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GRAY/21/1820

June 28, 2021

**Statement by Ms. Senich on Dominican Republic
(Preliminary)
Executive Board Meeting
June 30, 2021**

We thank staff for the informative reports and Mr. Bevilaqua and Mr. Fuentes for their helpful Buff statement. Due to the authorities' robust policy response to the pandemic including a relatively rapid vaccine rollout, the Dominican Republic is poised to see a significant rebound in growth this year. **We agree with staff's analysis and wish to highlight a few areas for emphasis.**

The Dominican Republic's strong macroeconomic and financial policies over the past decade left it well positioned to react decisively to the pandemic, and it will be important for the authorities to rebuild these buffers in the medium term. We commend the authorities' use of available fiscal space in a rational, targeted manner. Once the population is sufficiently vaccinated and activity returns to near-normal levels, the authorities should return to a primary fiscal balance that will stabilize the debt trajectory. We support staff's recommendation to adopt a fiscal responsibility law with a medium-term debt target and fiscal rule, and we welcome that the Fund will provide technical assistance in this area. The Dominican Republic's ongoing access to international credit markets and a generally favorable debt profile should help mitigate external stability risks going forward.

We support the authorities' resumed efforts to recapitalize the Banco Central de la República Dominicana (BCRD), which will strengthen its independence and credibility. We also strongly support staff's recommendation for the BCRD to develop clearer rules around FX intervention which would help to improve investor confidence. We note that inflation expectations remain well-anchored despite recent increases above the target range. *Could staff comment on whether there will be a need for monetary tightening if energy and food prices remain elevated amid strong reopening demand, and if so, how that might impact the Dominican Republic's recovery and debt outlook?*

We urge the authorities to continue ongoing structural reforms, particularly in the electricity sector. We look forward to seeing the results of recent reforms to educational systems, and we agree with staff that more can be done to improve gender equality to enhance productivity growth and labor force participation. These reforms, if properly sequenced, can support a stronger medium-term growth outlook. Finally, we applaud the authorities' efforts to improve the AML/CFT framework.