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June 28, 2021

**Statement by Mr. Herrera, Mr. Lischinsky, and Mr. Corvalan Mendoza on Dominican Republic
(Preliminary)
Executive Board Meeting
June 30, 2021**

We thank staff for the detailed report and Mr. Bevilaqua and Mr. Fuentes for their illustrative Buff statement.

We commend the Dominican authorities for their continued policies to safeguard lives and livelihoods in their country and to support economic recovery in the difficult situation that COVID-19 pandemic has put most nations. Their efforts have solved logistical issues and helped go through transparent processes to secure vaccines for the whole population and now, around 67 percent of the people has received one dose of the vaccine and around 38 percent are fully vaccinated. In 2020 real GDP fell to -6.7 percent but projections for 2021 put growth on an upward path to reach a rate of GDP between 7.0 and 8.0 percent larger than last year returning to almost pre-pandemic figures. We encourage measures aimed for more employment creation, particularly to support gender participation. *We found some divergence of views between staff and the authorities on growth projections. Could staff elaborate further on this divergence?*

Fortunately, the hospitality industry, so important for a tourism-dependent country, is making a fast recovery, as seen in the thousands of international tourist arrivals in May 2021, which is 75 percent of tourists in May 2019. This is aided by strong vaccination advances in North America and Europe. We hope that the risk of new more aggressive virus variants does not produce setbacks to this opening. Tourism and strong remittances inflows maintained the current account balance projections around 1.5 percent of GDP deficit in 2021 but “in line with fundamentals and desirable policies” as staff pointed out. Net international reserves represent 15 percent of GDP and 81 percent of ARA metric. Besides that, the country maintains fluid access to international financial market and at the beginning of this year, the Treasury issued bonds by US\$ 2.5 billion at lower yields than in the past. The external debt in 2021 represents around 55.3 percent of GDP and is projected to be reduced at 47.4 percent of GDP in 2026. In addition, the DSA shows that the country has adequate capacity to repay the Fund.

We positively recognize the authorities' appropriate and critical fiscal policies against the pandemic and its social and economic impact. These measures represented around 3.3 percent of GDP which includes support for vulnerable people and were assisted by the IMF's Rapid Financing Instrument (RFI). In 2020, increased expenditures and reduced revenue due to economic contraction and tax relief measures impacted the fiscal deficit to increase to 7.9 percent of GDP and with it, public debt. This year, expenditures were moderated, and non-priority expenditures controlled, while for the second semester of 2021 public investment under public-private partnership to increase growth possibilities is planned. We support the authorities' decision to enhance fiscal sustainability, financial management of the public sector, and to introduce fiscal responsibility legislation.

Monetary policy has contributed to deal with the pandemic and maintain macroeconomic stability. Liquidity was supplied and credit growth supported while reducing the policy interest rate. To support households and SMEs, debt restructuring schemes were provided. It is important that not only fiscal, but financial and monetary support remain in place until the recovery is well underway while the Central Bank controls inflation closely. The exchange rate could play its role of shock absorber while continuing in line with fundamentals; these policies have TA of the local CAPTAC. Furthermore, the financial system keeps resilient, liquid, well capitalized, and profitable supported by macro-financial measures, among others flexible regulations and lower reserve requirements. We praise the authorities for their continued enhancing of AML/CFT and consumer protection frameworks.

As pointed out in the Buff statement, the National Development Strategy (NDS) will anchor the proposed government structural reform agenda. Consensus and ownership would be provided by guidelines based on the NDS to establish agreements between the authorities, the private sector, and civil society on several issues which concern the country, tax, education, electricity, consumer protection, social security, and labor reforms. *Because of the importance of these matters, we wonder if labor organizations are participating in this dialogue, and the specific contents of the envisaged labor reform. We welcome staff's comments.*

We underline the authorities' strategy on both climate change adaptation and mitigation and the aims of increasing food and water security, more resilient communities, enhancing the management of natural resources and the use of renewable sources of energy. *Furthermore, as the government considers climate change as a macro-critical issue, we wonder if future Articles IV and FSAPs could analyze these issues more in-depth in line with recent staff reviews and Board discussions. We welcome staff's comments.*

With these remarks, we wish the authorities and people of Dominican Republic all the best in their future endeavors.