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June 28, 2021

**Statement by Mr. Palei and Mr. Biriukov on Dominican Republic
(Preliminary)
Executive Board Meeting
June 30, 2021**

1. We thank staff for the informative report and Mr. Bevilaqua and Mr. Fuentes for additional clarifications provided in the Buff statement. We commend the authorities for using pre-pandemic strength of the economy to launch a bold policy response to the coronavirus outbreak. **We broadly concur with the thrust of the staff appraisal** and offer the following comments for emphasis.
2. **Gradual withdrawal of fiscal policy support is appropriate as recovery gains traction and the authorities need to address increased debt sustainability concerns.** At the same time, continued prioritization of social and health spending remains essential due to lingering uncertainty surrounding the path of the pandemic. We welcome the authorities' intention to draft a fiscal responsibility law, which would help anchor medium-term fiscal policies.
3. **Well-anchored inflation expectations justify accommodative monetary policy stance.** Central bank recapitalization appears to be critical for strengthening the BCRD's financial and institutional independence. The gradual unwinding of macroprudential emergency measures could start, but requires close monitoring. The authorities need to foster asset quality transparency as certain solvency issues would emerge in some cases.
4. **We note recent improvements in domestic business climate, yet challenges remain in institutional strength.** Transportation and logistics costs remain relatively high. Electricity generation, while becoming less exposed to oil prices volatility, still requires investments to reduce service disruptions. Poor academic outcomes restrain competitiveness.

5. **We commend the authorities for implementation of the climate change adaptation and mitigation strategy.** This is one of the key policy challenges, given the increased frequency of natural disasters over the last two decades and losses of about half a percent of GDP per year on average. We hope the first issuance of “green bonds” by the EGE Haina will encourage other companies to attract financing with environmental impact.

With these comments, we wish the authorities every success in their future endeavors.