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June 28, 2021

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

We thank staff for the helpful papers and Mr. Bevilaqua and Mr. Fuentes for their comprehensive Buff statement.

**Whilst the pandemic had a significant impact on the economy, strong fundamentals coupled with a decisive policy response and maintaining access to markets has helped the authorities manage the economic fallout and led to an economic rebound and positive growth momentum in 2021.** The pandemic halted a prolonged period of macroeconomic stability and healthy growth rates. While some risks remain, good progress on vaccine rollout and a favorable external position plus a return to pre-pandemic primary balances and lower debt levels will put the Dominican Republic in a good position for a resilient recovery.

**Fiscal measures have helped mitigate the impact of the crisis, but any withdrawal of policy support needs to ensure the most vulnerable are protected.** The additional health spending and social transfers and targeted tax relief and deferrals were appropriate. We agree that the return to the pre-pandemic fiscal position will ensure that consolidated debt will gradually decline. Any fiscal adjustment should be guided by policy space, better targeting and controlling the quality of spending. This will help the economic recovery and help protect the most vulnerable.

**Over the medium-term improvements to the fiscal framework will support long-term growth and send important signals on the commitment to sustainable policies.** We agree that a Fiscal Responsibility Law with fiscal rules and debt targets would be helpful in this regard. Building on efforts to improve fiscal governance and transparency will also remain important, specifically improving revenue administration, enhancing public financial management and strengthening procurement. Broadening the tax base and wider energy sector reforms will help the overall fiscal position and wider debt dynamics. We encourage authorities to complete the audit of COVID-related expenditures and to publish information on beneficial ownership.

**Monetary policy easing, liquidity support and prudential flexibility preserved credit and protected macro-financial stability.** Maintaining monetary support whilst adopting a gradual exit strategy from prudential measures towards more targeted financial sector support will help the recovery and help secure financial stability. We agree that the central bank should maintain an accommodative monetary policy stance. Any exit strategy from emergency forbearance should be carefully targeted and grounded in careful monitoring and assessment of asset quality. We agree with staff that central bank recapitalization will help strengthen its financial and institutional independence. We encourage the authorities to implement the recommendations from the 2021 safeguards assessment and update the banking sector regulatory framework to international standards.

**Targeted governance and structural reforms will help foster a resilient and inclusive recovery and help build on the impressive poverty reduction rates prior to COVID.** Structural bottlenecks still remain which dampens productivity. Reforms to labor market policies and reducing logistics costs will increase competitiveness. Enhancing the quality of public services and wider governance reforms will help control corruption. Continuing efforts at enhancing the AML/CFT framework, including completing the National Risk Assessment, will also be important. Implementation of the climate change adaptation and mitigation strategy and reducing the reliance on oil-based growth will ensure more reliable energy provision and help reduce vulnerabilities to natural disasters. Social policies should

also adapt post-COVID to focus on employment, education, health and social outcomes with a particular focus on closing equity gaps especially for women, given high levels of gender inequality.