International Monetary Fund

Dominican Republic and the IMF

Press Release:
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October 26, 2010

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Dominican Republic: Letter of Intent, and Technical Memorandum of Understanding

October 7, 2010

The following item is a Letter of Intent of the government of Dominican Republic, which describes the policies that Dominican Republic intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Dominican Republic, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

Banco Central de la República Dominicana
Ministerio de Hacienda
Ministerio de Economía, Planificación y Desarrollo

Santo Domingo, Dominican Republic
October 7, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington DC, 20431

Dear Mr. Strauss-Kahn:

1. **Perspective**. The government's program announced in the Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) of October 6, 2009, and amended in the LOI for the first review of March 19, 2010, has yielded very positive results (http://www.imf.org/external/country/dom/index.htm). The economy has undergone a robust recovery, aided by the rapid and coordinated response of monetary and fiscal policy facilitated by the Fund-supported program, which also bolstered confidence. Inflation remains subdued and the exchange rate stable. The government was able to place a sovereign bond in international markets at historically low spreads in April, after a sovereign credit rating upgrade. These successful outcomes confirm that our approach in designing the program was correct and maintains our resolve to continue implementing it. At the same time, an agenda of structural reforms to address long-standing challenges, such as the functioning of the electricity sector, is in progress, with results that have been somewhat slower than expected. Although all quantitative performance criteria and structural benchmarks have been met, lower-than-expected tax revenues, and higher-than-expected transfers to the electricity sector in the first half of the year, required corrective polices to ensure that the government can meet its fiscal objectives under the program for the end of the year. The formulation and implementation of these corrective policies resulted in a delay in completing the second review, but these policies are now fully in place.

2. **Request**. Against this background, we are writing this letter to update and supplement our LOI and MEFP of October 2009 and March 2010. In particular, we are: (i) requesting completion of the second and third reviews under the Stand-By Arrangement (SBA) based on compliance with the quantitative performance criteria and structural benchmarks for end-

March and end-June 2010; (ii) setting new policies for the rest of 2010 to meet the end-year objectives under the program; (iii) presenting the macroeconomic policies that will form the basis of the program supported by the SBA for 2011; (iv) establishing structural benchmarks for the remainder of 2010 and 2011 to strengthen our institutional framework in all areas related to the program; and (v) requesting waivers of applicability of the relevant end-September 2010 performance criteria given that the information is not available at this moment. We are not proposing modification of any quantitative performance criteria for 2010, although we propose to add a quantitative performance criterion on the current deficit of the electricity sector for 2011. Recent developments as well projections, policies, targets, and benchmarks are presented in the attached tables.

3. **Economic situation.** Since the last review, there are clear signs that the economic recovery is gaining momentum:

- ***Growth***. Real GDP continued growing at 7.5 percent in the first half of 2010, after rising by 7.5 percent in the last quarter of 2009. The recovery seems to be broad based, with other indicators of economic activity (private credit, trade, remittances and tourism) growing at healthy rates relative to their 2009 levels. Accordingly, we have revised upward our estimate of growth for 2010 to 5.5-6.0 percent (which is well above the average for Latin America) from our previous range of 3-4 percent, reducing the output gap more rapidly than anticipated. Risks to the growth projections are balanced. While there are upside risks if the reconstruction efforts in Haiti speed up, there are also downside risks related to a weaker-than-expected recovery of the international economy and lower tourism from Europe and the United States.

- ***Inflation***. Headline inflation reached 5.0 percent in August 2010 (yoy) and is expected to remain within the central bank's target range (6-7 percent) for the end of the year. Core inflation, which excludes food and fuel-related prices, remained at a low level of 3.5 percent in August confirming that underlying price dynamics are still benign.

- ***Fiscal outcome***. Tax revenues came in below program expectations while electricity subsidies exceeded program levels. An additional complication from the budgetary point of view was that the 2010 budget was designed under the assumption of a modification of the central bank recapitalization law, which implied lower interest payments (0.2 percent of GDP). In the event, we decided not to modify the law but that decision required a supplementary budget to allow payments of interest to the central bank under the current law (0.8 percent of GDP). This required a reorganization of expenditure priorities to meet program targets. For the year as a whole, tax revenues were programmed to grow by 0.5 percent of GDP in 2010 but are now projected to increase by only 0.1 percent of GDP due to: (i) a more pronounced (lagged) effect of slower economic growth in 2009 on income tax receipts; and (ii) difficulties in the implementation of the government's program of improvements in tax administration and the rationalization of exemptions. At the same time, transfers to the electricity sector and to other public entities are expected to exceed program levels by about 0.6 percent of GDP, due to difficulties in implementation of reforms and somewhat higher oil prices. Overall, this would result in an expected deviation of about 1 percent of GDP for 2010 compared to the program, requiring further revenue and expenditure measures (described below) to meet end-year targets.

- ***Monetary position***. Monetary policy has remained stimulative. The policy rate was maintained at 4 percent by the Central Bank's Open Market Operations Committee in August for the eleventh consecutive month. Credit to the private sector has been expanding at a rate of 15 percent (yoy) in August.

- ***Financial system***. Banking soundness indicators continue to signal adequate capital, low non-performing loans and a recovery of profitability, pointing to an absence of stress on the financial system. Although banks have reduced their liquidity position to finance the expansion in private credit, liquidity indicators remain at adequate levels.

- ***External sector***. The external current account deficit fell to about 6 percent of GDP in the first half of 2010 as the recovery in imports was more than offset by a recovery of exports, remittances and tourism arrivals. Imports grew at 28 percent in nominal terms in the first half of the year, while national exports (excluding free trade zones) grew at 39 percent. Private capital inflows increased in the first half of 2010 in line with the recovery of economic activity. The exchange rate and net international reserves have remained stable relative to their end-2009 levels.

4. **Program targets**. All quantitative performance criteria and structural benchmarks under the program for end-March and end-June 2010 were met:

- ***Fiscal targets***. The government observed the floor on the overall balance of the central government for end-March 2010 by a margin of 0.2 percent of GDP, and the end-June target with a small margin. The floor on the overall balance of the consolidated public sector for end-March was also observed by a margin of 0.4 percent of GDP, as the quasi-fiscal deficit of the central bank was below program projections, while for end-June it was met with a smaller margin.

- ***Monetary targets***. The floor on the net international reserves of the central bank for both end-March and end-June was met by wide margins of over US$200 million in both cases, as part of the over performance of the December 2009 target was preserved, even in the context of an expansion of domestic credit to support the economic recovery.

- ***Debt targets***. The performance criteria on the non-accumulation of external arrears and non-accumulation of domestic arrears with electricity generators were both met, and the government remains current on all its obligations.

- ***Structural benchmarks***. The two structural benchmarks for March 2010, and one for June 2010, were met. The government presented a strategy to rationalize and limit tax exemptions, strengthen tax administration, and continue modernizing customs administration (March 2010), to achieve the fiscal revenue objectives under the program. The government also presented a strategy to achieve compliance with Basel core principles for effective banking supervision (March 2010), and a plan to fully implement an inflation targeting framework by 2012 (June 2010). These plans have been published and form the basis for new structural benchmarks under the program, as discussed below: http://www.hacienda.gov.do/; http://www.supbanco.gov.do/; and http://www.bancentral.gov.do/publicaciones_economicas/otros/Informe_metas_inflacion.pdf.

5. **Objectives for 2010-12.** A principal objective under the program is to implement a gradual fiscal consolidation to safeguard public debt sustainability and to reduce the debt to GDP ratio to the level observed before the international financial crisis (about 35 percent in 2007-08) by 2014 and regain fiscal space after the expansionary phase of the program that ended in mid-2010, while at the same time trying to increase public investment as much as possible through efficiency gains in revenues and expenditures. To do this, the government reiterates its objective of a primary fiscal balance of zero for the consolidated public sector in 2010 and to move to a primary surplus of about 1 percent of GDP in 2011 and 2 percent of GDP in 2012 and thereafter, to reduce the consolidated public debt to GDP ratio (excluding BCRD recapitalization bonds) to below 30 percent over the medium-term (from about 37 percent at end-2010). Fiscal adjustment will be achieved through a combination of increases in revenue of some 1.5 percent of GDP between 2009-12, to be obtained through improvements in tax administration and the rationalization of exemptions (as well as the recovery of taxes that the economic cycle will bring), and a cut in untargeted subsidies to the electricity sector of about 1 percent of GDP over the same period. Due to difficulties in the implementation of the strategy to improve tax administration and rationalize exemptions, we do not anticipate reaching our goal of increasing tax pressure to 15 percent of GDP before 2013, but we remain committed to work towards that objective. On the monetary side, the program seeks to reduce inflation to around 4 percent by 2012 and over the medium term, minimizing the differential with major trading partners. This will be achieved through the implementation of a more moderate credit policy in 2011 and an inflation targeting framework in 2012. Finally, the program also aims to foster growth and increase potential GDP through public investment in infrastructure, as described below.

6. **Policies for 2010.** The government's policies for the rest of 2010 will continue to be guided by the program as presented in the LOI/MEFP of October 9, 2009 and amended in the LOI of March 19, 2010. Quantitative targets under the program are unchanged.

- ***Fiscal policy***. The gradual fiscal consolidation will continue during the second half of the year to reach the annual target of zero for the primary balance of the consolidated public sector, consistent with an overall deficit of 2.3 percent of GDP for the central administration (taking in to account the higher GDP for 2010) and 3.9 percent for the combined public sector (taking in to account the higher GDP for 2010). To meet these goals, the government has submitted a supplementary budget to congress which includes cuts in spending equivalent to 0.4 percent of GDP to counteract the expected overrun in transfers to the electricity sector. In addition, the government has announced a number of tax and non-tax revenue administration measures of about 0.2 percent of GDP, which will help to counteract the lower than expected level of tax revenues compared to the program. The remaining adjustment of about 0.4 percent of GDP will come from administrative measures to further reduce the execution of planned capital expenditures. The revenue measures implemented in 2010 include:

  - ***Indexing of the specific tax on hydrocarbons***. Hydrocarbon sales are taxed with a specific and an ad-valorem tax which vary by fuel type. By law, the specific tax should be indexed to inflation with quarterly adjustments, but the government has chosen in the past not to implement this indexation since 2007. The government has taken up the indexation and, to compensate for past inflation, which will gradually increase the specific tax during the rest of 2010.

  - ***Collection of VAT on imports under the framework of the Proindustria law.*** The *Proindustria* law exempts certain firms from paying VAT on imported inputs and capital goods. The government has agreed with a critical mass of firms that during the life of the program they will pay the value added tax on imports at customs. This will improve cash flow for the government and enhance control at customs.

  - ***Advances on income tax on casino gains and lottery prizes.*** The government will withhold 15 percent of the winnings from lotteries and casinos.

- ***Electricity sector***. We remain committed to the reform of the sector and the elimination of indiscriminate electricity subsidies as outlined in the strategy designed in December 2009 (http://transparencia.cdeee.gob.do/wfPlanEstrategico.aspx) and the structural benchmarks described in previous LOIs. For 2010, we have committed to limit the current deficit of the electricity sector (including the consolidated accounts of the CDEEE, EDEs, EGEHID, ETED, and UERS, but excluding investment) to about US$600 million (1.2 percent of GDP) in accordance with the supplementary budget presented to congress in June. CDEEE and the rest of the sector will continue with their efforts to improve efficiency in the electricity system and reduce their operating costs. In this regard, it is worth mentioning the efforts of the current

CDEEE administration in reducing administrative costs significantly during this year and appointing three new chief executive officers with ample international experience to manage the EDEs. In addition, and subject to availability of suitable financing, the government will eliminate all accounts payable to private electricity generators (which have previously been kept at 45 days, in line with the program), significantly lowering their financing costs. Once these transactions are completed, CDEEE will limit accounts payable to electricity generators to a level that does not require the payment of interest (effectively maintaining zero days of arrears), and the performance criteria on arrears to private electricity generators will remain at zero but under a definition of no delays in payments (rather than tolerating the current 45 days).

- ***Monetary policy***. The accommodative monetary policy under the program has supported the economic recovery, and the central bank sees no inflationary pressures at the moment. However, the central bank remains vigilant, as always, and will act decisively if the risk of inflationary pressures should arise, especially in the context of the economic recovery and the reconstruction of Haiti, which may imply additional demand pressures for the Dominican Republic's economy. The ongoing fiscal consolidation gives some room for a policy of gradual monetary normalization.

- ***Central Bank recapitalization and use of Fund resources.*** The government has remained current on transfers necessary to recapitalize the central bank (BCRD) in accordance with the law, and has not yet moved to reform the law to lengthen the period of recapitalization, as was originally proposed in the LOI under the program. Rather than modify the law to extend the recapitalization period and lower the transfers to the BCRD, we propose keeping the current legislation, which will allow the government to maintain its original schedule of recapitalization of the central bank (10 years) and help bolster the credibility and effectiveness of monetary policy. In this context, the authorities have reallocated part of the SBA resources to finance the budget, allowing the government to use these resources (US$400 million) as part of its financing policy, of which US$250 million will be use to cover interest on the bonds for the BCRD recapitalization. Under this scheme, the accumulation of reserves at the BCRD under the program and the fiscal deficit agreed remain unchanged.

- ***Structural reform***. As mentioned above, the government has presented reform plans to help achieve the goals of the program**.** The following measures have been selected from these plans to add to the structural benchmarks already in the program:

    - ***Measures to rationalize tax exemptions.*** These measures will include two key components to help achieve the medium-term revenue objective of a tax pressure of 15 percent of GDP by 2013: (i) issue a decree to centralize the power to grant tax exemptions in the Ministry of Finance (December 2010);

and (ii) creation of a unit at the Ministry of Finance to conduct cost-benefit analyses of current and future exemptions and make recommendations to the Minister of Finance on granting and rationalizing exemptions (December 2010).

- ***Measures to improve tax collections***. To safeguard our fiscal position and allow room to increase capital expenditures, we will prepare a list of revenue administration measures to yield 0.5 percent of GDP in 2011 with a time table for their implementation (December 2010).

- ***Strengthening monetary control infrastructure***. The central bank will begin to issue dematerialized securities (December 2010). It is expected that all central bank securities with be dematerialized by end-2015.

7. **Policies for 2011.** In conducting policies during 2011 the authorities will continue to follow the blueprint and spirit of policies outlined in the LOI of October 2009.

- ***Fiscal policy***. Difficulties in the implementation of reforms to tax administration have led us to take a cautious approach to projecting revenue growth in 2011. We project conservatively an increase in tax pressure to 13.3 percent of GDP (0.1 percent above the level in 2010) which would yield overall revenue (including non-tax revenue and grants) of 14 percent of GDP. On the expenditure side, wages and salaries are projected to grow slightly above the level of inflation due to the increase in compensation negotiated with public sector health workers in June. Expenditure on goods and services are expected to decline as a percent of GDP while transfers will be reduced in line with the lower deficit of the electricity sector (expected to fall from 1.2 percent of GDP in 2010 to 0.6 percent of GDP in 2011). Capital expenditure will reach a level of 3.7 percent of GDP, roughly equal to the level in 2010. All this would result in a deficit of 1.6 percent of GDP at the level of the central administration, and 3 percent at the level of the consolidated public sector (including a quasi-fiscal deficit of the central bank of 1.4 percent of GDP). This would be consistent with a primary surplus for the consolidated public sector of about 1 percent of GDP. If the revenue measures begin to yield results beyond those projected, we will submit to Congress a supplementary budget to allocate these additional resources in full to public investment in line with the government's goal of increasing infrastructure investment, but we would not increase current spending.

- ***Electricity sector***. For 2011 we plan to limit the current deficit of the electricity sector to US$350 million (0.6 percent of GDP), including US$150 for the electricity distribution companies and US$200 for the CDEEE (from about US$600 million estimated for 2010), under the condition that the cost of electricity consumed by priority government agencies (i.e. hospitals and military – "*no cortables*"), and the subsidy to beneficiaries of the *Bonoluz* program (at the ongoing electricity tariff), are paid through the budget. We propose a new quantitative performance criterion under the program for the current deficit of the electricity sector reflecting these plans. This level of deficit will be achieved through improvements in collections, reductions in theft and a flexible tariffs structure (in line with our commitments under the structural benchmarks established during the first review). We intend to reduce all accounts payable to electricity generators to a level that does not require the payment of interest (effectively zero days of arrears).

- ***Monetary policy***. The monetary program assumes conservatively a growth in the demand for money of 7 percent, and net domestic assets (NDA) constant in nominal terms at their end-2010 programmed level as monetary policy moves towards a more neutral stance. Accordingly, the focus of the program will be on the accumulation of net international reserves, which are expected to rise by at least US$300 million during the year.

- ***Central bank recapitalization and use of Fund resources***. Following our practice for 2010, the government will continue to support the recapitalization of the central bank according to the current legislation. To that end, we will continue with the reallocation of SBA resources to finance the budget, increasing Fund support to the budget for US$250 million as part of the government's financing policy for 2011 to cover interest on the bonds for the BCRD recapitalization.

- ***Structural reforms***. Additional structural measures for 2011 include:

    - ***Tax administration and the rationalization of exemptions.*** Prepare a report on the costs and benefits of the current exemption regime and a timetable for the rationalization and reduction of exemptions to help achieve the government's tax revenue target of 15 percent of GDP (March 2011).

    - ***Strengthening banking supervision.*** With the aim of providing the legal framework for the implementation of the Basel core principles of effective bank supervision and to facilitate risk-based supervision, the authorities will send to Congress: (i) amendments to the Monetary and Financial Law (March 2011); and (ii) a new law on consolidated supervision of financial and industrial groups (March 2011).

    - ***Inflation targeting***. In preparation for the introduction of an inflation targeting (IT) regime, the central bank will: (i) publish a report on monetary policy under IT (June 2011); and (ii) publish a monetary program for 2012 (as established by law) but within the new IT framework (December 2011).

- ***Recovery and Growth Enhancement.*** Increase the number of regulated clients of the electricity distribution companies (EDEs) to 2.15 million (June 2011).

- ***Social Safety Net***. To enhance the social safety net, the government will increase the coverage of the BONOLUZ program to 250,000 clients (September 2011); and increase the permanent coverage of the conditional cash transfer program (*Solidaridad*) by 60,000 additional families to 590,000 families (December 2011).

8. **Assurances**. The government believes that the policies set forth in the MEFP attached to the LOI of October 6, 2009, the LOI of March 19, 2010, and the modifications indicated above, are adequate to achieve the objectives of its program, but it will take any further measures that may become appropriate for this purpose, while refraining from taking any measure that goes against the program. The government will maintain the productive and fruitful dialogue we have had with the Fund in the past. In this spirit of cooperation, the government will consult with the Fund on the adoption of these measures (and in advance of revisions to the policies contained in the LOI), and will continue providing Fund staff with all the relevant information required to complete program reviews and monitor performance.

9. **Transparency.** We have already published the staff report for the 2009 Article IV Consultation which included the original SBA program (October, 2009) and intend to publish the subsequent staff reports with all the program reviews once they are translated. In addition, as part of our communication strategy we intend to publish this letter on the websites of the Central Bank, the Ministry of Finance, and the Ministry of the Economy, Planning and Development, to maintain our citizens, other domestic economic agents and the investment community informed about our policy actions and intentions. We also authorize the Fund to publish this letter to facilitate a wider access and review of our policies by the international community.

Sincerely yours,

/s/	/s/	/s/
Héctor Manuel Valdez	Vicente Bengoa	Temístocles Montás
Governor of the Central Bank	Minister of Finance	Minister of Economy

Attachments

Table 1. Dominican Republic: Quantitative Performance Criteria 2009-11 1/

	Prog.	Actual	Margin		Prog.	Actual	Margin		Prog.	Actual	Margin		Prog. 6/		Prog. 7/			
	Dec				Mar				Jun				Sep	Dec	Mar	Jun	Sep	Dec
	2009				2010										2011			
Fiscal Targets																		
1. Overall balance of the central administration (floor) 2/ 3/	-51.5	-58.0	-6.5	X	-73.7	-69.3	4.4	✓	-88.4	-87.5	0.9	✓	-95.8	-102.3	-14.9	-21.3	-27.9	-33.5
2. Overall balance of the consolidated public sector (floor) 2/ 3/	-74.5	-74.2	0.3	✓	-97.5	-91.3	6.2	✓	-119.5	-118.4	1.1	✓	-133.0	-147.0	-21.5	-35.6	-49.5	-63.8
Electricity Targets																		
3. Overall current balance of the public electricity sector (floor) 4/	…	-744.3	…		…	-201.4	…		…	-279.6	…		…	…	-77.0	-145.2	-241.6	-350.0
Monetary Targets																		
4. Net international reserves (floor) 4/	1,815	2,464	649	✓	1,730	2,025	296	✓	1,888	2,128	240	✓	1,865	2,015	1,665	1,765	1,865	2,315
5. Net domestic assets (ceiling) 3/	…	45.4	…	…	…	57.5	…		…	50.9	…		65.0	80.0	80.0	80.0	80.0	80.0
Debt Targets																		
6. Accumulation of public arrears with electricity generators (ceiling) 2/ 4/	0.0	100.5	100.5	X	0.0	0.0	0.0	✓	0.0	0.0	0.0	✓	0.0	0.0	0.0	0.0	0.0	0.0
7. Accumulation of external public debt arrears 4/ 5/	0.0	0.0	0.0	✓	0.0	0.0	0.0	✓	0.0	0.0	0.0	✓	0.0	0.0	0.0	0.0	0.0	0.0

1/ Targets for end of the month, defined in the Technical Memorandum of Understanding.

2/ Cumulative flows from December 2008 for targets in 2010 and cumulative flows from December 2010 for targets in 2011.

3/ In billions of Dominican Republic pesos.

4/ In millions of U.S. dollars.

5/ Continuous target.

6/ Same targets as previous Letter of Intent.

7/ New targets.

Table 2. Dominican Republic: Structural Benchmarks for 2009-11

Measure	Timing	SBA Approval	First Review	Second and Third Review	Status
Public Sector Reform					
A. Design a strategy to rationalize and limit tax exemptions, strengthen tax administration, and continue modernizing customs to achieve the medium-term revenue objectives of the program.	Mar 2010	☼			**Done** Strategy provided on time.
B. Issue a decree to centralize the power to grant tax exemptions in the Ministry of Finance.	Dec 2010			☼	**New benchmark**
C. Create a unit at the Ministry of Finance to conduct cost-benefit analyses of current and future exemptions and make recommendations to the Minister of Finance on granting and rationalizing exemptions.	Dec 2010			☼	**New benchmark**
D. Prepare a list of additional revenue administration measures to yield 0.5 percent of GDP in 2011 with a timetable for their implementation.	Dec 2010			☼	**New benchmark**
E. Prepare a report on the costs and benefits of the current exemption regime and a timetable for the rationalization and reduction of exemptions to help achieve the government's tax revenue target of 15 percent of GDP.	Mar 2011			☼	**New benchmark**
Financial Sector Reform					
F. Design a plan to achieve compliance with all Basel core principles for effective bank supervision by 2012.	Mar 2010	☼			**Done** Plan designed by Superintendency of Banks by March 2010.
G. Design a plan to formally adopt a full-fledged inflation targeting framework by early 2012.	Jun 2010	☼			**Done** Plan designed by BCRD by June 2010.
H. New Central Bank securities will be dematerialized.	Dec 2010			☼	**New benchmark**
I. Send to congress amendments to the Monetary and Financial Law to eliminate legal impediments to introduce the Basel core principles and risk based supervision.	Mar 2011			☼	**New benchmark**
J. Send to congress a new law on consolidated supervision of financial and industrial groups with a view to facilitate risk based supervision.	Mar 2011			☼	**New benchmark**
K. Publish the first monetary policy report under inflation target for informational purposes only.	Jun 2011			☼	**New benchmark**
L. Publish a monetary program for 2012 (as established by law) within the new inflation target framework.	Dec 2011			☼	**New benchmark**
Recovery and Growth Enhancement					
M. Design a strategy to reform the electricity sector, including by eliminating indiscriminate electricity subsidies to achieve the medium-term budgetary expenditure objectives of the program.	Dec 2009	☼			**Done** Satisfactory action plan provided to Staff in December 2009.
N. Increase the number of regulated clients of the distribution companies (EDES) to 1.9 million.	Sep 2010		☼		**In progress** The number of regulated clients as of end-August 2010 was close to 1.9 million.
O. Design a strategy to develop domestic capital markets and debt management including by lowering the country risk and the borrowing costs for the economy.	Sep 2010	☼			**In progress** The BCRD and the Ministery of Finance are working on this issue.
P. Adopt a flexible pricing mechanism for electricity tariffs with a view to eliminate the gap between current tariffs and the "indexed" tariff as defined by the Superintendency of Electricity.	Dec 2010		☼		**In progress** Design of a new tariff structure is underway.
Q. Increase the number of regulated clients of the electricity companies (EDEs) to 2.15 million.	Jun 2011			☼	**New benchmark**
Social Safety Net					
R. Increase the permanent coverage of the conditional cash transfer program by 70,000 families living in extreme poverty.	Dec 2009	☼			**Done** More than 70,000 families were incorporated into the Solidaridad program
S. Increase the coverage of the BONOLUZ program to 50 thousand clients.	Dec 2010		☼		**Done** More than 100 thousand clients benefit from Bonoluz in July 2010.
T. Increase the coverage of the Bonoluz program from the 50,000 target of December 2010 to 250,000 clients.	Dec 2011			☼	**New benchmark**
U. Increase the permanent coverage of the conditional cash transfer program (Solidaridad) by 60,000 additional families to 590,000 families.	Dec 2011			☼	**New benchmark**

Table 3. Dominican Republic: Selected Economic Indicators

Main export products: tourism, textiles, nickel		Income share of highest	
GDP per capita (U.S. dollars, 2009 PPP)	4,500.2	10 percent (percent, 2006)	39.0
Population (millions, 2009 estimate)	10.1	Poverty (headcount index, 2008)	37.8
Life expectancy at birth (years, 2008)	73.3	Extreme poverty (headcount index, 2008)	11.7
Under 5 mortality rate (per thousand, 2008)	31.0	Adult literacy rate (percent, 2007)	95.1

			Prog.	Proj.	Prog.	Proj.
	2008	2009	2010		2011	2012
National accounts and prices	**(12-month percentage changes, unless otherwise indicated)**					
Nominal GDP (RD$ billion)	1,576	1,679	1,857	1,884	2,095	2,332
Dollar GDP (US$ billion)	45.5	46.7	50.1	49.7	53.7	57.9
Real GDP	5.3	3.5	3.0-4.0	5.5-6.0	5.5-6.0	6.0
Consumer price index (period average)	10.6	1.4	6-7	6.4	5.4	4.5
Consumer price index (eop)	4.5	5.8	6-7	6.0-7.0	5.0-6.0	4.0-5.0
Exchange rate (RD$/US$ - period average)	34.6	35.9	…	…	…	…
Exchange rate (RD$/US$ - eop)	35.5	36.1	…	…	…	…
Social Indicators						
Unemployment rate (in percent)	14.2	14.9	…	…	…	…
Public finances	**(In percent of GDP)**					
Central government primary balance	-1.4	-1.6	-0.2	-0.2	0.8	1.6
Total revenues (including grants)	15.8	13.7	14.3	14.0	14.0	15.1
Primary spending	17.2	15.2	14.5	14.2	13.2	13.5
Interest expenditure	1.7	1.9	2.2	2.1	2.4	2.2
Nonfinancial public sector overall balance	-3.1	-3.1	-2.5	-2.5	-1.6	-0.6
Quasi-fiscal balance of the central bank	-1.3	-1.3	-1.4	-1.4	-1.4	-1.4
Consolidated public sector balance	-4.4	-4.4	-3.9	-3.9	-3.0	-2.0
Of which: primary balance	-0.9	-0.5	0.0	0.2	1.2	2.0
Total public debt	38.1	41.8	42.2	41.3	42.0	41.2
Of which: foreign currency denominated	17.8	19.4	21.6	21.2	21.6	21.0
Total public debt (excluding BCRD recapitalization bonds)	33.7	36.9	…	35.7	35.3	33.8
Money and credit	**(12-month percentage changes, unless otherwise indicated)**					
Liabilities to private sector (M3)	8.7	11.1	9.2	15.7	11.4	13.3
Currency issue	0.3	12.3	11.0	10.7	10.1	13.9
Deposits	10.5	14.7	13.6	14.8	11.2	13.4
Net domestic assets of the banking system	17.1	10.1	20.5	23.9	11.3	12.0
Credit to the private sector	7.0	7.2	14.9	12.5	13.0	12.0
M3, in percent of GDP	35.3	36.8	36.3	37.9	38.0	38.7
Balance of payments	**(In millions of U.S. dollars, unless otherwise indicated)**					
Current account	-4,529	-2,159	-3,071	-3,493	-3,421	-2,445
Merchandise trade balance	-9,245	-6,741	-7,583	-8,140	-8,278	-7,801
Exports	6,748	5,519	5,534	6,152	7,100	9,046
Imports	-15,993	-12,260	-13,117	-14,291	-15,378	-16,848
Of which: oil and gas	-4,241	-2,641	-3,307	-3,384	-3,544	-3,702
Services and transfers (net)	4,717	4,582	4,512	4,646	4,857	5,356
Of which: interest on public debt	-372	-427	-570	-525	-565	-522
Capital and financial account	4,384	2,655	2,548	2,967	3,721	3,072
Of which: foreign direct investment	2,900	2,067	1,863	1,354	1,990	2,228
Errors and omissions	-181	-90	0	0	0	0
Overall balance	-326	406	-523	-526	300	627
Of which: change in NIR (increase -)	230	-370	523	523	-300	-627
Current account (in percent of GDP)	-10.0	-4.6	-6.1	-7.0	-6.4	-4.2
Exports of goods (in US$, annual percentage chg.)	-5.8	-18.2	0.3	11.5	15.4	27.4
Imports of goods (in US$, annual percentage chg.)	17.6	-23.3	7.0	16.6	7.6	9.6
International reserve position and external debt						
Gross official reserves	2,662	3,303	3164.1	3,154	3,943	4,623
(in months of imports) 1/	2.3	2.4	2.4	2.2	2.5	3.0
Net international reserves 2/	2,165	2,535	2,015	2,015	2,315	2,942
Outstanding external public debt, in percent of GDP	18.3	20.0	18.1	21.6	19.5	16.5
Oil price (WEO) (US$/bbl)	97.0	61.8	78.3	77.1	80.0	82.8

Sources: Dominican authorities; World Bank; and Fund staff estimates.

1/ In relation to imports of goods and nonfactor services of the following year.

2/ The projections for 2010-12 assume that all prospective purchases under the proposed SBA will be made to meet the gross reserves objectives of the balance of payments projections.

Table 4. Dominican Republic: Fiscal Accounts

(In percent of GDP)

			Prog.	Actual	Prog.	Proj.	Prog.				Proj.	
			Jan-Jun		Jan-Dec		Jan-Mar	Jan-Jun	Jan-Sep	Jan-Dec		
	2008	2009	2010				2011				2012	2013
			A. Central Government									
Total revenue and grants	**15.8**	**13.7**	**7.0**	**6.7**	**14.3**	**14.0**	**3.3**	**6.9**	**10.3**	**14.0**	**15.1**	**15.6**
Total revenue	**15.7**	**13.5**	**6.9**	**6.7**	**14.1**	**13.7**	**3.2**	**6.8**	**10.2**	**13.8**	**14.9**	**15.4**
Tax revenues	15.0	13.1	6.8	6.4	13.8	13.2	3.1	6.6	9.9	13.3	14.5	15.0
Income and property 1/	4.5	3.9	2.1	1.9	3.9	3.6	0.8	2.1	2.9	3.7	4.3	4.4
VAT	4.7	4.2	2.0	2.1	4.2	4.3	1.1	2.2	3.3	4.3	4.4	4.5
Excises	4.1	3.7	1.9	1.8	4.0	3.9	0.9	1.7	2.7	3.9	4.1	4.2
International trade	1.6	1.3	0.9	0.6	1.8	1.4	0.3	0.6	0.9	1.4	1.7	1.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nontax revenue	0.7	0.3	0.1	0.3	0.3	0.5	0.1	0.2	0.3	0.6	0.4	0.4
Capital revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	**0.2**	**0.2**	**0.1**	**0.1**	**0.2**	**0.2**	**0.0**	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**
Primary expenditures 2/	**17.2**	**15.2**	**8.1**	**7.4**	**14.5**	**14.2**	**3.4**	**6.8**	**9.9**	**13.2**	**13.5**	**14.1**
Wages and salaries	3.8	4.1	1.7	1.8	3.8	3.8	0.9	1.7	2.6	3.8	3.5	3.5
Goods and services	2.1	1.8	1.1	0.9	2.0	1.8	0.4	0.8	1.2	1.6	1.8	1.8
Transfers, *o/w*:	7.1	5.5	2.2	2.5	4.4	4.9	0.9	1.9	2.8	4.1	3.5	3.4
Gas subsidy	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity transfers	2.7	1.3	0.4	0.5	0.8	1.2	0.1	0.3	0.4	0.6	0.3	0.1
Other	3.9	4.2	1.8	1.9	3.6	3.7	0.8	1.6	2.4	3.5	3.2	3.3
Capital expenditure	5.0	3.6	3.1	2.3	4.4	3.7	1.2	2.4	3.2	3.8	4.7	5.4
Statistical discrepancy 2/	-0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance	**-1.4**	**-1.6**	**-1.1**	**-0.7**	**-0.2**	**-0.2**	**-0.1**	**0.2**	**0.4**	**0.8**	**1.6**	**1.5**
Interest	**1.7**	**1.9**	**0.6**	**0.9**	**2.2**	**2.1**	**0.6**	**1.2**	**1.8**	**2.4**	**2.2**	**2.1**
Foreign	0.8	0.7	0.3	0.3	0.9	0.8	0.2	0.4	0.6	0.9	0.9	0.6
Domestic 3/	0.8	1.2	0.3	0.6	1.3	1.3	0.4	0.8	1.2	1.5	1.3	1.5
Overall balance	**-3.0**	**-3.5**	**-1.6**	**-1.6**	**-2.4**	**-2.3**	**-0.7**	**-1.0**	**-1.3**	**-1.6**	**-0.6**	**-0.6**
			B. Rest of the Non-Financial Public Sector									
Overall balance rest of NFPS	**-0.1**	**0.4**	**-0.1**	**-0.1**	**-0.1**	**-0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
			C. Non-Financial Public Sector (A+B)									
Overall balance NFPS	**-3.1**	**-3.1**	**-1.7**	**-1.7**	**-2.5**	**-2.5**	**-0.7**	**-1.0**	**-1.3**	**-1.6**	**-0.6**	**-0.6**
Primary balance	-1.5	-1.2	-1.1	-0.8	-0.4	-0.4	-0.1	0.2	0.4	0.8	1.6	1.5
Interest	1.7	1.9	0.6	0.9	2.2	2.1	0.6	1.2	1.8	2.4	2.2	2.1
Financing NFPS	**3.1**	**3.1**	**1.7**	**1.7**	**2.5**	**2.5**	**0.7**	**1.0**	**1.3**	**1.6**	**0.6**	**0.6**
External financing	0.2	2.1	1.5	1.7	2.9	3.2	0.1	1.4	1.7	1.9	-0.4	0.3
Domestic financing	1.9	1.6	0.3	0.0	-0.4	-0.9	0.6	-0.4	-0.4	-0.4	1.0	0.3
			D. Central Bank									
Quasi-fiscal balance of the central bank	**-1.3**	**-1.3**	**-0.7**	**-0.6**	**-1.4**	**-1.4**	**-0.3**	**-0.7**	**-1.0**	**-1.4**	**-1.4**	**-1.4**
Of which: non interest	0.6	0.7	0.2	0.2	0.3	0.5	0.2	0.3	0.5	0.4	0.4	0.4
			E. Consolidated Public Sector (C+D)									
Consolidated public sector balance	**-4.4**	**-4.4**	**-2.4**	**-2.3**	**-3.9**	**-3.9**	**-1.0**	**-1.7**	**-2.4**	**-3.0**	**-2.0**	**-2.0**
Primary balance	-0.9	-0.5	-1.0	-0.5	0.0	0.2	0.0	0.5	1.0	1.2	2.0	1.9
Interest	3.6	3.9	1.5	1.8	3.9	4.0	1.1	2.2	3.3	4.2	4.0	3.9
Memorandum items:												
Interest for central bank recapitalization	0.6	0.7	0.4	0.3	0.8	0.8	0.2	0.5	0.7	0.9	1.0	1.1
Primary spending excl. electricity and gas	14.1	13.9	7.7	6.9	13.7	13.0	3.2	6.3	9.3	12.6	13.2	14.0
Overall spending by central government	18.9	17.1	8.7	8.3	16.7	16.3	4.0	7.9	11.6	15.6	15.7	16.2
Nominal GDP (DR$ billion)	1576	1678	1857	1884	1857	1884	2095	2095	2095	2095	2332	2607
Real GDP Growth (percent)												

Sources: Dominican authorities; and Fund staff estimates.

1/ Includes social security contributions.

2/ Primary expenditures include the difference between the financing below the line and the overall balance registered above the line.

3/ Includes interest payments on Central Bank recapitalization bonds.

Table 5. Dominican Republic: Fiscal Accounts
(In billions of Dominican pesos)

			Prog.	Actual	Prog.	Proj.	Prog.				Proj.	
			Jan-Jun		Jan-Dec		Jan-Mar	Jan-Jun	Jan-Sep	Jan-Dec		
	2008	2009	2010				2011				2012	2013
A. Central Government												
Total revenue and grants	**249.8**	**229.4**	**130.7**	**127.1**	**265.2**	**263.1**	**68.7**	**145.1**	**215.9**	**293.2**	**351.7**	**406.9**
Total revenue	**246.9**	**225.8**	**128.9**	**126.0**	**261.6**	**259.0**	**67.7**	**143.2**	**213.0**	**289.3**	**347.1**	**401.7**
Tax revenues	236.2	220.0	126.7	120.1	255.6	248.9	65.3	139.0	206.5	277.7	337.8	391.2
Income and property 1/	71.5	66.0	38.8	35.8	72.4	67.6	17.5	44.8	60.7	78.1	100.3	115.4
VAT	74.7	69.9	37.5	39.4	77.2	81.8	22.4	46.3	69.3	90.2	102.6	117.3
Excises	64.9	62.2	34.7	33.2	73.4	72.9	19.6	35.9	57.0	80.9	95.6	109.5
International trade	25.0	21.9	15.8	10.9	32.6	25.8	5.7	11.9	19.5	28.5	39.2	49.1
Other	0.0	3.5	0.0	0.7	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Nontax revenue	10.7	5.8	2.2	6.0	6.0	10.1	2.4	4.2	6.5	11.7	9.3	10.4
Capital revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	2.9	3.5	1.8	1.0	3.6	4.1	1.0	1.9	2.9	3.9	4.7	5.2
Primary expenditures 2/	**271.3**	**255.4**	**150.3**	**139.4**	**268.9**	**267.2**	**71.6**	**141.7**	**206.6**	**276.8**	**314.9**	**367.6**
Wages and salaries	59.5	68.5	31.4	33.4	69.7	72.3	18.2	36.4	54.5	78.8	81.6	91.2
Goods and services	32.5	29.6	20.5	16.8	36.2	33.0	8.2	16.4	24.6	32.9	42.0	46.9
Transfers, *o/w*:	111.4	92.9	41.2	46.6	80.8	91.9	19.7	39.1	59.7	86.2	81.6	88.6
Gas subsidy	7.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity transfers	41.9	21.7	7.3	10.3	14.5	22.4	3.0	5.6	9.4	13.6	7.0	2.6
Other	61.8	71.2	33.9	36.4	66.3	69.5	16.8	33.5	50.3	72.6	74.6	86.0
Capital expenditure	78.1	60.0	57.3	42.8	82.1	70.0	25.4	49.8	67.8	78.9	109.6	140.8
Statistical discrepancy 2/	0.0	4.4	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance	**-21.5**	**-26.0**	**-19.6**	**-12.3**	**-3.7**	**-4.1**	**-2.9**	**3.4**	**9.3**	**16.4**	**36.9**	**39.3**
Interest	**26.1**	**32.0**	**10.8**	**17.2**	**40.6**	**40.2**	**12.0**	**24.7**	**37.2**	**49.9**	**51.5**	**55.1**
Foreign	12.4	11.3	6.0	5.5	16.5	15.7	3.9	8.6	13.0	17.9	21.2	16.0
Domestic 3/	13.6	20.7	4.7	11.7	24.1	24.5	8.1	16.1	24.1	32.0	30.3	39.1
Overall balance	**-47.6**	**-58.0**	**-30.4**	**-29.5**	**-44.3**	**-44.3**	**-14.9**	**-21.3**	**-27.9**	**-33.5**	**-14.6**	**-15.8**
B. Rest of the Non-Financial Public Sector												
Overall balance rest of NFPS	**-1.7**	**6.2**	**-1.4**	**-2.4**	**-3.0**	**-3.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
C. Non-Financial Public Sector (A+B)												
Overall balance NFPS	**-49.3**	**-51.7**	**-31.8**	**-31.9**	**-47.3**	**-47.3**	**-14.9**	**-21.3**	**-27.9**	**-33.5**	**-14.6**	**-15.8**
Primary Balance	-23.2	-19.8	-21.0	-14.7	-6.7	-7.1	-2.9	3.4	9.3	16.4	36.9	39.3
Interest	26.1	32.0	10.8	17.2	40.6	40.2	12.0	24.7	37.2	49.9	51.5	55.1
Financing NFPS	**49.3**	**51.7**	**31.8**	**31.9**	**47.3**	**47.3**	**14.9**	**21.3**	**27.9**	**33.5**	**14.6**	**15.8**
External financing	24.3	34.9	27.7	31.9	55.3	61.1	2.3	28.9	35.8	40.8	-9.3	7.9
Domestic financing	30.7	26.3	3.8	-1.0	-8.3	-13.9	12.6	-7.6	-8.0	-7.4	23.4	7.9
D. Central Bank												
Quasi-fiscal balance of the central bank	**-20.7**	**-22.4**	**-13.5**	**-12.2**	**-25.5**	**-25.4**	**-6.6**	**-14.3**	**-21.6**	**-30.3**	**-32.7**	**-36.5**
Of which: non interest	9.1	11.6	3.2	4.7	6.4	10.2	3.7	7.2	10.8	8.4	9.3	10.4
E. Consolidated Public Sector (C+D)												
Consolidated public sector balance	**-70.0**	**-74.2**	**-45.3**	**-44.2**	**-72.8**	**-72.7**	**-21.5**	**-35.6**	**-49.5**	**-63.8**	**-47.2**	**-52.3**
Primary Balance	-14.1	-8.2	-17.9	-10.0	-0.3	3.1	0.8	10.6	20.1	24.8	46.2	49.7
Interest	56.0	66.0	27.4	34.1	72.5	75.8	22.3	46.2	69.6	88.6	93.5	102.0
Memorandum items:												
Interest for central bank recapitalization	9.1	12.4	7.3	6.0	14.5	14.5	4.7	9.4	14.1	18.9	22.7	27.5
Primary spending excl. electricity and gas	221.3	233.7	143.1	129.1	254.4	244.3	66.1	132.2	194.3	263.1	307.9	365.0
Overall spending by central government	297.0	287.4	161.1	156.6	309.5	307.4	83.6	166.4	243.8	326.7	365.9	422.3

Sources: Dominican authorities; and Fund staff estimates.
1/ Includes social security contributions.
2/ Primary expenditures include the difference between the financing below the line and the overall balance registered above the line.
3/ Includes interest payments on Central Bank recapitalization bonds.

Table 6. Dominican Republic: Public Sector Gross Financing Requirements and Sources 1/
(In millions of U.S. dollars)

	Prog.	Actual	Prog.	Proj.	Prog.					Projection	
	Jan-Jun		Jan-Dec		Q1	Q2	Q3	Q4	Annual		
	2010				2011					2012	2013
Gross Financing Requirements	**1,526**	**1,669**	**2,531**	**2,971**	**816**	**599**	**602**	**578**	**2,595**	**1,536**	**1,410**
Non-Financial Public Sector Deficit	857	843	1,275	1,247	381	165	168	144	858	362	397
Amortizations	669	827	1,337	1,723	434	434	434	434	1,737	1,174	1,014
Floating Debt	0	0	0	0	0	0	0	0	0	0	0
Financing Sources	**1,526**	**1,669**	**2,531**	**2,971**	**816**	**599**	**602**	**578**	**2,595**	**1,536**	**1,410**
External	**1,572**	**1,219**	**2,135**	**2,275**	**268**	**768**	**303**	**431**	**1,771**	**972**	**875**
Budget Support	335	54	575	845	63	63	98	226	448	97	0
World Bank	0	0	150	150	0	0	0	70	70	0	0
IDB	230	15	245	286	0	0	35	93	128	97	0
CAF	30	0	30	0	0	0	0	0	0	0	0
IMF	75	38	150	408	62.5	62.5	62.5	62.5	250	0	0
Project Financing	507	214	700	350	136	136	136	136	543	600	600
Petrocaribe	130	202	260	330	70	70	70	70	280	275	275
Sovereign Bonds	600	750	600	750	0	500	0	0	500	0	0
Domestic	**-46**	**450**	**396**	**700**	**547**	**-169**	**299**	**147**	**824**	**564**	**535**
Bonds	-46	390	317	513	489	-228	240	88	589	564	535
Banking system	0	60	0	66	59	59	59	59	235	0	0
Other	0	0	79	120	0	0	0	0	0	0	0
Gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Sources: Dominican authorities; and Fund staff estimates.
1/ Non-financial public sector.

Table 7. Dominican Republic: Quasi-fiscal Balance of the Central Bank

(In billions of Dominican pesos, unless otherwise specified)

				Proj.	Prog.			
			Jan-Jun	Jan-Dec	Jan-Mar	Jan-Jun	Jan-Sep	Jan-Dec
	2008	2009	2010		2011			
Revenues	**13.7**	**17.0**	**7.3**	**16.0**	**5.3**	**10.5**	**15.6**	**20.6**
Interest	13.4	15.8	7.3	15.9	5.3	10.4	15.6	20.5
International reserves	3.7	1.3	0.7	1.1	0.4	0.7	1.1	1.3
BCRD recapitalization	9.2	12.9	6.4	14.5	4.7	9.4	14.1	18.9
Other	0.6	1.5	0.2	0.4	0.2	0.3	0.3	0.3
Other revenues	0.3	1.2	0.0	0.1	0.0	0.0	0.1	0.1
Expenditures	**34.5**	**39.4**	**19.6**	**41.4**	**12.0**	**24.7**	**37.3**	**50.9**
Administrative	4.2	5.1	2.5	5.6	1.6	3.1	4.7	8.3
Interest	29.8	34.0	16.9	35.6	10.3	21.5	32.4	38.7
Securities	26.8	31.9	16.0	33.7	9.8	20.2	31.1	36.5
Other	3.0	2.1	0.9	1.9	0.5	1.3	1.3	2.2
Cost of issuing money bills	0.4	0.3	0.1	0.2	0.0	0.1	0.1	0.1
Other expenditures	0.1	0.0	0.0	0.0	0.0	0.0	0.0	3.8
Quasi-fiscal balance	**-20.7**	**-22.4**	**-12.2**	**-25.4**	**-6.6**	**-14.3**	**-21.6**	**-30.3**
		(Percent of GDP)						
Revenues	**0.9**	**1.0**	**0.4**	**0.8**	**0.3**	**0.5**	**0.7**	**1.0**
Interest	0.9	0.9	0.4	0.8	0.3	0.5	0.7	1.0
International reserves	0.2	0.1	0.0	0.1	0.0	0.0	0.1	0.1
BCRD recapitalization	0.6	0.8	0.3	0.8	0.2	0.4	0.7	0.9
Other	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other revenues	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Expenditures	**2.2**	**2.3**	**1.0**	**2.2**	**0.6**	**1.2**	**1.8**	**2.4**
Administrative	0.3	0.3	0.1	0.3	0.1	0.1	0.2	0.4
Interest	1.9	2.0	0.9	1.9	0.5	1.0	1.5	1.8
Securities	1.7	1.9	0.8	1.8	0.5	1.0	1.5	1.7
Other	0.2	0.1	0.0	0.1	0.0	0.1	0.1	0.1
Printing money bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Quasi-fiscal balance	**-1.3**	**-1.3**	**-0.6**	**-1.4**	**-0.3**	**-0.7**	**-1.0**	**-1.4**
Memo items:								
Quasi-fiscal primary balance	9.1	11.6	4.7	10.2	3.7	7.2	10.8	8.4
In percent of GDP	0.6	0.7	0.2	0.5	0.2	0.3	0.5	0.4
Securities (eop)	192.8	202.1	206.5	193.7	199.8	193.2	206.7	217.7
In percent of GDP	12.2	12.0	11.0	10.3	9.5	9.2	9.9	10.4

Sources: BCRD, and Fund staff estimates.

Table 8. Dominican Republic: Consolidated Accounts of the Public Electricity Sector
(In millions of U.S. dollars)

	2009	2010	Prog. Jan - Mar 2011	Prog. Jan - Jun 2011	Prog. Jan - Sep 2011	Prog. Jan - Dec 2011
Revenue (A)	**1,348.8**	**1,533.4**	**428.6**	**905.0**	**1,390.2**	**1,867.1**
Electricity Distribution Companies (EDE's)	**1,146.9**	**1,312.9**	**371.4**	**780.0**	**1,196.1**	**1,601.6**
Regular Clients	1,007.8	1,154.4	325.5	682.7	1,047.3	1,399.8
Priority Clients 1/	85.6	117.6	32.4	68.0	104.3	139.4
Municipalities	25.4	30.00	10.4	22.2	34.3	45.9
Others	28.1	11.0	3.0	7.1	10.2	16.4
CDEEE and Others 2/	**201.9**	**220.5**	**57.3**	**125.0**	**194.1**	**265.5**
Energy Sales	199.5	220.0	56.8	124.0	192.6	263.5
Other	2.4	0.5	0.5	1.0	1.5	2.0
Current Expenditure (B)	**2,093.1**	**2,137.4**	**505.6**	**1,050.3**	**1,631.8**	**2,217.1**
Electricity distribution Companies (EDE's)	**1,574.2**	**1,665.6**	**405.0**	**834.6**	**1,310.4**	**1,781.9**
Operating Costs	204.8	158.8	34.0	65.0	100.0	130.0
o/w Personnel	74.3	60.4	13.4	25.0	39.6	54.1
o/w Suppliers	109.7	86.0	18.0	35.2	53.2	65.4
o/w Others	20.8	12.4	2.6	4.8	7.2	10.5
Energy Purchases	1,311.5	1,454.9	356.3	741.2	1,168.1	1,595.9
Interests	32.5	35.0	6.0	12.0	18.0	24.0
Others	25.4	16.9	8.7	16.4	24.3	32.0
CDEEE and Others 2/	**518.9**	**471.8**	**100.6**	**215.7**	**321.4**	**435.2**
Operating Costs	82.9	40.0	10.0	20.0	30.0	40.0
Energy Purchases	397.6	382.3	78.6	171.7	255.4	347.2
Interests	38.4	49.5	12.0	24.0	36.0	48.0
Current Balance (C=A-B)	**-744.3**	**-604.0**	**-77.0**	**-145.2**	**-241.6**	**-350.0**
Capital Expenditure (D)	**248.5**	**112.0**	**25.0**	**60.0**	**90.0**	**119.0**
Electricity Distribution Companies (EDE's)	**78.2**	**50.0**	**15.0**	**35.0**	**50.0**	**70.0**
CDEEE and Others 2/	**170.3**	**62.0**	**10.0**	**25.0**	**40.0**	**49.0**
Overall Balance (E=C-D)	**-992.8**	**-716.0**	**-102.0**	**-205.2**	**-331.6**	**-469.0**
Financing	**992.8**	**716.0**	**102.0**	**205.2**	**331.6**	**469.0**
Current Financing	**744.3**	**604.0**	**77.0**	**145.2**	**241.6**	**350.0**
Government Transfers	606.0	706.0	72.0	135.2	224.7	330.0
Bonoluz	28.5	0.0	5.0	10.0	16.9	20.0
Net Credit from the Banking System	43.2	0.0	0.0	0.0	0.0	0.0
Accumulation of Arrears (Net) 3/	102.0	0.0	0.0	0.0	0.0	0.0
Payment of Arrears of the Previous Years	-35.4	-102.0	0.0	0.0	0.0	0.0
Capital Financing	**248.5**	**112.0**	**25.0**	**60.0**	**90.0**	**119.0**
Externally Financed	170.3	69.0	10.0	25.0	40.0	49.0
Domestically Financed	78.2	43.0	15.0	35.0	50.0	70.0
o/w Government Transfers	66.6	0.0	6.2	14.3	20.7	30.0
o/w with Own Resources	11.6	43.0	8.8	20.7	29.3	40.0
Discrepancy	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

1/ Clients that by law cannot be cut off from electricity supply.
2/ Includes EGEHID, ETED and UERS.
3. Under the definition of zero days of arrears to private electricity generators.

Table 9. Dominican Republic: Summary Accounts of the Monetary Authority 1/

(In billions of Dominican pesos, unless otherwise specified)

	2008	2009	2010 2/ June Prog.	2010 2/ June Actual	2010 2/ Dec Prog.	2010 2/ Dec Proj.	2011 2/ Prog. Mar	2011 2/ Prog. June	2011 2/ Prog. Sep	2011 2/ Prog. Dec	2012 2/ Proj.
Monetary base	**133.8**	**138.1**	**133.3**	**130.4**	**153.5**	**153.6**	**140.8**	**144.4**	**148.1**	**164.5**	**187.4**
Currency issue	62.5	70.2	61.6	63.1	77.9	77.7	69.7	72.7	73.0	85.5	97.5
Reserve requirements (peso deposits)	71.3	67.9	71.8	67.3	75.6	75.9	71.1	71.7	75.1	79.0	89.9
Net international reserves	**76.3**	**92.6**	**64.4**	**79.5**	**73.6**	**73.6**	**60.8**	**64.4**	**68.1**	**84.5**	**107.4**
(In millions of U.S. dollars) 3/	2165.4	2538.4	1765.4	2178.6	2015.4	2015.4	1665.4	1765.4	1865.4	2315.4	2942.2
Net domestic assets	**57.5**	**45.4**	**68.9**	**50.9**	**80.0**	**80.0**	**80.0**	**80.0**	**80.0**	**80.0**	**80.0**
Nonfinancial public sector (net) 4/	4.6	0.7	4.0	-2.8	4.0	3.5	3.5	3.5	3.5	3.5	3.5
Central government	1.6	-2.3	1.0	-5.9	1.0	-0.4	-0.4	-0.4	-0.4	-0.4	-0.4
Rest of NFPS	3.0	3.0	3.0	3.1	3.0	3.9	3.9	3.9	3.9	3.9	3.9
Commercial banks (net)	-51.2	-78.0	-83.4	-97.7	-85.8	-100.8	-118.8	-129.4	-140.3	-156.7	-210.0
Monetary control notes and bills	-25.6	-36.7	-44.0	-57.2	-43.7	-58.3	-75.4	-84.1	-94.1	-108.9	-155.3
Reserve requirements (FX deposits)	-21.0	-24.9	-25.2	-30.0	-26.7	-30.5	-31.8	-33.1	-33.0	-33.9	-38.1
Overnight facility	-15.5	-23.2	-20.9	-16.4	-22.2	-17.9	-17.6	-18.3	-19.2	-19.9	-22.6
Liquidity support	10.9	6.8	6.8	6.0	6.8	6.0	6.0	6.0	6.0	6.0	6.0
Nonfinancial private sector (certificates)	-160.9	-162.2	-135.8	-152.6	-125.5	-134.1	-120.4	-114.1	-107.5	-92.6	-57.9
Other items (net)	264.4	284.9	315.0	304.0	309.4	311.4	315.6	320.0	324.4	325.9	344.4
Capital account	280.7	290.1	290.0	295.9	301.1	301.1	303.0	306.0	308.6	312.4	323.3
Cumulative losses	295.8	318.2	324.5	330.4	337.7	343.6	350.2	357.9	365.2	373.7	407.3
Cumulative Government transfers	-15.1	-28.0	-34.5	-34.5	-36.6	-42.5	-47.2	-51.9	-56.6	-61.4	-84.1
Medium and long term external liabilities	-10.5	-9.2	-9.3	-9.0	-9.3	-8.9	-8.9	-8.9	-8.9	-8.9	-8.9
Peso counterpart to IMF budget support	0.0	11.4	15.2	12.1	17.9	26.0	28.3	30.6	32.9	35.2	35.2
Other, net	-5.8	-7.5	19.1	4.9	-0.4	-6.8	-6.8	-7.7	-8.3	-12.9	-5.2
					(Percentage change, y-o-y)						
Memorandum items:											
Monetary base	11.4	3.2	9.7	7.3	11.2	11.2	8.1	10.7	11.5	7.1	13.9
Currency issue	0.3	12.3	11.4	14.2	11.0	10.7	9.4	15.2	16.1	10.1	13.9
Quasi-fiscal balance (in percent of GDP)	-1.3	-1.3	-0.6	-0.6	-1.4	-1.4	-0.3	-0.7	-1.0	-1.4	-1.4

Sources: Dominican authorities; and Fund staff estimates.

1/ The Central Bank's balance sheet is adjusted to incorporate the reserve liability from the IMF budgetary support for 2009 and onwards.

2/ Foreign currency denominated accounts valued at DR$36.5 per U.S. dollar for December 2009 and onwards..

3/ Projections for 2010-12 assume that all SBA purchases are made.

4/ Excludes transactions related to Central Bank recapitalization.

Table 10. Dominican Republic: Summary Accounts of the Banking System

(In billions of Dominican pesos, unless otherwise specified)

			Prog.	Actual	Prog.	Proj.	Prog.				Proj.
			Jun		Dec		Mar	June	Sep	Dec	
	2008	2009	2010 1/				2011 2/				2012 2/
					Central Bank 2/						
Monetary base	**133.8**	**138.1**	**133.3**	**130.4**	**153.5**	**153.6**	**140.8**	**144.4**	**148.1**	**164.5**	**187.4**
Currency issue	62.5	70.2	61.6	63.1	77.9	77.7	69.7	72.7	73.0	85.5	97.5
Reserve requirements (peso deposits)	71.3	67.9	71.8	67.3	75.6	75.9	71.1	71.7	75.1	79.0	89.9
Net international reserves	**76.3**	**92.6**	**64.4**	**79.5**	**73.6**	**73.6**	**60.8**	**64.4**	**68.1**	**84.5**	**107.4**
(In millions of U.S. dollars) 3/	2165.4	2538.4	1765.4	2178.6	2015.4	2015.4	1665.4	1765.4	1865.4	2315.4	2942.2
Net domestic assets	**57.5**	**45.4**	**68.9**	**50.9**	**80.0**	**80.0**	**80.0**	**80.0**	**80.0**	**80.0**	**80.0**
Nonfinancial public sector (net) 4/	4.6	0.7	4.0	-2.8	4.0	3.5	3.5	3.5	3.5	3.5	3.5
Commercial banks (net)	-51.2	-78.0	-83.4	-97.7	-85.8	-100.8	-118.8	-129.4	-140.3	-156.7	-210.0
Nonfinancial private sector (certificates)	-160.9	-162.2	-135.8	-152.6	-125.5	-134.1	-120.4	-114.1	-107.5	-92.6	-57.9
Other items (net)	264.4	284.9	315.0	304.0	309.4	311.4	315.6	320.0	324.4	325.9	344.4
					Banking System 6/						
Net foreign assets	**101.9**	**117.5**	**89.4**	**101.0**	**98.5**	**94.9**	**82.1**	**85.8**	**89.4**	**105.9**	**128.7**
(In millions of U.S. dollars)	2886.1	3226.7	2448.9	2763.6	2698.9	2600.4	2250.4	2350.4	2450.4	2900.4	3527.2
Net domestic assets	**454.5**	**500.4**	**540.3**	**558.5**	**602.8**	**619.9**	**659.9**	**673.0**	**673.1**	**690.2**	**772.9**
Net credit to the nonfinancial public sector 4/	30.8	53.1	58.8	50.0	60.0	52.4	62.0	66.5	71.1	55.9	42.2
Credit to the private sector	277.3	297.2	320.2	320.1	341.5	334.3	336.9	352.7	368.5	377.6	423.0
Other assets net (includes valuation effects)	146.4	150.2	161.3	188.4	201.3	233.3	261.1	253.8	233.6	256.7	307.7
Of which: Recapitalization account	262.6	278.1	273.5	303.1	299.8	298.3	296.8	300.4	304.1	327.5	357.8
Medium- and long-term external liabilities of Central Bank	-10.5	-9.2	-9.3	-9.0	-9.3	-8.9	-8.9	-8.9	-8.9	-8.9	-8.9
Capital and accumulated surplus	6.2	5.4	8.1	-8.3	11.4	7.7	8.4	9.2	9.9	7.7	11.0
M3	**556.4**	**617.9**	**629.6**	**659.5**	**675.0**	**714.9**	**742.0**	**758.8**	**762.5**	**796.0**	**901.6**
Currency in circulation	51.7	56.3	49.5	51.5	60.5	62.4	57.1	59.8	60.3	68.7	77.9
Deposits	330.4	379.0	405.8	406.7	430.7	435.1	434.4	451.4	467.0	483.8	548.6
Central bank certificates held outside banks	174.3	176.5	153.4	171.3	143.9	157.4	150.5	147.7	145.2	136.2	120.0
Commercial bank certificates held by the public 7/	0.0	6.0	21.0	30.0	40.0	60.0	100.0	100.0	90.0	107.3	155.1
					(Percentage change, y-o-y)						
Memorandum items:											
Credit to the private sector	7.0	7.2	15.5	15.4	14.9	12.5	9.9	10.2	11.9	13.0	12.0
Deposits	10.5	14.7	17.1	17.3	13.6	14.8	11.4	11.0	11.2	11.2	13.4
M3	8.7	11.1	9.5	14.7	9.2	15.7	18.7	20.4	15.6	11.4	13.3
M3 Velocity	2.8	2.7	2.9	2.9	2.7	2.6	2.6	2.8	2.7	2.6	2.6

Sources: Dominican authorities; and Fund staff estimates.

1/ Foreign currency denominated accounts valued at DR$36.5 per U.S. dollar for December 2009 and onwards.

2/ The Central Bank's balance sheet is adjusted to incorporate the reserve liability from the IMF budgetary support.

3/ Projections for 2010-12 assume that all SBA purchases are made.

4/ Excludes transactions related to Central Bank recapitalization.

5/ Includes transactions related to Central Bank recapitalization.

6/ Includes the Central Bank, Banco de Reservas, and all other multiple banks. Excludes other financial institutions.

7/ For 2010 and onwards, projections assume that private banks issue certificates to the public, so that the sum of certificates of the banking system in hands of the public, increases at least by 12 percent, annually.

Table 11. Dominican Republic: Selected Financial Soundness Indicators of the Banking System
(In percent)

	2007	2008	2009	Jun 2010
Capital adequacy				
Net worth to total assets	9.5	9.7	9.1	8.9
Regulatory capital to risk-weighted assets	13.0	13.4	14.5	13.7
Asset quality				
Loan growth	27.1	15.3	12.4	20.0
NPLs to total loans	4.0	3.5	4.0	3.3
Loan provisions to NPLs	134.5	133.1	115.0	123.0
NPLs net of provisions to net worth	-8.2	-7.2	-3.9	-5.2
Fixed and net foreclosed assets to net worth	57.2	58.0	51.4	49.2
Earnings and efficiency				
Return on average assets	2.0	2.1	1.9	2.3
Return on average equity	21.3	21.4	19.9	35.8
Gross operating income to average assets	9.8	2.4	2.3	2.6
Financial margin to average assets	6.7	6.9	7.7	7.9
Operating expenses to net financial margin	104.4	96.3	91.4	95.5
Liquidity				
Liquid funds to deposits	32.3	33.1	28.1	25.7
Liquid funds to total assets	27.2	28.4	23.9	22.0

Sources: Dominican authorities; and Fund staff estimates.

Table 12. Dominican Republic: Balance of Payments

(In millions of U.S. dollars, unless otherwise specified)

			Prog.	Proj.	Prog.				Proj.
			Jan-Dec	Jan-Dec	Jan-Mar	Jan-Jun	Jan-Sep	Jan-Dec	
	2008	2009	2010		2011				2012
Current account	**-4,529**	**-2,159**	**-3,071**	**-3,493**	**-422**	**-1,517**	**-2,478**	**-3,421**	**-2,445**
Trade balance	-9,245	-6,741	-7,583	-8,140	-1,874	-3,963	-6,201	-8,278	-7,801
Exports f.o.b.	6,748	5,519	5,534	6,152	1,563	3,246	5,122	7,100	9,046
Of which: nickel	492	4	0	0	0	0	119	297	624
Of which: gold	0	0	0	0	0	0	0	207	1,245
Imports f.o.b.	-15,993	-12,260	-13,117	-14,291	-3,437	-7,209	-11,323	-15,378	-16,848
Of which: oil and gas	-4,241	-2,641	-3,307	-3,384	-875	-1,825	-2,709	-3,544	-3,702
Nonfactor services	2,962	3,046	3,171	3,113	1,140	1,911	2,700	3,329	3,732
Of which: travel receipt	4,166	4,051	4,126	4,259	1,426	2,515	3,627	4,540	5,046
Factor services	-1,759	-1,769	-2,068	-1,888	-518	-1,095	-1,585	-2,085	-2,194
Of which: interest on public debt 1/	-372	-427	-570	-525	-117	-258	-396	-565	-522
Transfers	3,513	3,305	3,409	3,421	830	1,629	2,609	3,613	3,819
Capital and financial account	**4,384**	**2,655**	**2,548**	**2,967**	**720**	**1,887**	**2,849**	**3,721**	**3,072**
Capital account	135	107	132	87	25	49	84	107	237
Financial account	4,249	2,548	2,416	2,880	695	1,838	2,765	3,615	2,835
Direct investment, net	2,900	2,067	1,863	1,354	471	1,047	1,538	1,990	2,228
Portfolio investment, net	-376	-450	100	523	-18	542	629	765	-103
Other investment, net	1,725	931	453	1,002	243	249	598	860	709
Of which: public sector MLT, net	760	794	709	500	60	168	332	392	567
Disbursements	1,367	1,417	1,385	1,148	176	475	770	1,016	1,272
Amortization	-607	-623	-676	-648	-116	-307	-438	-624	-705
Other	965	137	-256	502	183	81	267	468	142
Of which: SDR allocation	0	275	0	0	0	0	0	0	0
Errors and omissions	-181	-90	0	0	0	0	0	0	0
Overall balance	**-326**	**406**	**-523**	**-526**	**-350**	**-250**	**-150**	**300**	**627**
Financing	**326**	**-406**	**523**	**526**	**350**	**250**	**150**	**-300**	**-627**
Change in NIR (increase, -)	230	-363	523	523	350	250	150	-300	-627
Change in GIR (increase, -)	284	-638	139	145	226	16	-211	-789	-680
Net Fund purchases	-42	275	384	378	124	234	361	489	53
Exceptional financing	58	-43	0	0	0	0	0	0	0
Debt rescheduling	0	0	0	0	0	0	0	0	0
Debt forgiveness	9	301	0	3	0	0	0	0	0
Net change in arrears	49	-344	0	0	0	0	0	0	0
Memorandum items:									
Current account in percent of GDP	-10.0	-4.6	-6.1	-7.0	-3.5	-5.9	-6.4	-6.4	-4.2
Non-oil-gas current account in percent of GDP	-0.6	1.0	0.5	-0.2	3.7	1.2	0.6	0.2	2.2

Sources: Dominican authorities; and Fund staff estimates.

1/ Includes interests on loans and bonds.

Table 13. Dominican Republic: External Financing Requirements and Sources

(In millions of U.S. dollars)

			Projections		
	2008	2009	2010	2011	2012
Financing requirement	**4,842**	**3,419**	**3,995**	**4,834**	**3,830**
Current account deficit	4,519	2,159	3,493	3,421	2,445
Amortization of public sector medium- and long-term	607	623	648	624	705
Change in gross reserves (increase =+)	-284	638	-145	789	680
Financing sources	**4,842**	**3,419**	**3,995**	**4,834**	**3,830**
Capital transfer	135	107	87	107	237
Foreign Direct Investment, net	2,870	2,067	1,354	1,990	2,228
Portfolio investment, net	-376	-450	523	765	-103
Public sector medium- and long-term loans	1,367	1,417	1,148	1,016	1,272
Net Fund purchases	-42	275	378	489	53
Other 1/	887	4	505	468	142

Sources: Dominican authorities; and Fund staff estimates.

1/ Includes other private capital flows, exceptional financing and errors and omissions.

Table 14. Dominican Republic: Indicators of External Vulnerability

	2007	2008	2009	June 2010
Merchandise exports (percentage change)	8.3	-5.8	-18.2	11.0
Merchandise imports (percentage change)	11.7	17.6	-23.3	28.0
Real effective exchange rate (percentage change, appreciation ·	1.8	1.4	1.5	2.7
Current account balance (percent of GDP)	-5.3	-9.9	-4.6	-8.1
Capital and Financial account balance (percent of GDP)	5.8	9.2	5.7	7.3
Foreign direct investment, net (percent of GDP)	4.1	6.3	4.4	2.7
Portfolio investment, net (percent of GDP)	2.3	-0.8	-1.0	2.5
Other investment, net (percent of GDP)	-1.1	3.5	2.0	2.0
External debt (percent of GDP)	25.5	23.0	24.0	27.8
Debt service (in percent of exports of GNFS) 1/	14.0	17.1	18.9	20.6
Gross reserves (in millions of U.S. dollars)	2,946	2,662	3,307	2,979
Gross reserves (in months of imports of GNFS)	2.0	2.3	2.4	2.0

Sources: Dominican authorities; and Fund staff estimates.

1/ Interest payments and medium- and long-term debt amortization.

Table 15. Dominican Republic: Schedule of Reviews and Purchases

(In millions of SDRs unless otherwise specified)

Date	Amount of Purchase 1/: Original UFR Composition: Central Bank 2/	Original UFR Composition: Ministry of Finance 3/	Revised UFR Composition: Central Bank 2/	Revised UFR Composition: Ministry of Finance: External Payments 3/	Ministry of Finance: BCRD Recap. 4/	Ministry of Finance: Total	Total SBA	Percent of Quota	Conditions
Purchases Already Made									
November 9, 2009	0.00	200.00	0.00	200.00	0.00	200.00	200.00	91.4	Approval of arrangement
April 7, 2010	54.27	25.00	54.27	25.00	0.00	25.00	79.27	36.2	First review and end-December 2009 performance criteria
Purchases To Be Made									
June 15, 2010	54.27	25.00	0.00	25.00	54.27	79.27	79.27	36.2	Second review and end-March 2010 performance criteria
September 15, 2010	54.26	25.00	0.00	25.00	54.26	79.26	79.26	36.2	Third review and end-June 2010 performance criteria
December 15, 2010	84.45	25.00	26.31	25.00	58.14	83.14	109.45	50.0	Fourth review and end-September 2010 performance criteria
March 15, 2011	109.45	0.00	67.78	0.00	41.67	41.67	109.45	50.0	Fifth review and end-December 2010 performance criteria
June 15, 2011	109.45	0.00	67.78	0.00	41.67	41.67	109.45	50.0	Sixth review and end-March 2011 performance criteria
September 15, 2011	109.45	0.00	67.78	0.00	41.67	41.67	109.45	50.0	Seventh review and end-June 2011 performance criteria
December 15, 2011	109.45	0.00	67.78	0.00	41.67	41.67	109.45	50.0	Eighth review and end-September 2011 performance criteria
February 28, 2012	109.45	0.00	109.45	0.00	0.00	0.00	109.45	50.0	End-December 2011performance criteria
Total	**794.50**	**300.00**	**461.07**	**300.00**	**333.43**	**633.43**	**1094.50**	**500.0**	
Memorandum item:									
2009	0.00	200.00	0.00	200.00	0.00	200.00	200.00	91.37	
2010	247.25	100.00	80.58	100.00	166.67	266.67	347.25	158.63	
2011	437.80	0.00	271.13	0.00	166.67	166.67	437.80	200.00	
2012	109.45	0.00	109.45	0.00	0.00	0.00	109.45	50.00	

Source: Fund staff estimates.

1/ The original split between the Central Bank and the Ministry of Finance reflects the intention of the member to assign Fund resources to different entities as explained in the LOI of October 2009 .The revised split reflects the changes due to the central bank recapitalization plans as explained in the revised LOI of October 2010.

2/ Purchases made for reserve accumulation purposes.

3/ Purchases made to cover external debt obligations and public sector imports of goods and services.

4/ Purchases made to cover interest payments on bonds issued to recapitalize the Central Bank, that the Central Bank will use for reserve accumulation purposes.

Table 16. Dominican Republic: Medium-Term Scenario 2008-14
(In percent of GDP unless specified)

	2008	2009	Projections 2010	2011	2012	2013	2014
Growth and prices							
Real GDP growth	5.3	3.5	5.5-6.0	5.5-6.0	6.0	6.0	6.0
CPI inflation, end of period	4.5	5.8	6.0-7.0	5.0-6.0	4.0-5.0	4.0	4.0
CPI inflation, average	10.6	1.4	6.4	5.4	4.5	4.0	4.0
Nominal GDP (billions of U.S. dollars)	45.5	46.7	49.7	53.7	57.9	62.3	67.3
Gross investment	18.2	16.8	17.3	18.4	18.4	18.4	18.4
National Savings	8.2	12.1	10.3	12.0	14.2	14.7	15.0
Public Sector							
Revenue	15.8	13.7	14.0	14.0	15.1	15.6	15.6
Expenditure	20.5	18.1	17.9	17.0	17.1	17.6	17.6
Noninterest expenditure	17.0	14.2	13.9	12.8	13.1	13.7	13.7
Overall balance	-4.6	-4.4	-3.9	-3.0	-2.0	-2.0	-2.0
Primary balance	-1.1	-0.5	0.1	1.2	2.0	1.9	1.9
Balance of payments and external debt							
External current account (millions of U.S. dollars)	-4529	-2159	-3493	-3421	-2445	-2447	-2467
In percent of GDP	-10.0	-4.6	-7.0	-6.4	-4.2	-3.7	-3.4
Official reserves (millions of U.S. dollars)	2662	3303	3154	3943	4623	4796	4927
In months of imports goods and non-factor services	2.3	2.4	2.2	2.5	2.7	2.7	2.9
Public external debt	18.3	20.0	21.6	19.5	16.5	15.9	14.7

Sources: Dominican authorities; and Fund staff estimates.

TECHNICAL MEMORANDUM OF UNDERSTANDING

This Technical Memorandum Understanding (TMU) presents the definitions of the variables included in the quantitative performance criteria annexed to the Letter of Intent (LOI), and the information requirements needed to ensure adequate monitoring of economic and financial developments.

I. Quantitative Performance Criteria: Definition of Variables

A. Cumulative Floor on the Central Government Balance

The overall balance of the central government covers government activities as specified in the budget.

Revenues are recorded when the funds are deposited in the Treasury account. Revenues also include grants. Central government primary expenditures are recorded on an accrual basis and include transfers to other government units as well as all transfers to the public electricity sector. Interest payments, however, will be recorded on a due basis. Capital expenditure will include any in-kind capital expenditures defined as the externally financed investment projects (through loans and grants) in case they are not included in the execution of the budget.

The balance of the central government will be measured from below-the-line as the change in the central government's net financial position (assets minus liabilities). The net financial position of the central government includes: (a) non-bank central government debt, external and domestic, including debt with the IMF for budgetary support and short-term debt approved by the Ministry of Finance; (b) external and domestic bank borrowing (net of deposits), including deposits in the central bank; and (c) any other nonbank financing, domestic or external, including the net change in the stock of domestic and external arrears, including arrears to electricity distributors, and the sale of public assets. Domestic arrears of the nonfinancial public sector are defined as delays in the payment of contractual obligations beyond the grace period set in the respective loan or debt contract or 30 days in case the grace period is not specified. Capitalizations or purchases of equity in public companies will be treated as an above-the-line expenditure transaction. Privatizations and sales of public assets will be recorded below-the-line as offsetting financing items with no impact on the deficit. External debt flows (i.e., disbursements and debt service), will be converted to Dominican Republic pesos at the exchange rate of the day in which the transaction takes place.

The following uses of funds will not affect the deficit and will be recorded below-the-line: (i) clearance of central government domestic arrears incurred the year before; (ii) amortization of loans and bonds; (iii) bonds issued for the recapitalization of the Central Bank and Banco de Reservas; and (iv) other arrears with suppliers incurred in previous years. A memorandum line in the information reporting the Central Government fiscal operations will report items (i) to (iv) in this paragraph.

In the event of a change in the central bank recapitalization law that affects interest payments from the central administration to the central bank, the target on the overall balance of the central government will be adjusted accordingly. Any decline (increase) in interest payments relative to the program value will result in a higher (lower) overall balance target by the same amount.

1. Targets on the Overall Balance of the Central Government

	Floor (In billions of RD$)
Cumulative Balance (from December 31, 2008)	
End-September 2010 (performance criterion)	-95.8
End-October 2010 (program projection)	-96.5
End-November 2010 (program projection)	-98.6
End-December 2010 (performance criterion)	-102.3
Cumulative Balance (from December 31, 2010)	
End-January 2011 (program projection)	-5.0
End-February 2011 (program projection)	-9.9
End-March 2011 (performance criterion)	-14.9
End-April 2011 (program projection)	-17.0
End-May 2011 (program projection)	-19.2
End-June 2011 (performance criterion)	-21.3
End-July 2011 (program projection)	-23.5
End-August 2011 (program projection)	-25.7
End-September 2011 (performance criterion)	-27.9
End-October 2011 (program projection)	-29.7
End-November 2011 (program projection)	-31.6
End-December 2011 (performance criterion)	-33.5

B. Cumulative Floor on the Consolidated Public Sector Balance

The consolidated public sector comprises: (i) the operations of the nonfinancial public sector; and (ii) the quasi-fiscal operations of the central bank. The balance of the nonfinancial public sector comprises the overall balances of the central government (as defined before) and the rest of the nonfinancial public sector (municipalities, decentralized entities, social security entities, and public enterprises).

The rest of the nonfinancial public sector includes the following non-financial public enterprises: Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE, including Empresa de Generación Hidroeléctrica Dominicana), Empresas Distribuidoras de Electricidad del Norte (EDENORTE), Empresas Distribuidoras de Electricidad del Sur (EDESUR), Empresas Distribuidoras de Electricidad del Este (EDESTE), Consejo Estatal del Azúcar, Corporación de Fomento Hotelero y Desarrollo Turístico, Corporación de Acueducto y Alcantarillado de Santo Domingo, Acueducto y Alcantarillado de Santiago, Acueducto y Alcantarillado de Moca, Acueducto y Alcantarillado de la Romana, Instituto Nacional de Aguas Potables y Alcantarillados, Corporación de Acueducto y Alcantarillado de Puerto Plata, Proyecto de la Cruz de Manzanillo, Instituto Postal Dominicano, Corporación Estatal de Radio y Televisión, Instituto Nacional de la Vivienda, Lotería Nacional, Autoridad Portuaria Dominicana, Refinería Dominicana de Petróleo.

The overall balance of the rest of the nonfinancial public sector will be measured from below-the-line as the change in the net financial position (assets minus liabilities) on the basis of changes in: (i) net domestic bank credit and deposits; (ii) domestic and external arrears, and (iii) external disbursements less amortizations.

The quasi-fiscal balance of the central bank included in the consolidated public sector balance is measured as all the administrative and financial revenues minus costs (including costs of monetary policy and interest on the central bank debt and operational expenditures). Changes in the recapitalization law will be reflected in a lower interest bill for the central government and a higher quasi-fiscal deficit for the central bank in the same amount, so that the overall deficit of the combined public sector does not change. In this case, the target of the overall balance of the central government will be modified. Profits and losses arising from valuation changes of foreign currency denominated assets and liabilities will not be considered to determine the balance of the nonfinancial public sector.

Fiscal targets for 2010 will continue to be measured as cumulative floors from end-December 2008. Fiscal targets for 2011 will be measured as cumulative floors from end-December 2010.

The information to compute the overall balance of the nonfinancial public sector will be provided to the Fund by the central bank, based on information provided by the government's accounting office (expenditure) and various units of the Secretaría de Hacienda (revenue, nonbank domestic debt and arrears, external debt and arrears, and externally financed capital expenditure).

2. Targets on the Overall Balance of the Consolidated Public Sector

	Floor (In billions of RD$)
Cumulative Balance (from December 31, 2008)	
End-September 2010 (performance criterion)	-133.0
End-October 2010 (program projection)	-135.9
End-November 2010 (program projection)	-140.1
End-December 2010 (performance criterion)	-147.0
Cumulative Balance (from December 31, 2010)	
End-January 2011 (program projection)	-7.2
End-February 2011 (program projection)	-14.3
End-March 2011 (performance criterion)	-21.5
End-April 2011 (program projection)	-26.2
End-May 2011 (program projection)	-30.9
End-June 2011 (performance criterion)	-35.6
End-July 2011 (program projection)	-40.2
End-August 2011 (program projection)	-44.8
End-September 2011 (performance criterion)	-49.5
End-October 2011 (program projection)	-54.2
End-November 2011 (program projection)	-59.0
End-December 2011 (performance criterion)	-63.8

C. Floor on Central Bank Consolidated Net International Reserves (NIR)

For program monitoring purposes, the consolidated NIR is defined as the difference between gross international reserves of the central bank and reserve liabilities, including debt of the Ministry of Finance with the IMF as follows:

Gross international reserves include claims against non-residents, denominated in foreign convertible currencies that are in the direct effective control of the central bank and are readily available for such purposes as foreign exchange market intervention. Such assets include gold (valued in dollars at end-2008 prices), cash, deposits abroad (excluding funds used as collateral for central bank or other nonfinancial public sector liabilities), holdings of SDRs, and the IMF reserve position.

Reserve liabilities include debt with the IMF, including that of the Ministry of Finance, and short-term (up to one year) foreign-currency-denominated liabilities, including commitments to sell foreign exchange from derivatives or other contracts, and other guarantees or contingent liabilities.

The consolidated NIR definition does not modify the central bank balance sheet accounting rules. The consolidated NIR as defined above differs from the NIR definition included in the previous 2005 Stand-By Arrangement that excluded reserve requirements on foreign currency deposits, and government and bank deposits in foreign currency as they were considered part of the reserve liabilities.

3. Targets on the Consolidated Net International Reserves

Outstanding Stock	Floor (In millions of US$)
End-September 2010 (performance criterion)	1865
End-October 2010 (program projection)	1915
End-November 2010 (program projection)	1965
End-December 2010 (performance criterion)	2015
End-January 2011 (program projection)	1899
End-February 2011 (program projection)	1782
End-March 2011 (performance criterion)	1665
End-April 2011 (program projection)	1699
End-May 2011 (program projection)	1732
End-June 2011 (performance criterion)	1765
End-July 2011 (program projection)	1915
End-August 2011 (program projection)	2065
End-September 2011 (performance criterion)	1865
End-October 2011 (program projection)	2015
End-November 2011 (program projection)	2165
End-December 2011 (performance criterion)	2315

To meet this performance criterion at each relevant date, the 5-day average of daily consolidated NIR values must be above the floor. The 5-day average will be calculated on the basis of the last five working days of each relevant month.

Consolidated NIR targets will also be adjusted upward *(downward*) by the surplus (*shortfall*) in program disbursements up to US$300 million. Program disbursements are defined as uncommitted external disbursements, and external sovereign bond issuance, that are usable for the financing of the overall central government budget (this includes the World Bank, IDB, CAF and external sovereign bond placements). For the purpose of adjusting the NIR in 2011, the values of the program disbursements will be measured as cumulative flows from December 2010.

4. External Program Disbursements

	(In millions of US$)
Cumulative Flows (from December 2008)	
End-September 2010	1793
End-October 2010	1793
End-November 2010	1819
End-December 2010	1819
Cumulative Flows (from December 2010)	
End-January 2011	0
End-February 2011	0
End-March 2011	0
End-April 2011	0
End-May 2011	0
End-June 2011	500
End-July 2011	500
End-August 2011	500
End-September 2011	535
End-October 2011	535
End-November 2011	535
End-December 2011	698

D. Ceiling on Central Bank Net Domestic Assets (NDA)

Central Bank net domestic assets (NDA) are defined as the difference between the monetary base and Consolidated NIR, as defined above. For the purposes of the program the monetary base is defined as equivalent to *emisión monetaria*, which includes currency issue (currency in circulation plus cash in vault) plus peso reserve requirements held by financial institutions at the central bank.

To meet this performance criterion at each relevant date, the 5-day average of daily NDA values must be below the ceiling. The 5-day average will be calculated on the basis of the last five working days of each relevant month.

5. Targets on the Net Domestic Assets

Outstanding Stock	Ceiling (In billions of RD$)
End-September 2010 (performance criterion)	65
End-October 2010 (program projection)	70
End-November 2010 (program projection)	75
End-December 2010 (performance criterion)	80
End-January 2011 (program projection)	80
End-February 2011 (program projection)	80
End-March 2011 (performance criterion)	80
End-April 2011 (program projection)	80
End-May 2011 (program projection)	80
End-June 2011 (performance criterion)	80
End-July 2011 (program projection)	80
End-August 2011 (program projection)	80
End-September 2011 (performance criterion)	80
End-October 2011 (program projection)	80
End-November 2011 (program projection)	80
End-December 2011 (performance criterion)	80

For accounting purposes, dollar accounts will be converted to *pesos* at the accounting exchange rate of RD$36.5 per dollar.

NDA targets will be adjusted upward *(downward)* for any increase *(decrease)* in reserve requirement deposits *(encaje)* associated with peso deposits at the central bank. NDA targets will be adjusted downward *(upward)* by the surplus *(shortfall)* in program disbursements up to US$300 million.

E. Cumulative Floor on the Current Balance of the Public Electricity Sector

The public electricity sector comprises: (i) Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE); (ii) Empresa de Generación Hidroeléctrica Dominicana (EGEHID); (iii) Empresa de Transmisión Eléctrica Dominicana (ETED); (iv) Unidad de Electrificación Rural y Suburbana (UERS); (v) Empresas Distribuidoras de Electricidad del Norte (EDENORTE); (vi) Empresas Distribuidoras de Electricidad del Sur (EDESUR); and (vii) Empresas Distribuidoras de Electricidad del Este (EDESTE).

The overall balance of the public electricity sector will be measured from below-the-line as the change in the electricity sector's net financial position (assets minus liabilities). The net financial position of the public electricity sector includes: (a) transfers from the government to the electricity sector; (b) changes in arrears with electricity generators; (c) changes in the net credit of the banking system to the electricity sector companies; and (d) external disbursements to the electricity sector.

The current balance of the public electricity sector will be measured as the overall balance of the public electricity sector plus externally financed investment in the public electricity sector and the programmed domestically financed investment in the public electricity sector.

For the purpose of the program, domestically financed investment in the public electricity sector for 2011 will be capped at US$ 60 million. In the event of domestically financed investment in the public electricity sector exceeding US$ 60 million, the excess amount would be considered additional current deficit of the electricity sector.

Payment of arrears do not constitute deficit of the public electricity sector. In the event of clearance of arrears of the electricity sector by the Ministry of Finance, the transaction will be recorded as a net transfer from Ministry of Finance and a corresponding reduction in arrears without any effect on the below-the-line deficit of the public electricity sector or the central administration.

It is expected that priority clients (no-cortables) and municipalities (ayuntamientos) will cover their electricity bills through the budget, and that all Bonoluz bills will be paid by clients.

6. Targets on the Current Balance of the Public Electricity Sector

	Floor (In millions of US$) 1/
Cumulative Balance (from December 31, 2009)	
End-September 2010 (program projection)	-445
End-October 2010 (program projection)	-498
End-November 2010 (program projection)	-551
End-December 2010 (program projection)	-604
Cumulative Balance (from December 31, 2010)	
End-January 2011 (program projection)	-26
End-February 2011 (program projection)	-51
End-March 2011 (performance criterion)	-77
End-April 2011 (program projection)	-100
End-May 2011 (program projection)	-122
End-June 2011 (performance criterion)	-145
End-July 2011 (program projection)	-177
End-August 2011 (program projection)	-209
End-September 2011 (performance criterion)	-242
End-October 2011 (program projection)	-278
End-November 2011 (program projection)	-314
End-December 2011 (performance criterion)	-350

1/ Value each flow monthly at the exchange rate of the corresponding month.

F. Ceiling on the Accumulation of Arrears of Public Electricity Distributors with Generators

The government will regularize any outstanding domestic arrears (as defined in section IA above) with private electricity generators using the available financial mechanisms and will remain current on its obligations. Arrears to private energy generating companies are defined as the balance of current invoices for energy sales to electricity distribution companies for which no payment has been made within 45 days following the contractual due date.

In the event the Ministry of Finance covers payments of arrears which are within 45 days from the contractual due date, these payments will not constitute deficit of the electricity sector. The transaction will be recorded as a net transfer from the Ministry of Finance to the public electricity sector and as a corresponding reduction in arrears without any effect on the below-the-line deficit of the electricity sector or the central administration. In this case the arrears performance criterion will be modified and measured with zero days (i.e., no delays).

G. Continuous Ceiling on the Gross Accumulation of Public Sector External Arrears

The central government and any other entity of the nonfinancial public sector, as defined above, as well as the central bank, will not incur new arrears in the payment of their external obligations at any time during the program. Arrears are defined as a delay in the payment of contractual obligations beyond the grace period set in the respective loan or debt contracts or 30 days in case the grace period is not specified.

II. Information Requirements

To ensure adequate monitoring of economic variables and reforms, the authorities will provide the following information:

A. Daily

- Deposits in the banking system, exchange rate in the official and free markets, interest rates on bank loans and deposits, Consolidated NIR, currency in circulation, deposits held by financial institutions at the central bank, excess reserves of the banking sector in local and foreign currency, liquidity assistance to banks, central bank certificates, and all other remunerated liabilities of the central bank. These data will be provided with a lag of no more than 5 working days.

- Deposit of, and liquidity assistance to, troubled institutions, by institution.

- Central bank purchases and sales of foreign currency.

- Central bank intervention operations in domestic currency, including results of auctions of central bank paper (interest rates, details of bids, including minimum and maximum rates, volumes, and maturities).

B. Monthly

- Tax collection and expenditure of the central government, with a lag of no more than two weeks after the closing of each month.

- Starting in September 2009, revenue, expenditure, and financing of the nonfinancial public sector, including decentralized agencies and public enterprises of the previous month. These data, and all other data required to assess the performance criteria on the overall balance of the consolidated public sector as specified in Section I.B, will be provided with a lag of no more than five weeks.

- Saving-investment account of the central government.
- Net financial position of the central government (as defined in section I.A.) with a lag of no more than two weeks after the end of each month.
- Central government's domestic interest, contractually due in the period and effectively paid, with a lag of no more than two weeks after the end of each month.
- Authorizations and stock of administrative debt, including the economic classification of the expenditure that has been financed with such debt, with a lag of no more than two weeks after the end of each month.
- Value of outstanding checks issued by the Treasury with a lag of no more than two weeks after the end of each month, starting in September 2009.
- Legal measures that affect the revenue of the central government (tax rates, import tariffs, exemptions, etc).
- In-kind capital expenditure statistics.
- Balance sheet of the central bank, including the net domestic assets as specified in Section I.D, *Banco de Reservas*, and deposit money banks (cable file), will be provided with a lag of no more than two weeks.
- Balance sheet of the central bank excluding operations related to the recapitalization of the central bank and quasi fiscal.
- Quasi-fiscal balance of the central bank.
- Stock of central bank certificates, notes and bills each by type of holder.
- Maturity of certificates, detailing amortizations in the following 12 months (i.e., following the end of the current month).
- Public external debt service for the preceding month and revised monthly projections for the forthcoming year, with a lag of no more than two weeks.
- Monthly external public disbursements and revised monthly projections for the forthcoming year, with a lag of no more than two weeks.
- Monthly contracting of external public debt and monthly stock of contracted, but not disbursed external public debt, with projections of the stock of debt contracted, but not disbursed for the forthcoming year.
- Foreign exchange cash flow of the central bank (la balanza cambiaria).
- Electricity sector collections, losses, cash recovery index and central government transfers to the electricity sector, according to the following definitions: Collection rate: is defined as the ratio between the electricity invoices effectively paid (collected)

and electricity invoices issued by electricity distributors in any given period. Loss rate: is defined as the ratio between electricity lost and electricity purchased by electricity distributors in any given period. Electricity lost is the difference between electricity invoiced and electricity purchased. Central government transfers to the electricity sector: is the sum of all transfers to the sector from the central government, including remaining PRA subsidies, FETE (*Fondo de Estabilización de la Tarifa Eléctrica*) and transfers to electricity companies, and all payments related to Bono Luz. The CDEEE will provide on a monthly basis (with a maximum 21-day lag) information on the arrears of the immediate past month that CDEEE and other distributors accumulate with the generation companies on energy purchases and transmission fees.

- The CDEEE will provide current information on electricity tariffs at the beginning of each month (with a maximum 10-day lag) or at any moment the tariff changes, including 43 prices and fees related to different consumption brackets, of which 13 are fixed fees related to the types of client, 7 are fixed fees related to power and 23 are prices related to energy.

- Monthly net credit of the banking system to the companies of the public electricity sector.

- Monthly investment in the public electricity sector specifying total domestically financed investment and externally financed investment.

- Price of each fuel as set in the contracts for the purchase of electricity by each distributor and CDEEE from each producer for the next 6 months for coal and 3 months for other fuels.

- Purchases of electricity by each of the three distributors and CDEEE from each generator. This includes quantity of electricity purchased (in KWh) and the unit price of each fuel charged by type of fuel and the quantity used in electricity generation. In addition report the quantity and unit price of electricity purchased by each distributor and CDEEE in the spot market.

C. Quarterly

- Revised balance of payments outturn for the preceding quarter and quarterly projections for the forthcoming year, with a lag of no more than four weeks.

- Revised estimates of the stock of short-term and medium- and long-term public external debt, by creditor, at the end of quarter, with a lag of no more than four weeks.

- Stock of public sector domestic debt, including public sector debt in the electricity sector.

- Stock of *avales* and any other guarantees or contingent liabilities of the public sector.

- Revised estimates of the quarterly disbursements, debt service and stocks of short-term and medium- and long-term private external debt, by debtor, at the end of quarter, with a lag of no more than two weeks.

- Stock of public external late payments and arrears (program definition), by debtor and creditor, with details on new arrears incurred in the last month and clearance of old arrears, with a lag of no more than 5 working days.

- Stock of domestic arrears, starting with figures for December 2008, with details on new arrears incurred in the period and clearance of old arrears.

Banco Central de la República Dominicana
Ministerio de Hacienda
Ministerio de Economía, Planificación y Desarrollo

Santo Domingo, Dominican Republic
October 19, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Mr. Strauss-Kahn:

In addition to our letter of intent of October 7, 2010 which reiterates our commitment to the program supported by a Stand-By Arrangement from the International Monetary Fund and outlines our policies for the rest of 2010 and 2011, we are sending this letter to bring the Executive Board up to date on recent developments. Unfortunately, due to delays in the approval of the Supplementary Budget for 2010, which authorizes additional transfers from the Ministry of Finance to the state electricity company (CDEEE) for 2010, the performance criterion on the accumulation of public sector arrears with private electricity generators for end-September, 2010 was missed by US$ 91.2 million. The budgetary allocation was transferred to CDEEE on September 30, 2010 and the payment to generators took several days. These arrears were cleared by October 6, 2010 and the ceiling of zero arrears has been observed since then. Accordingly, we request a waiver of non-observance of the performance criterion on the accumulation of public sector arrears with private electricity generators for end-September 2010. It is our policy to remain current in our obligations to electricity generators (under program definitions) and to all creditors and suppliers.

Sincerely yours,

/s/	/s/	/s/
Héctor Manuel Valdez	Vicente Bengoa	Temístocles Montás
Governor of the Central Bank	Minister of Finance	Minister of Economy