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GRAY/21/1843

June 28, 2021

**Statement by Mr. Guerra and Ms. Rivera Molina on Dominican Republic
(Preliminary)
Executive Board Meeting
June 30, 2021**

We thank staff for their comprehensive set of reports and Mr. Bevilaqua and Mr. Fuentes for their insightful Buff statement. The sound macroeconomic fundamentals of the Dominican Republic observed in previous decades and the decisive policy measures taken by the authorities helped contain the impact of the pandemic on the economy. Notwithstanding the exceptional recovery, some risks remain related to the crisis. We encourage authorities to maintain their strong policy agenda until a full economic recovery is reached. We broadly agree with staff's appraisal and want to emphasize only a few remarks.

The decisive response of fiscal and monetary policies to the pandemic has been appropriate and is supporting the ongoing recovery. We commend the authorities for their decisive policy response to the crisis, including increased expenditures to fight the social and health challenges of the most vulnerable population. The effective vaccination rollout is supporting the gradual recovery of economic activity. We commend the authorities' commitment to continue strengthening fiscal sustainability through improved procurement, transparency, and accountability in budget management. Instrumental in this regard will be the staff's recommendation regarding the fiscal responsibility legislation to anchor the medium-term fiscal framework and strengthen debt sustainability.

Monetary stimulus and comprehensive liquidity support have had an instrumental role in supporting macroeconomic stability. Given the strong monetary framework, the output gap and the well anchored inflationary expectations, inflation should go down from its current level. In this context, we note that the authorities will maintain monetary policy support until the crisis abates, while ensuring inflation convergence. The authorities should continue to use exchange rate flexibility as a first line of defense against shocks. In this

regard, we commend the authorities' efforts to increase efficiency in the FX exchange trading platform and their plans to further increase transparency by communicating intervention rules going forward. Additionally, we highlight the role that the Regional Technical Assistance Center CAPTAC-DR has had in supporting these authorities' efforts, as reported in the Buff statement.

Structural reforms should be paramount to promoting sustainable, inclusive growth.

We encourage authorities to reinforce the ongoing recovery with structural reforms. We thank staff for the annex of key challenges for social policy. As is the case in many countries, the pandemic has exacerbated many social challenges. We concur with staff's advice that the authorities should focus and reprioritize development policies, taking advantage of new digitalization tools for more effective coverage of the vulnerable population. We are assured by the authorities' bold structural reform agenda that is supported by a consensus building mechanism between the government, the private sector and civil society, targeting education, fiscal, electricity and labor reforms.

With these remarks, we wish the authorities success in their policy endeavors. We thank staff for their hard and effective work under very challenging circumstances.