustainable Agroforestry Development Program (loan [4553/OC-DR](#), approved in 2018 for US\$105.63 million, which is 48% disbursed).
- 1.16 Lessons learned from the aforementioned programs that can be deployed in the design and potential execution of this program include: (i) the benefit of combining credit with training for producers in new production methods that are substitutes and have higher productivity; (ii) the need to lessen producers' resistance to innovation and technological change and outreach, to ensure the quality of investments; and (iii) the need to guarantee the monitoring and evaluation of the economic and socioenvironmental impacts of the interventions.
- 1.17 The program also draws on lessons learned from similar operations executed with other national development banks in the region, for example in: El Salvador (loan [4977/OC-ES](#)) which has a sustainability component that has demonstrated significant results; Honduras (loans [4936/BL-HO](#) and [4940/BL-HO](#)); and San Juan in Argentina (loan [5343/OC-AR](#)) where programs focused on financing agricultural value chains were developed. Lessons learned from these programs include the need to offer competitive interest rates and suitable terms to make sure the investment projects to be promoted are viable, and the need for institutions to be able to persuade their customer base to adopt the new technologies. The program has also been informed by empirical evidence on the positive impacts of similar interventions described in detail in the [monitoring and evaluation plan](#) and the [economic analysis](#).
- 1.18 **The Bank's value-added.** In addition to complementing existing operations to finance MSMEs and those related to agriculture, the program is part of the support that the Bank has been giving to the Dominican financial sector, supplementing the technical assistance on financial inclusion provided to the BCRD and the Superintendence of Banks (SIB), through the regional technical cooperation program "Support to public policies and institutional capacity for the development of Fintech in Latin America and the Caribbean" (operation [ATN/OC-19844-RG](#)). The Bank expects to collaborate with AFD and the Japan International Cooperation Agency (JICA) over the next five years (paragraph 1.20) to consolidate BAGRÍCOLA as a development institution. In addition, these entities will engage in interagency coordination with the Ministry of Agriculture, in pursuit of even closer sectoral alignment (paragraph 3.3).

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<sup>33</sup> The program's midterm evaluation will include a review of climate technologies (see [monitoring and evaluation plan](#)).

- 1.19 **Complementarity with other IDB Group operations and technical cooperation.** The Bank will provide technical cooperation to BAGRÍCOLA for program support (US\$150,000, currently in preparation), which will help identify new technologies and farming methods to adapt to climate change. In addition, the Bank is currently supporting<sup>34</sup> BAGRÍCOLA in developing an environmental and social risk management system (ESRMS) and in building institutional capacity to operate it. This program complements the financing, adoption of technologies, and improvement of production sustainability supported by executed and ongoing programs. In addition, during implementation, this program will be coordinated with the Agricultural Health and Innovation Project<sup>35</sup> (loan [4909/OC-DR](#), approved in 2019 for US\$50 million, and 2% disbursed) in terms of productivity and technology transfer and adoption in the sector. Lastly, it is complemented by the Yuna Basin Irrigation Improvement and Climate Change Adaptation Program (currently in preparation) related to rice crop management and climate change adaptation. As a result of the program's demonstration effect, it is expected that IDB Invest will be able to support the agriculture sector in the future through financing transactions, so coordination with IDB Invest will continue during program execution. Lastly, the Bank will continue to proactively look for opportunities with IDB Lab to develop initiatives with the private sector.
- 1.20 **Complementarity with other development agencies.** AFD will provide technical assistance resources to BAGRÍCOLA to implement an MRV system.<sup>36</sup> This will enable BAGRÍCOLA to verify the effectiveness of investments financed by the program and track their degree of adaptation to climate change. The system uses the location of the beneficiary farmer's land and the mapping of climate risks in the country, by agricultural crop and geographic zone.<sup>37</sup> This coordination with AFD will facilitate a diagnostic assessment and recommendations for prioritizing investments adapted by agricultural crop and geographic zone for this program. AFD will also support BAGRÍCOLA in implementing the gender action plan developed for it by the Bank (paragraph 1.31). In addition, the program will be executed in conjunction with a new loan from JICA to BAGRÍCOLA, in which work on gender and social and environmental risks will be coordinated.
- 1.21 **Alignment with the country's policies.** The National Development Strategy 2030 considers that the Dominican Republic needs to develop a society with a culture of sustainable production and consumption, promoting climate change adaptation. In 2020, the Dominican Republic's Strategic Agriculture Sector Plan 2020/2030-

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<sup>34</sup> Through technical cooperation operations [ATN/AC-18933-RG](#) for US\$40,000 and [ATN/OC-18243-RG](#) for US\$10,000.

<sup>35</sup> In October 2022, a mission was conducted to coordinate the work of both programs. The health project will strengthen the health and safety system of products for export and domestic consumption, by implementing good practices and introducing technologies, which could include the program's climate technologies.

<sup>36</sup> MRV will make it possible to trace and measure impacts (methodological validation, taxonomy, eligibility criteria, data collection mechanisms).

<sup>37</sup> Deployment of the geolocation system already in use by BAGRÍCOLA will make it possible to confirm that the investment responds to a need for climate change adaptation in the beneficiary producer's area. AFD proposes to use mapping tools based on IPCC tier-3 simulations of exposure to climate risks ([FAQ](#) or [ABCmap](#)), which make it possible to establish a diagnostic assessment and recommendations for investments adapted to specific agricultural sectors and geographic zones.

Vision 2050<sup>38</sup> was presented. This sector plan is part of the National Development Strategy 2030 and provides guidelines for setting the country's agricultural policies. The present operation is aligned with the implementation of the Strategic Agriculture Sector Plan in terms of: (i) financing; (ii) environment; and (iii) risk management. The operation is aligned with the National Climate Change Adaptation Plan (PNACC), in terms of its strategic focus on improving water and food security, specifically in strengthening capacities for climate change adaptation in the agriculture sector. It is also aligned with the Strategic Agriculture Sector Plan, based on development of the sector, social protection in rural areas, productive inclusion, and sustainable rural development.

- 1.22 **Strategic alignment.** This loan is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and is strategically aligned with the following development challenges: (i) social inclusion and equality, by increasing food security and improving living conditions among the rural population; and (ii) productivity and innovation, by generating and disseminating appropriate technologies and technical know-how in sustainable and resilient production processes. The program is also aligned with the following crosscutting themes: (i) climate change, through climate investments that will help to increase the use of renewable energies and reduce carbon emissions, following the approach of the [Joint Report on Multilateral Development Banks' Climate Finance](#); this project will contribute to the IDB Group's target for 30% of operation approvals to be climate finance in 2023. The operation has 64.34% of its resources allocated to climate finance, through credits that will be assigned to investments in technologies for climate risk adaptation and mitigation, and the respective training for producers, among other items; (ii) environmental sustainability through adequate management of water resources and environmental recovery of harvest areas and natural capital; (iii) gender equity by allocating program resources to finance women farmers (paragraph 1.25); and (iv) institutional capacity and rule of law, by strengthening BAGRÍCOLA's digital and comprehensive financial management capacities.
- 1.23 The program is also aligned with the IDB Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable and Renewable Energy (document GN-2609-1); and it contributes to the IDB Group's Corporate Results Framework 2020-2023 (document GN-2727-12), specifically as regards: (i) the number of beneficiaries of enhanced disaster and climate change resilience; (ii) the number of farmers with improved access to agricultural investments and services; and (iii) agencies with strengthened digital technology and managerial capacity, through the capacity and technology adjustments proposed by the program. It is also aligned with the following sector frameworks: Climate Change (document GN-2835-13), Agriculture (document GN-2709-10), Food Security (document GN-2825-8), Long-Term Financing (document GN-2768-12), and Gender and Diversity (document GN-2800-13). Additionally, it is aligned with the IDB Group's Country Strategy with the Dominican Republic 2021-2024 (document GN-3084), with respect to the priority area of sustainable and inclusive productive reactivation, with the strategic objective of improving support services

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<sup>38</sup> [Optional link 8\[16\]](#).

for the productive sector, with an emphasis on strengthening linkages, competitiveness, and resilience. There is also alignment with the Employment Action Framework with a Gender Perspective (documents GN-3057 and OP-2289-1) as it includes analysis, interventions, and indicators related to the business and entrepreneurship pillar (financing and technical assistance to farmers in Components 1 and 2) and talent (Subcomponent 2.1). In addition, the operation is classified in Category 1 of the aforementioned Action Framework, since it includes a specific resource allocation target (18%) for enterprises or productive initiatives led by women. Lastly, the operation is included in the Update of the Annex III of the 2023 Operational Program Report (document GN-3154-3).

- 1.24 **Paris alignment.** This operation falls outside of the timeframe defined by the IDB Group Paris Alignment Implementation Approach (PAIA) (document GN-3142-1).<sup>39</sup> It therefore does not contain information on its analysis of alignment with the mitigation and adaptation targets of the Paris Agreement.
- 1.25 **Gender considerations.** Given the gender gaps and the dynamic observed with data available from BAGRÍCOLA, the operation sets a target of 18% of Component 1 resources to be channeled into loans to women (compared to a baseline of 8%) (paragraph 1.10). In Component 2, technical assistance will finance training on gender issues. To accompany this operation and support counterpart capacity-building, technical cooperation operation [ATN/OC-18918-RG](#) (operational support, approved in 2021 for US\$350,000, 30% disbursed) recently completed two key activities: (i) proposal for the design of a Gender Action Plan, to identify the main thematic areas in the investment spectrum with a gender perspective, for which its proper implementation will be coordinated with cofinanciers; and (ii) internal diagnostic assessment of its capacities to compile and analyze gender-disaggregated data, and provide recommendations for aligning with good practices in this area.

#### B. Objectives, components, and cost

- 1.26 **Objective.** The program's general development objective is to promote investments in climate adaptation and mitigation technologies, along with complementary technologies that contribute to making Dominican agricultural production more sustainable. The specific development objective is to increase the provision of credit for investment and the adoption of climate and complementary technologies for micro, small, and medium-scale farmers. The latter is achieved through the additionality generated by technical assistance to build institutional capacity in the Dominican agriculture sector and in BAGRÍCOLA, respectively.
- 1.27 **Component 1. Financing for investments in climate technologies (US\$101.4 million: IDB-Ordinary Capital: US\$80.3 million; AFD: US\$21.1 million).** This component will finance medium- and long-term loans for investment in climate technologies (paragraph 1.29) and complementary technologies (paragraph 1.30) that help to make the production of micro, small, and medium-scale farmers more sustainable. These resources will be

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<sup>39</sup> "The PAIA will not be applied retroactively in operations that reached eligibility before the year of 2023", IDB Group Paris Alignment Implementation Approach: Principles, Methodology, and Technical Guidance; paragraph 2.10.

multisectoral and may finance investments in any agricultural subsector supported by BAGRÍCOLA.<sup>40</sup> In all, 18% of the resources of this component will go to women, which is more than double their current share of financing in BAGRÍCOLA (8%) and higher than the proportion of women who are farmers (16.3%) (paragraph 1.9). The component will be divided into two subcomponents:

- 1.28 **Subcomponent 1.1. Financing for climate technologies (US\$70.98 million: IDB-Ordinary Capital: US\$56.2 million; AFD: US\$14.8 million).** Resources will be used to create a new BAGRÍCOLA credit line to support the development of a product line and finance investments in climate technologies. The investments financed will help agricultural MSMEs make their production more sustainable. The credit regulations, referring to Component 1 and mentioned in the [program Operating Regulations](#), include an annex containing a positive list of investments eligible for financing through this subcomponent.<sup>41</sup>
- 1.29 **Subcomponent 1.2. Financing for productive investments (US\$30.42 million: IDB-Ordinary Capital: US\$24.1 million; AFD: US\$6.3 million).** Resources for investments in complementary (nonclimate) technologies that promote and improve productivity in the agriculture sector and contribute to making its production more sustainable. This component may be used to finance the machinery, equipment, and inputs necessary for agricultural production, among other items.<sup>42</sup>
- 1.30 **Component 2. Technical assistance for the agricultural value chain (US\$10.6 million: IDB-Ordinary Capital: US\$8.4 million; AFD: US\$2.2 million).** This component will finance training and capacity-building to prioritize and support the financing, adoption, and use of climate technologies. Details of component implementation are included in the procedural manual of the technical assistance component ([optional link 5](#)).
- 1.31 **Subcomponent 2.1. Sector-level human talent development (US\$1.9 million: IDB-Ordinary Capital: US\$1.4 million; AFD: US\$400,000).** This subcomponent will use resources for institutional capacity-building among extension workers, agents, and development technicians, focused on knowledge and skills in climate technologies. The subcomponent includes a diagnostic assessment of current capacities and needs for the financing of technologies to ensure correct training and outreach.
- 1.32 **Subcomponent 2.2. Technical assistance for agricultural MSMEs (US\$8.7 million: IDB-Ordinary Capital: US\$6.9 million; AFD: US\$1.8 million).** This subcomponent seeks to build climate technology capacities among Dominican farmers. Firstly, individual technical assistance will be provided directly to agricultural MSMEs through visits to address specific demands for the

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<sup>40</sup> The diagnostic and prospective studies conducted during preparation of the program ([optional links 3, 4, and 5](#)) recommended supporting 11 subsectors prioritized as most feasible for incorporating climate technologies.

<sup>41</sup> These include: purchase of more efficient air conditioners; replacement of equipment or machinery to reduce GHG emissions; precision agriculture; use of irrigation, pumping or refrigeration equipment that reduces the use of energy resources.

<sup>42</sup> This component's credit conditions (cost, term, eligibility, etc.) are described in paragraphs 3.9 and 3.10.

technologies financed by Component 1. Extension activities for producers will also be undertaken with Ministry of Agriculture support. Secondly, group-based technical assistance will be provided (for cooperatives, processing units (*factorías*), and legally established associations). This will aim to share experiences in the application of technologies, addressing problems shared among the group, as well as technical strengthening. Activities will include training, demonstration plots, knowledge routes, and technology fairs.<sup>43</sup>

- 1.33 **Component 3. BAGRÍCOLA institutional strengthening (US\$7 million: IDB-Ordinary Capital: US\$5.5 million; AFD: US\$1.5 million).** Resources will be used to strengthen BAGRÍCOLA's institutional capacity for integrated management,<sup>44</sup> along with digital transformation to modernize the entity and make it nimbler and more competitive. The component will target five areas of support: (i) modernization of the technological platform, including the procurement, assembly, and rollout of a new core banking system, and temporary improvements to the current core legacy and processes; (ii) improvement of internal processes, with indicator-based management for portfolio, lending, credit impact, and other items; (iii) design and implementation of a pilot agricultural insurance program to foster the transfer of risk to the market and manage increasing climate risks more effectively ([optional link 7](#)); (iv) compliance and risk management, including regulatory adjustments, internal policies, and other items; and (v) human resource management and improvement, mainly in critical financial and organizational areas.
- 1.34 **Administrative and other costs (US\$1 million).** Program resources will be used to finance the contracts of the technical specialists needed for the PMU to operate (paragraph 1.30). In addition, BAGRÍCOLA will use its organizational structure for the other components of the program. This line item will also finance monitoring, evaluation, and independent audit expenses.
- 1.35 **Beneficiaries.** The beneficiaries of Components 1 and 2 will include micro, small, and medium-scale farmers working individually or in partnerships (cooperatives, processing units (*factorías*), and legally established associations), including women farmers. The target population for this project consist of an estimated 8,000 producers in the agriculture sector, who will be served by either Component 1 or 2. BAGRÍCOLA will be the beneficiary of Component 3.

### C. Key results indicators

- 1.36 The program's expected impact is that the intervention will promote investments in climate technologies that help to make production in the Dominican agriculture sector more sustainable, the results of which will be measured in terms of: (i) water savings resulting from investment in climate technologies that contribute to making Dominican agricultural production more sustainable; (ii) CO<sub>2</sub> emissions avoided through investment in climate technologies that contribute to making Dominican agricultural production more sustainable; and (iii) energy savings resulting from

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<sup>43</sup> Details of the technical assistance execution mechanisms are provided in [optional link 5](#).

<sup>44</sup> Portfolio management, risks, know-your-customer, internal processes, etc.

investment in climate technologies that contribute to making Dominican agricultural production more sustainable.

- 1.37 Based on the specific objective, the program's expected outcomes will be measured by: (i) the amount of the portfolio of investments in climate adaptation and mitigation technologies that contributes to making production more sustainable in MSMEs supported by the program; (ii) the amount of the productive investment portfolio that finances MSMEs supported by the program; (iii) the number of eligible producers adopting the climate adaptation and mitigation technologies that help to make production more sustainable, who have received credit and technical assistance and have implemented the technologies in question; (iv) the proportion of the component's resources allocated to beneficiary enterprises (or productive projects) led or owned by women; (v) the percentage reduction in the average time taken to grant credit for the different sources of financing and types of projects for productive credit lines; and (vi) the default rate of the relevant portfolio supported with program resources from Subcomponent 1.2.
- 1.38 **Economic evaluation.** The economic evaluation identifies the flows of benefits and costs generated by the program. The benefits obtained from the loans made for investments that complement and improve the sector's productivity are measured by: (a) the growth of sales by firms that access the financing; and (b) the income derived from jobs generated thanks to the program. In addition, the benefits of the loans for investments in climate technologies come from: (c) natural resource savings and protection; and (d) reduced CO<sub>2</sub> emissions for some investments. Calculation of the aforementioned flows, discounted at 12%, gives benefits of US\$5.08 million and an internal rate of return of 16.55%. Additionally, the sensitivity analysis shows that the program is robust to variations in key parameters ([optional link 1](#)).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 The program will be financed with US\$95 million from the Bank's Ordinary Capital, and US\$25 million in joint financing from AFD to the borrower (paragraph 2.2), making an estimated total program cost of US\$120 million. The funds will be executed through a Global Credit Loan, since this is a financial intermediation (FI) operation that allows for onlending to end beneficiaries through BAGRÍCOLA for Component 1, as well as the provision of technical assistance and institutional improvement for Components 2 ([optional link 5](#)) and 3.
- 2.2 **Program cofinancing.** The Bank and AFD will sign a Joint Financing with Services Agreement,<sup>45</sup> under which the Bank will supervise the resources of the

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<sup>45</sup> This agreement will specify mechanisms for collaboration, supervision, exchange of information and assistance in implementing the activities, in accordance with the Bank's policies and procedures, and taking into account the provisions of the respective loan agreements entered into with the borrower by each entity.

two operations jointly on a *pari passu* basis.<sup>46</sup> The Bank will charge and retain a nonrefundable fee to help cover the payment of the administrative costs associated with the supervision of AFD's contribution (US\$25 million).

**Table 2. Estimated program costs<sup>47</sup> (US\$ millions)**

Components	IDB	AFD	Total	%
Component 1. Financing for investments in climate technologies	80.3	21.1	101.4	84.5
Subcomponent 1.1 Financing for climate technologies	56.2	14.8	71.0	59.2
Subcomponent 1.2 Financing for productive investments	24.1	6.3	30.4	25.4
Component 2. Technical assistance to farmers	8.4	2.2	10.6	8.9
Subcomponent 2.1: Sector-level human talent development	1.5	0.4	1.9	1.6
Subcomponent 2.2: Technical assistance to agricultural MSMEs	6.9	1.8	8.7	7.3
Component 3. BAGRÍCOLA institutional strengthening	5.5	1.5	7.0	5.8
Administrative and other contingent expenses	0.8	0.2	1.0	0.8
<b>Total</b>	<b>95.0</b>	<b>25.0</b>	<b>120.0</b>	<b>100.0</b>

- 2.3 **Execution schedule.** As the aim of the program is to develop a new line of business for climate investments, it will have a disbursement period of five years from the date on which the loan enters into force. Implementation will be more concentrated in the third year, owing to the sequencing of the operation, which starts with more intensive technical assistance in the first year, before focusing on the disbursement of Component 1.1.

**Table 3. Projected disbursements (US\$ millions)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Total amount</b>	20	25	30	25	20	120
<b>IDB</b>	15.8	19.8	23.8	19.8	15.8	95.0
<b>AFD</b>	4.2	5.2	6.3	5.2	4.2	25.0
<b>%</b>	16.7	20.8	25	20.8	16.7	100

## B. Environmental and social safeguard risks

- 2.4 According to the Environmental and Social Policy Framework (document GN-2965-23) the operation is classified as “FI”, with a “moderate” environmental and social risk rating. The operation’s disaster and climate change risk is also classified as “moderate.” The climate technology investments to be financed under Component 1 will contribute to the program’s positive environmental impact. Financing will be provided for technologies such as tractors and machinery

<sup>46</sup> AFD is restricted to making minimum disbursements of US\$3 million. Should BAGRÍCOLA request total disbursements of less than US\$15 million (i.e., US\$12 million from the Bank and US\$3 million from AFD), AFD would be unable to make its share of the disbursement. It would therefore make the next disbursement in full until its share of the program is equalized.

<sup>47</sup> The breakdown of costs by component and subcomponent is indicative.

- (efficient low-emission engines), dryers, packing machines, pest control mechanisms, and other items. Based on the results of the environmental and social due diligence, most of the subprojects to be financed under the program are expected to be of low socioenvironmental risk, with some of potentially moderate risk. The average loan size per subproject is expected to be US\$40,000, with a maximum per subproject of US\$750,000. Category A subprojects (high socioenvironmental risk) will not be financed, nor will projects in protected areas, among other exclusions.
- 2.5 The program's potential environmental, social, and health and safety impacts are generally considered to be low and will be managed by applying a program environmental and social management system. This will be based on compliance with the IDB exclusion list,<sup>48</sup> local law, and additional exclusion and eligibility criteria. In accordance with the IDB Group Measures to Address Risk of Forced Labor in the Supply Chain of Silicon-based Solar Modules (document GN-3062-1), measures to prevent and mitigate the risk of forced labor are established for subprojects that involve the financing of solar panels, based on compliance with local law and international conventions. These requirements are integrated into the program's ESRMS ([required link 4](#)) and will be included in the [program Operating Regulations](#).
- C. Fiduciary risks**
- 2.6 An institutional analysis identified two medium-high fiduciary risks in the following areas: (i) the institutional environment, owing to BAGRÍCOLA's lack of experience in executing operations with the Bank, which could cause delays in execution, thereby impacting procurement and contracting processes. This risk will be mitigated by creating a project management unit (PMU) within BAGRÍCOLA exclusively for the execution of this operation. In addition, BAGRÍCOLA is receiving assistance in preparing the program from the project team and specific consulting services, to generate improvement actions that will enable it to execute the program adequately and strengthen its institutional capacity; and (ii) the organizational structure, owing to a potential lack of coordination between BAGRÍCOLA and the Ministry of Agriculture in the event of shifting priorities or organizational changes that could affect project management. This will be mitigated by specifying clear rules for program execution as defined in the [program Operating Regulations](#) and by the technical cooperation support to be provided by the Bank and AFD.
- D. Other key issues and risks**
- 2.7 **Other risks.** Two medium-high risks have been identified: (i) the economic and financial environment generated by Russia's invasion of Ukraine and the existing high risk of inflation. This could harm Dominican farmers' economic activities, by pushing up the price of production inputs and eroding operating margins. This will be mitigated by providing countercyclical funds from the program; and (ii) the institutional environment: BAGRÍCOLA's team lacks specialized technical knowledge on issues related to the financing of climate technology and the

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<sup>48</sup> The Bank and AFD exclusion lists, and the program's environmental and social management system, rule out the use of prohibited pesticides and activities that cause deforestation and harm biodiversity.

organized application of environmental and social policies. This will be mitigated with technical assistance from the Bank and AFD, by developing an ESMRS, building BAGRÍCOLA's institutional capacity, and mainstreaming gender.

- 2.8 **Sustainability.** The program's sustainability will be supported by the demonstration effect resulting from the implementation of Component 1, through financing for climate and complementary technologies. In addition, the resources from this program will help strengthen the agriculture sector, which is critical for the country's food security given the international situation. BAGRÍCOLA is expected to continue to expand the rural financing frontier and provide financial inclusion to new producers and technologies through technical assistance under Component 2. Lastly, Component 3 will ensure the existence of a competitive, institutionally robust entity, with objectives, management, and processes guided by quality criteria. This will ensure that the program will be properly executed, so that its results will be sustainable over time (paragraph 1.38). The work executing the program, and its results, will be disseminated and communicated to the eligible beneficiaries and more generally in the country, to amplify its demonstration effect as part of the expenditures under Component 2 (paragraph 1.30).

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The Dominican Republic will be the borrower, with the Ministry of Agriculture serving as executing agency. Through an interagency execution agreement, the Ministry of Agriculture will designate BAGRÍCOLA as executing unit, to implement the program through a PMU. In that regard, BAGRÍCOLA will serve as the subexecuting agency.
- 3.2 The arrears rate in the BAGRÍCOLA portfolio has dropped from 11.35% in 2020 to 6% in 2023, and it is expected to improve further as Component 3 (credit origination and monitoring) is implemented (paragraph 1.33). BAGRÍCOLA is part of the Dominican financial system and is supervised under the corresponding regulations by the SIB.<sup>49</sup>
- 3.3 **Execution mechanism.** The Ministry of Agriculture will delegate execution of the program to BAGRÍCOLA, through an interagency execution agreement signed by the two entities before the first program disbursement can be made (paragraph 3.12). A PMU will be created within BAGRÍCOLA and will appoint a program general coordinator, who will be responsible for economic and administrative tracking, accounting and financial control and monitoring, and program execution in general. The program Operating Regulations will define the responsibilities and functions of the PMU in program implementation. The latter will have a program general coordinator reporting directly to the general manager of BAGRÍCOLA; it will have specific support staff, with a technical coordinator for

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<sup>49</sup> Monetary and Financial Law 183-02 of 2002 and its regulations. SIB supervision guarantees the discipline, transparency, and oversight of entities in the Dominican financial sector. BAGRÍCOLA is regulated by the SIB, the Asset Evaluation Regulations (REA), and the Accounting Manual for Financial Institutions (MCIF).

- each of the three program components. There will also be specialists<sup>50</sup> in the fiduciary, financial, environmental and social, gender, and evaluation, reporting and monitoring areas, at a minimum. Interagency coordination to target the investments financed by BAGRÍCOLA loans will be done on a sector basis, through the entity's executive board. The Ministry of Agriculture has a permanent seat on the board and serves at its chair. Nonetheless, the PMU will work with the Ministry on loan coordination.
- 3.4 BAGRÍCOLA will execute the proceeds of the Component 1 subloans and supervise their appropriate use, through its organizational structure.<sup>51</sup> The entity will make timely use of its financial, fiduciary, environmental, and other specialists, supported by its information technology systems to provide in due time and manner the commercial, human, and technological resources needed to disburse the subloans, in its capacity as a development bank. The program's resources will be publicized and open to any eligible producer who wishes to benefit from the program.
- 3.5 For Component 2, the PMU technical coordinator will collaborate with its ministerial counterpart, the Vice-Ministry of Agricultural Training and Extension of the Ministry of Agriculture, in planning the technical support to be given to farmers by extension workers. The PMU coordinator will manage demand, particularly from producers who receive funding from Component 1, or are about to do so, and also from sectors that might have commercial potential or from individual producers interested in productive investments of this type. The aforementioned Vice-Ministry will coordinate the support to be provided by this department; but the component's financial execution, and the procurements funded from it, will be managed by the PMU. The coordination mechanisms are outlined in the [program Operating Regulations](#). For Component 3, the BAGRÍCOLA and PMU technical areas will prepare terms of reference, and the PMU will contract consulting services.
- 3.6 The PMU's main functions will be: (i) to plan, execute, and monitor the resources defined for each component; (ii) to guide and support farmers in the preparation of projects and submission of the necessary documentation for Components 1 and 2; (iii) to manage and monitor the portfolio of projects in preparation and execution, and coordinate the activities of program executors, in compliance with the [program Operating Regulations](#); (iv) to check that subborrowers satisfy the conditions for obtaining program resources, including all aspects and criteria established in the ESRMS; (v) to prepare and disseminate model bidding documents and model terms of reference for goods and consulting services under Components 2 and 3; (vi) to supervise and approve bidding and procurement processes; (vii) to submit to the Bank semiannual execution status reports and updates of the [multiyear execution plan](#) and [annual work plan](#); and (viii) to monitor compliance with all contractual clauses and conditions established in the [program Operating Regulations](#) and the ESRMS.

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<sup>50</sup> The program may finance training expenses and the investments needed to enable extension workers to provide technical assistance. Wages will not be financed.

<sup>51</sup> Commercial, credit, and risk departments.

- 3.7 The PMU will also be accountable to the Bank for: (i) maintaining accounting and financial records that make it possible to properly identify the sources and uses of program funds, distinguishing them from other resources administered by BAGRÍCOLA; (ii) preparing and submitting disbursement requests and appropriate justifications for eligible expenditures; and (iii) preparing audited consolidated financial statements for the program and delivering them to the Bank.
- 3.8 **Eligibility of beneficiaries.** For Component 1 and its subcomponents, eligible beneficiaries will be micro, small, and medium-scale farmers, as defined by law,<sup>52</sup> that are interested in making climate investments. Other program beneficiaries will be agricultural production cooperatives, as defined by law<sup>53</sup> and other solidarity-based institutions, such as processing units (*factorías*) or legally established associations representing farmers who wish to apply jointly for loans related to the program's objective. For Component 2, Subcomponent 2.1, eligible beneficiaries will be extension workers, and development agents and technical workers designated by the Ministry of Agriculture and/or BAGRÍCOLA. For Subcomponent 2.2, eligible beneficiaries will be the same as in Component 1, who will receive technical assistance for applying for credit to make climate investments in their production units (paragraph 1.18). The specific criteria for accessing and creating new product lines, as stipulated in this program, are described in the [program Operating Regulations](#).
- 3.9 **Loan size and conditions.** Subloans under Subcomponents 1.1 and 1.2 will be for a maximum of US\$750,000 for eligible beneficiaries, based on the demand analysis, BAGRÍCOLA's commercial and portfolio management experience, and the maximum average size of the investments to be financed, particularly in Subcomponent 1.1. The average loan in the program is expected to be US\$40,000, based on the demand study, reflecting a larger number of transactions for smaller-scale beneficiaries.<sup>54</sup> An estimated 70% of the credit will go to microenterprises and small businesses and 30% to medium-sized firms and cooperatives.
- 3.10 Credit conditions are defined in the [program Operating Regulations](#). Loans to beneficiaries and eligible projects will have the following characteristics: (i) a fixed and/or variable interest rate, depending on the program's funding rate plus the spreads agreed on with BAGRÍCOLA, as described in the [program Operating Regulations](#);<sup>55</sup> (ii) BAGRÍCOLA assumes the credit risk of the direct beneficiaries;

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<sup>52</sup> Currently Article 4 of Law 187-17, which defines the following concepts: Microenterprise: (a) Up to 10 workers; and (b) gross annual sales of up to RD\$8 million (US\$145,000); 2. Small business: (a) 11 to 50 workers; and (b) gross annual sales of up to RD\$54 million (US\$982,000); 3. Medium-sized enterprise: (a) 51 to 150 workers; and (b) gross annual sales of up to RD\$202 million) (US\$3.67 million). For the purposes of this program, agricultural enterprises will be considered MSMEs if they satisfy at least one of these requirements at the different levels.

<sup>53</sup> Currently Law 127/64.

<sup>54</sup> Only 5% of the portfolio has loans of over US\$150,000, which shows that BAGRÍCOLA's mission is to support small-scale lending.

<sup>55</sup> BAGRÍCOLA will set interest rates according to its policies, which take account of the institution's sustainability and its nature as a development entity. Average interest rates have been below market rates; and the rates for the credit lines created by this program will also be lower than those applied by the institution.

- and (iii) the terms of the loans will be consistent with the project being financed, with a maximum of 12 years and a two-year grace period.
- 3.11 **Program Operating Regulations.** Program execution will be governed by the provisions of the loan contract, in conjunction with the [program Operating Regulations](#). These will provide details of the execution of the operation and specify the following at a minimum: (i) the program's organizational arrangements; (ii) the procedures, conditions, and specific requirements governing the use of the program's resources and its financial management; (iii) selection criteria and eligibility conditions for each program component; (iv) programming, monitoring, and evaluation; (v) auditing; (vi) environmental and social considerations; and (vii) matters related to the Bank's prohibited practices.
- 3.12 **Special contractual conditions precedent to the first disbursement of the financing.** The executing agency will provide evidence to the Bank: (i) that a subsidiary agreement has been signed between the Ministry of Finance and the Ministry of Agriculture; (ii) that an interagency execution agreement has been signed between the Ministry of Agriculture and Banco Agrícola de la República Dominicana (BAGRÍCOLA); (iii) that the project management unit (PMU) has been established and the program general coordinator appointed; and (iv) that the [program Operating Regulations](#) have been approved, as agreed upon with the Bank, and have been put into effect by the PMU. The [program Operating Regulations](#) will include, among other things, the necessary socioenvironmental considerations, in accordance with the [Environmental and Social Review Summary](#). The purpose of the first condition is to establish the scope of the obligations of the Ministry of Agriculture of the Dominican Republic and the mechanism for transferring resources from the Ministry of Finance. The second condition clarifies the breakdown of responsibilities and allows for more effective and efficient execution, using BAGRÍCOLA's organizational structure. With the third condition, the PMU will ensure that the program can be executed, including fiduciary, financial, and risk management aspects. Lastly, the fourth condition is needed to ensure consistency with the rules and policies of BAGRÍCOLA and the IDB, by having the [program Operating Regulations](#) in place from the outset, and with the country's laws and financial practices. They will also specify the main features of the program, such as beneficiaries, eligible rural financial institutions and projects, and provisions on environmental and social issues.
- 3.13 **Disbursements.** The Bank will disburse program resources to the Ministry of Agriculture, which in turn will transfer them to BAGRÍCOLA as envisaged in the interagency execution agreement (paragraph 3.12). The disbursements will be made in the form of advances of funds and/or recognition of expenses, as established in the Financial Management Guidelines for IDB-Financed Projects (document OP-273-12), and in the Bank's current policies. Disbursement requests must be accompanied by the information specified in the [program Operating Regulations](#). The Bank's disbursements will be verified ex post. In all cases, the Bank will review the subloan portfolio to be recognized in the program before releasing the disbursements. Requests for disbursements of AFD funds will follow the Bank's financial management policies and will be processed in accordance with the provisions of the agreement between the Bank and AFD.

- 3.14 **Retroactive financing.** The Bank may use up to 15.78% of the program resources (US\$15 million) to retroactively finance eligible expenditures incurred by BAGRÍCOLA before the loan approval date, related to disbursements in the categories defined for eligible loans to producers under Component 1, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures will have been incurred on or after 17 May 2022, the project profile approval date, but will not in any case include expenditures incurred more than 18 months before the loan approval date (documents GN-2349-15, GN-2350-15, and GN-2259-1). Retroactive financing will make it possible to finance related activities in Subcomponent 1.2, in accordance with the sequencing of the operation (paragraphs 1.11 and 1.13).
- 3.15 **Procurement and contracting.** The program mainly involves demand-driven financial intermediation, in which Component 1 will not involve procurement of works, goods, or any services. Procurement and contracting under Components 2 and 3 will be conducted in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), or their subsequent updates. As stated in the cofinancing agreement between the Bank and AFD, in addition to the provisions of the aforementioned policies, firms or individuals included on the financial or trade sanction lists of the United Nations, the European Union, or the French Republic will not be eligible for financing. Further details are provided in the Fiduciary Agreements and Requirements (Annex III).

- 3.16 **Financial statements and audit.** The PMU will submit annual audited financial statements for the project, under the terms of reference agreed upon with the Bank, within 120 days after the fiscal year-end and the date of the last disbursement. The financial statements will be audited by a Bank-eligible independent audit firm, under the procedures established in document OP-273-12 and the instructions in force at the time.

**B. Summary of arrangements for monitoring results**

- 3.17 **Reports.** The program will be monitored through semiannual reports prepared by the PMU and delivered to the Bank within 90 days after the end of each six-month period; and a final report will be submitted no later than 120 days after the last disbursement. These reports will measure the progress of the results indicators and compliance with eligibility criteria at the project and program levels. The program's financial statements will be audited annually by an independent firm of auditors acceptable to the Bank, contracted and paid for by BAGRÍCOLA. The audited financial statements will be submitted no later than 120 days after the fiscal year-end, in accordance with procedures and terms of reference agreed upon with the Bank. Additional information required for the final evaluation will be obtained from secondary national and international statistical sources, possibly supplemented by reports from relevant organizations. Monitoring costs will be borne by the executing agency in all cases.
- 3.18 **Information and evaluation.** The borrower and the executing agency will compile and retain all relevant information, including all documentation required to prepare the project completion report, which will be produced within six months after

closure of the operation. BAGRÍCOLA will contract an impact assessment, as described in the [monitoring and evaluation plan](#), consisting of an ex post cost-benefit analysis. A midterm evaluation report will be prepared after the end of year three of the disbursement period that will review the positive list of climate technologies that are eligible to be financed by the program. The final evaluation will be conducted within 90 days following expiry of the program's closure period. The evaluation strategy is described in detail in the [monitoring and evaluation plan](#).

Development Effectiveness Matrix		
Summary DR-L1157		
<b>I. Corporate and Country Priorities</b>		
<b>Section 1. IDB Group Strategic Priorities and CRF Indicators</b>		
Development Challenges & Cross-cutting Issues		-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law
CRF Level 2 Indicators: IDB Group Contributions to Development Results		-Farmers with improved access to agricultural services and investments (#) -Beneficiaries of enhanced disaster and climate change resilience (#) -Agencies with strengthened digital technology and managerial capacity (#)
<b>II. Country Development Objectives</b>		
Country Strategy Results Matrix	GN-3084	Improve support services for the productive sector, with an emphasis on strengthening linkages, competitiveness, and resilience.
Country Program Results Matrix	GN-3154-3	The intervention is included in the 2023 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
<b>III. Development Outcomes - Evaluability</b>		
3. Evidence-based Assessment & Solution		Evaluable
3.1 Program Diagnosis		9.1
3.2 Proposed Interventions or Solutions		1.6
3.3 Results Matrix Quality		3.5
4. Ex ante Economic Analysis		4.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		7.5
4.2 Identified and Quantified Benefits and Costs		1.5
4.3 Reasonable Assumptions		3.0
4.4 Sensitivity Analysis		0.0
4.5 Consistency with results matrix		2.0
5. Monitoring and Evaluation		1.0
5.1 Monitoring Mechanisms		9.5
5.2 Evaluation Plan		4.0
5.3 Data Quality		5.5
<b>IV. Risks &amp; Mitigation Monitoring Matrix</b>		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		FI
<b>IV. IDB's Role - Additionality</b>		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control. Procurement: Information System, Price Comparison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	The IDB will support BAGRICOLA with resources from CT DR T1267, which will be approved in 2023, to strengthen its internal execution capacities and with the development of a socio-environmental policy that will help in the development of instruments that facilitate the management and execution of the Program .

The general development objective of the program is to promote investments in climate technologies for adaptation and mitigation, and complementary technologies that contribute to improving the sustainability of production in the agricultural sector in the Dominican Republic. The specific development objective of the program is to increase the provision of credit for investment and adoption of climate technologies and complementary technologies of micro, small and medium agricultural producers.

In general, the diagnosis is adequate, with a well-identified problem and its clear determinants. The results matrix exhibits vertical logic with a clear specific objective. The result indicators are mostly SMART, although for one of these it is not clear how the data necessary for the measurement of the indicator will be collected. The economic analysis consisted of estimating the net benefits of the program through a Cost-Benefit Analysis (CBA), based on the expected benefits of productive improvements and the positive environmental externalities associated with the projects to be financed.

The program has a Monitoring and Evaluation Plan that specifies: (i) the methodology for measuring indicators; (ii) attribution of project results; (iii) data requirements; and (iv) those responsible and the estimated budget. The evaluation of results will be done with a before and after analysis for the indicators of the results matrix, where the attribution of the results depends on the link between the specific outputs of each component and the associated results.

## RESULTS MATRIX

<b>Project objective:</b>	The program's specific development objective is to increase the provision of credit for the investment and adoption of climate technologies and complementary technologies for micro, small, and medium-scale farmers. The program's general development objective is to promote investments in climate adaptation and mitigation technologies, along with complementary technologies that contribute to making Dominican agricultural production more sustainable.
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### GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Final target (2032)	Means of verification	Comments
<b>General development objective: To promote investments in climate adaptation and mitigation technologies, along with complementary technologies that contribute to making Dominican agricultural production more sustainable</b>						
Indicator 1: Water savings resulting from investment in climate technologies that contribute to making Dominican agricultural production more sustainable	Thousands of cubic meters	0	2022	6,666	Program tracking and monitoring reports compiled by Banco Agrícola (BAGRÍCOLA).  The aim is to use the monitoring, reporting and verification (MRV) mechanism that the AFD will provide, among other things.	See <a href="#">monitoring and evaluation plan</a> <sup>1</sup>
Indicator 2: CO <sub>2</sub> emissions avoided through investment in climate technologies that contribute to making Dominican agricultural production more sustainable	Tons of CO <sub>2</sub>			89,156		
Indicator 3: Energy savings resulting from investment in climate technologies that contribute to making Dominican agricultural production more sustainable	Mw/hour			3,772		

<sup>1</sup> The [monitoring and evaluation plan](#) contains the itemized version of the Results Matrix with the respective comments in an annex.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline value	Baseline year	Final target (2027)	Means of verification	Comments
<b>Specific development objective 1: To increase the provision of credit for the investment and adoption of climate technologies and complementary technologies for micro, small, and medium-scale farmers</b>						
<b>Indicator 1:</b> Size of the portfolio of financing for investment in climate adaptation and mitigation technologies and complementary technologies that contribute to making the production of micro, small, and medium-sized enterprises (MSMEs) supported by the program more sustainable.	US\$ million	0	2022	71.0	BAGRÍCOLA /consulting reports. These indicators were requested in the program Operating Regulations for this operation, as part of the information to be reported semiannually.	See <a href="#">monitoring and evaluation plan</a> .
<b>Indicator 2:</b> Size of the portfolio of financing for productive investments by MSMEs supported by the program.	US\$ million	21,091	2022	51,491		
<b>Indicator 3:</b> Eligible producers adopting climate technologies that have received credit and technical assistance and have completed implementation.	Unit	0	2022	4,000		
<b>Indicator 4:</b> Proportion of the component's resources allocated to beneficiary enterprises (or productive projects) led or owned by women. Pro-gender indicator.	%	0	2022	18		
<b>Indicator 5:</b> Percentage reduction in the average time taken to grant credit for the different sources of financing and types of projects for productive credit lines.	Average % reduction in time (days)	0	2022	60%	Tracking and reports from BAGRÍCOLA and consulting services. These indicators were requested in the program Operating Regulations for this operation, as part of the information to be reported semiannually.	

Indicators	Unit of measure	Baseline value	Baseline year	Final target (2027)	Means of verification	Comments
<b>Indicator 6:</b> Arrears rate of the relevant portfolio supported with program resources under Subcomponent 1.2.	%	12,085	2022	12,085	BAGRÍCOLA annual and final monitoring reports. These indicators were requested in the program Operating Regulations for this operation, as part of the information to be reported semiannually.	

#### OUTPUTS

Outputs	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Means of verification	Comments
<b>Component 1. Financing for investments in climate technologies (US\$101.4 million: IDB-Ordinary Capital: US\$80.3 million; AFD: US\$21.1 million)</b>											
<b>Output 1:</b> Number of loans to finance investments in climate and productive technologies for small and medium-scale farmers financed with program resources.	Number	0	2023	464	583	701	583	464	2,800	Program tracking and monitoring reports compiled by BAGRÍCOLA.	See <a href="#">monitoring and evaluation plan</a> .
<b>Cost of output 1</b>	US\$ million	0	2023	16.9	21.1	25.4	21.1	16.9	101.4		
<b>Milestone 1:</b> Number of loans to finance climate and productive technologies for small and medium-scale farms owned or run by women that are financed with program funds. <i>Pro-gender indicator.</i>											
<b>Component 2. Technical assistance for the agricultural value chain (US\$10.6 million: IDB-Ordinary Capital: US\$8.4 million; AFD: US\$2.2 million)</b>											
<b>Subcomponent 2.1. Sector-level human talent development (US\$1.9 million)</b>											
<b>Output 2.1:</b> Number of extension workers trained in climate technologies.	Number	0	2023	37	47	56	47	37	224	Program tracking and monitoring reports compiled by BAGRÍCOLA.	See <a href="#">Multiyear execution plan</a> .
<b>Cost of output 2.1</b>	US\$ million	0	2023	0.31	0.39	0.47	0.39	0.31	1.9		



**Country:** Dominican Republic      **Division:** IFD/CMF      **Operation No.:** DR-L1157      **Year:** 2023

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

**Executing agencies:** Ministry of Agriculture

**Operation name:** Program to Finance Sustainable Investments and Improve Productivity in the Dominican Republic's Agriculture Sector

### I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

#### 1. Use of country systems in the operation

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information systems	<input type="checkbox"/> National Competitive Bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	

#### 2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Joint financing	French Development Agency (AFD)
<input checked="" type="checkbox"/>	Specific features of fiduciary execution	The borrower will be the Dominican Republic, and the executing agency will be the Ministry of Agriculture. The latter will designate Banco Agrícola de la República Dominicana (BAGRÍCOLA) as the program executing agency, through an interagency execution agreement. BAGRÍCOLA is an autonomous financial institution governed by private law, owned by the State, and reporting directly to the Ministry of Agriculture. It was created by Law 908 of 1945 and is currently governed by Law 6186 of 1963 on Agricultural Development.

#### 3. Fiduciary capacity

Fiduciary capacity of the executing agency	An institutional capacity analysis identified areas for improvement in the interconnection between the financial and accounting management systems. Mitigation will be achieved by implementing a comprehensive enterprise resource planning (ERP) system. This transition process involves new credit processes, workflow automation, and a new core banking system. This will improve internal control and strengthen supervision and communication processes with the Superintendency of Banks, in the areas identified.
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**4. Fiduciary risks and risk response**

Risk taxonomy	Risk	Risk level	Risk response
Organizational structure	Coordination between BAGRÍCOLA and the Ministry of Agriculture in the event of priority shifts or organizational changes that could affect management of the project.	Medium-high	This risk will be mitigated by setting up a project management unit (PMU) within BAGRÍCOLA for the exclusive purpose of executing this operation. BAGRÍCOLA is also receiving assistance in program preparation from the project team and specific consulting services, with a view to generating improvements that will enable it to execute the program effectively and strengthen its institutional capacity.
Institutional environment	BAGRÍCOLA's lack of experience in implementing operations with the Bank could result in execution delays, which would have an impact on procurement and contracting processes.	Medium-high	This will be mitigated by specifying clear rules for program execution, as defined in the <a href="#">program Operating Regulations</a> and by the technical cooperation support to be provided by the Bank and AFD.

5. **Policies and guidelines applicable to the operation:** Financial Management: Financial Management Guidelines for IDB-financed Projects (document OP-273-12); disbursement instructions; financial reporting and external audit management instructions. Procurement: Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15); and Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15).
6. **Exceptions to Bank policies and guidelines:** None.

## II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

**Exchange rate:** For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(i). For the purpose of determining the equivalency of expenditures incurred in local currency chargeable against the local contribution or the reimbursement of expenditures chargeable against the loan proceeds, the exchange rate will be the rate in effect on the date the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary.

**Type of audit:** The executing agency will deliver audited annual financial statements for the project 120 days after the fiscal year-end, and a final audit to be submitted 120 days after the date of the last disbursement, or any extensions thereto.

## III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	Works, goods, and nonconsulting services procured under the Bank's procurement policies (document GN-2349-15) and subject to international competitive bidding (ICB) will use the Bank's standard bidding documents or those agreed upon between the executing agency and the Bank for the specific procurement. Consulting services will be selected and contracted in accordance with the consultant selection policies (document GN-2350-15), using the standard request for proposals issued by the Bank or a request for proposals agreed upon between the executing agency and the Bank for the specific selection. The project sector specialist will review the procurement technical specifications and terms of reference during the preparation of selection processes. This technical review may be ex ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Use of country systems	The shopping and small purchase systems will be used for procurements within the authorized amounts approved by the Bank's Board of Executive Directors. The operation's procurement plan will flag the procurements to be executed through the country system within the approved scope. Should the scope of the Board's approval for use of the country system be expanded, it will be applicable to the operation.
<input checked="" type="checkbox"/>	Recurrent expenses	Recurrent expenses required to implement the project will be approved by the Project Team Leader and must follow the executing agency's administrative procedures. These procedures will be reviewed and accepted by the Bank, provided they do not violate the principles of economy, efficiency, and competition.

<input checked="" type="checkbox"/>	Advance procurement and retroactive financing	The Bank may use up to 15.78% of the program resources (US\$15 million) to retroactively finance eligible expenditures incurred by BAGRÍCOLA before the loan approval date, related to disbursements in the categories defined by the eligible credits to producers under Component 1, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures will have been incurred on or after the project profile approval date of 17 May 2022, but will not in any case include expenditures incurred more than 18 months before the loan approval date (documents GN-2349-15, GN-2350-15, and GN-2259-1).
<input checked="" type="checkbox"/>	Special procurement provisions applicable to the operation	In accordance with the Joint Cofinancing with Services Agreement signed between the Bank and AFD and as part of its fiduciary supervision of the project, the Bank will verify that the bidding documents include a reference to AFD as cofinancier and an indication of the following eligibility criteria with respect to AFD resources: (i) that the resources in question are not used to pay a borrower, bidder, or consultant on any of the United Nations, European Union, or French financial and trade sanctions lists specified in the AFD Financing Agreement; and (ii) that the borrower attaches to all bidding documents the AFD "Statement of Integrity," to be signed by the bidders and incorporated into the subsequent contract.
<input checked="" type="checkbox"/>	Procurement supervision	The supervision method will be ex post, except where ex ante supervision is justified. For procurements executed using the country system, supervision will be conducted using the country supervision system. Use of the (i) ex ante, (ii) ex post, or (iii) country system supervision method will be determined in the procurement plan for each selection process, based on its amount, complexity, and risk. Ex post reviews will be conducted, according to the project supervision plan, which may be modified during execution. Ex post review reports will include at least one physical inspection visit, selected from the procurement processes subject to ex post review.

#### Main procurement items

Procurement description	Selection method	Estimated date	Estimated amount (US\$)
<b>Goods</b>			
Procurement of core banking technological platform and services modules	ICB	First quarter, year 2	3,888,000
Procurement of banking cybersecurity platform	ICB	First quarter, year 2	1,080,000

Procurement description	Selection method	Estimated date	Estimated amount (US\$)
<b>Nonconsulting services</b>			
Contracting of food services for workshops, meetings, and knowledge trails for demonstration plots	ICB	First quarter, year 2	1,200,000
<b>Firms</b>			
Monitoring and quality control services	Quality- and cost-based selection (QCBS)	First quarter, year 1	535,392
Design and implementation of a mechanism for promotion and intelligence in respect of green technologies and related services	QCBS	First quarter, year 1	1,061,090

The procurement plan can be accessed [here](#).

#### IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/> Programming and budget	<p>The annual budget is prepared by the Ministry of Finance, through the General Budget Directorate, in coordination with the Ministry of Economy, Planning, and Development and with other government agencies involved in the process. The executing agency will manage project planning and budgeting and will prepare an estimate of the subsequent year's budget no later than May of each year, for timely budget management. Planning tools will be used, including the Bank's own planning instruments (project execution plan, annual work plan, procurement plan, and financial plan).</p>
<input checked="" type="checkbox"/> Treasury and disbursement management	<p>The project's cash flow should be programmed over a period of at least 12 months and will be consistent with the annual work plan and procurement plan, both of which have the Bank's no objection.</p> <p>The program will use a special account in U.S. dollars at the central bank, in the name of the project, operated through a subaccount in the National Treasury Single Account.</p> <p>The currency used to manage the operation is the U.S. dollar.</p> <p>The disbursement modalities recommended for this operation will be mainly advances of funds in amounts consistent with the financial plan for the next six months, with the possibility of extending this to 12 months if the project so requires. The operation is expected to render accounts for 80% of cumulative balances pending justification.</p>

<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	<p>The UEPEX (Executing Units of Projects with Integrated External Financing) module of the country's integrated financial management system (SIGEF) will be used as the technological platform for the operation's accounting records, which will be kept on a cash basis. All of the key project financial reports, including disbursement requests, will be generated from this system directly.</p> <p>To supplement the policies and guidelines applicable to the operation, the <a href="#">program Operating Regulations</a> will be used, with the documented definition of the roles, responsibilities, and internal controls stipulated therein.</p>
<input checked="" type="checkbox"/>	Internal control and internal audit	<p>The government's internal auditing function is performed by the Office of the Comptroller General of the Dominican Republic (CGRD). In fulfilling this function, the CGRD is assisted by the internal audit units of each entity in the country's public administration, in conjunction with the provisions of the <a href="#">program Operating Regulations</a>.</p>
<input checked="" type="checkbox"/>	External control and financial reports	<p>The borrower and/or executing agency will select and contract external audit services under terms of reference previously agreed upon between the executing agency and the Bank. These will establish the type of review and its timing and scope.</p> <p>The project's annual audited financial statements will be delivered to the Bank annually no later than 120 days after the executing agency's fiscal year-end, duly audited by an independent audit firm acceptable to the Bank. Final audited financial statements will be submitted within 120 days following the date of the last project disbursement.</p>
<input checked="" type="checkbox"/>	Financial supervision of the operation	<p>The program will be supervised through annual financial audits. Onsite visits and desk reviews and monitoring will also be conducted on a regular basis (at least one review per year), subject to adjustments during implementation. Supervision will consist of monitoring the implementation status of activities recommended to improve the unit's capacity, the status of fiduciary arrangements, ex post reviews, inspection visits, and ongoing dialogue and communication with the executing agency.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_/23

Dominican Republic. Loan \_\_\_\_/OC-DR to the Dominican Republic.  
Program to Finance Sustainable Investments and Improve Productivity  
in the Dominican Republic's Agriculture Sector

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Dominican Republic, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Program to Finance Sustainable Investments and Improve Productivity in the Dominican Republic's Agriculture Sector. Such financing will be for the amount of up to US\$95,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.
2. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into a Joint Co-financing with Services Agreement with the French Development Agency (AFD) for the provision of supervision and monitoring services, among others, by the Bank to coordinate the implementation of their respective loans, and to take such other measures as may be pertinent for the execution of said agreement.
3. That the President of the Bank, or such representative as he shall designate, is authorized to distribute the services fee received by the Bank among the relevant departments for which additional workload is generated by virtue of the agreement, as referred to in paragraph 2 of this Resolution.

(Adopted on \_\_\_\_\_ 2023)