

**FOR
AGENDA**

EBS/08/161
Supplement 1

December 29, 2008

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Dominican Republic—First Post-Program Monitoring Review—
Informational Annex**

The attached informational annex is being issued as a supplement to the paper on the first post-program monitoring review for the Dominican Republic (EBS/08/161, 12/29/08), which is tentatively scheduled for discussion on **Monday, January 12, 2009**. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of the Dominican Republic indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Mr. Wolfe (ext. 38620), Mr. Canales-Kriljenko (ext. 34224), and Mr. Alichí (ext. 35494) in WHD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, January 8, 2009; and to the European Commission and the Inter-American Development Bank, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being distributed in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

DOMINICAN REPUBLIC

First Post-Program Monitoring (PPM) Review

Informational Annex

Prepared by Western Hemisphere Department
(In collaboration with other departments)

Approved by José Fajgenbaum and Dominique Desruelle

December 24, 2008

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Annex I—Fund Relations

- I. **Financial Position at the Fund** (As of October 31, 2008). Electronically available at the internal [website](#).
- II. **Article IV Consultation.** The last Article IV consultation was concluded by the Executive Board on January 30, 2008 (EBS/08/03).
- III. **FSAP Participation.** An FSAP update is envisaged for early 2009. A Financial System Stability Assessment report for the Dominican Republic was issued on May 20, 2002 (SM/02/157). The corresponding FSAP report was issued in November 2001.
- IV. **Technical Assistance** has been substantial since 2004.
- V. **Safeguards Assessment.** The BCRD was subject to a safeguards assessment with respect to the Stand-By Arrangement approved on January 31, 2005. The assessment, completed on April 27, 2005, noted that the BCRD implemented a number of earlier safeguards recommendations, but also identified vulnerabilities mainly in the areas of internal controls over the reporting of monetary data to the IMF, financial reporting and external audit.
- VI. **Resident Representative.** The Fund representative office was closed in July 2008.
- VII. **Other.** The Dominican Republic has not yet ratified the Fourth Amendment.

Annex II—Relations with the World Bank Group

1. The World Bank's total loan commitments in the Dominican Republic amounts US\$408.2 millions, of which US\$260.6 millions remains to be disbursed. The loan portfolio consists of nine loans: five for Investments (Early Childhood Development, Health Sector Reform, Youth Development, Social Protection and Energy Distribution); two for Technical Assistance (Financial Sector and Energy Sector), a Programmatic (Energy Sector); and an Emergency Recovery. The Emergency Recovery and Energy Distribution loans are pending Congress ratification. The Social Protection loan was recently approved by Congress, the effectiveness is expected to become during early 2009. The third and last US\$50 million tranche for the Energy Programmatic Loan will likely be disbursed by end of FY 2009.
2. Two investment projects under the Low-Case scenario of the CAS are under preparation: 1) Local Development (US\$20 million) and 2) Water and Sanitation APL1 (US\$26 million). The World Bank Group portfolio also includes additional commitments from the IFC and MIGA.
3. Portfolio performance in the Dominican Republic has remained consistent for the past year after two years of substantial improvement. As of November 2008, the disbursement ratio is 3.2, just below the Regional ratio of 9.3; commitments at risk are 4.8 percent and projects at risk are 11 percent. Good portfolio performance has allowed access to the Base and High-Cases of the CAS.
4. Additional investment under these case scenarios includes: a base-case Power Sector DPL (US\$100 million) and a high-case Public Sector Modernization and Competitiveness DPL (US\$50 million).
5. A comprehensive set of analytical studies has been completed in recent years, including a Country Financial Accountability Assessment (CFAA), a Country Procurement Assessment Report (CPAR), a Review of Trade and Labor Competitiveness, an assessment of urban transport issues in Santo Domingo, a Poverty Assessment and a Country Economic Memorandum. The Bank is currently preparing Policy Notes in various sectors, which will serve in the formulation of a National Development Strategy. A new Country Partnership Strategy (CPS) that will cover the fiscal years 2009–13 will start to be prepared during 2009.

Dominican Republic: Recent Technical Assistance Missions

Mission title	Start date	End date	Number of members	Department
National accounts statistics	1/11/2004	1/23/2004	1	STA
GDDS: metadata development	3/15/2004	3/20/2004	1	STA
National accounts statistics	4/19/2004	4/30/2004	1	STA
Money and banking statistics and GDDS development	6/30/2004	7/14/2004	1	STA
GDDS: metadata development for real sector	7/11/2004	7/16/2004	1	STA
GDDS: metadata development for government finance statistics	7/11/2004	7/16/2004	1	STA
Balance of payments statistics: peripatetic expert: 3 of 3	10/4/2004	12/3/2004	1	STA
ROSC data module	8/3/2005	8/16/2005	6	STA
Government finance statistics	4/26/2007	5/11/2007	1	STA
Tax reform-discussions with authorities	4/16/2004	4/17/2004	2	FAD
CARTAC-VAT implementation	4/19/2004	4/23/2004	1	FAD
Tax Administration diagnostic mission with CARTAC	2/24/2005	3/9/2005	4	FAD
Public expenditure management diagnostic mission	8/14/2005	8/28/2005	4	FAD
Public expenditure management follow-up mission	7/25/2005	8/5/2005	4	FAD
Restructuring of fiscal institutions, treasury modernization, and budget coordination.	7/26/2006	8/8/2006	4	FAD
Tax reform-discussions with authorities	10/10/2006	10/13/2006	2	FAD
Bank restructuring	2/2/2004	2/13/2004	2	MFD
AML/CFT	2/9/2004	2/13/2004	3	MFD
Monetary operations	3/1/2004	3/12/2004	1	MFD
Develop bank resolution strategy	3/8/2004	3/19/2004	2	MFD
Bank restructuring	7/21/2004	7/23/2004	2	MFD
AML/CFT controls for central bank operations	7/27/2004	8/2/2004	1	MFD
Bank restructuring	8/10/2004	8/13/2004	2	MFD
Bank restructuring	3/13/2005	3/18/2005	4	MFD
Electronic forex trading platforms and regulations	5/16/2005	5/20/2005	2	MFD
Banking supervision	5/30/2005	6/2/2005	1	MFD
Bank restructuring	7/26/2005	7/29/2005	1	MFD
Asset recovery	8/17/2005	8/26/2005	1	MFD
Asset recovery	11/29/2005	12/6/2005	1	MFD
Bank restructuring	1/23/2006	2/2/2006	1	MFD
Monetary policy and operations	3/18/2006	3/31/2006	8	MFD
Central bank recapitalization	3/20/2006	3/27/2006	3	MFD
Debt management	3/20/2006	3/27/2006	4	MFD
Asset recovery	6/26/2006	7/1/2006	1	MCM
Consolidated supervision	7/17/2006	7/21/2006	5	MCM
Debt management and central bank recapitalization	11/6/2006	11/15/2006	5	MCM
Banking law	3/12/2007	3/13/2007	2	MCM/LEG
Asset recovery	3/15/2007	3/23/2007	1	MCM

A. IBRD and IDA Operations¹

	Commitments (net Cancellations)	Disbursements	Undisbursed Amount
Agriculture and Irrigation ²	125.4	125.4	0.0
Education ³	100.6	80.62	19.98
Energy	199.3	104.4	94.9
Environment ⁴	2.8	2.8	0.0
Free-trade-zone development loan ⁵	27.9	27.9	0.0
Health	97.0	84.4	12.6
Housing ⁶	3.3	3.3	0.0
Hurricane Reconstruction	161.0	161.0	0.0
Mining	25.0	25.0	0.0
Population ⁷	4.9	4.9	0.0
Telecom	12.3	12.3	0.0
Tourism ⁸	42.4	42.4	0.0
Transport	229.7	229.7	0.0
Water	5.1	5.1	0.0
Financial Sector	12.5	4.1	8.4
Social Protection	19.4	0.0	19.4
Youth Development	25.0	1.1	23.9
Emergency Recovery and Disaster Mgmt Loan	80.0	0.0	80.0

1 As of November 30, 2008, in millions of US dollars.

2 US\$0.5 million of the Dominican Republic Community Driven Development Project are included. US\$1.65 millions of Sugar Rehabilitation loan, US\$0.42 million of the Cocoa and Coffee Development and US\$5.3 million of the Irrigated Land and Watershed Management loan were cancelled.

3 US\$5.8million of the Vocational Training loan was canceled. US\$0.959 million of the Basic Education loan was cancelled.

4 US\$0.242 million of the National Environmental Policy loan was cancelled.

5 US\$2.13 million of Free-Trade-Zone Development loan was cancelled.

6 US\$7.08 million of the Technical Assistance loan and US\$22.15 million of the Sites and Services loan were cancelled.

7 US\$0.13 million of the Population and Family Health loan was cancelled.

8 US\$0.08 million of the First Puerto Plata Tourism loan and US\$3.54 million of the Second Puerto Plata Tourism loan were cancelled.

B. IFC Operations

	Loans	Equity	Quasi-Equity	Participants
Held	100.01	33.9	58.98	23.07
Disbursed	100.01	33.9	55.26	23.07

As of November 30, 2008

C. MIGA

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Outstanding gross guarantees	152.4	181.4	242.8	183.7	91.3	78.7	157.3	127.9	126	124.7

*As of November 30, 2008 (Fiscal Year 2009)

D. IBRD and IDA Loan Transactions (Fiscal year)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Disbursements	11.3	42.8	77	50.8	52.4	41.9	71.2	40.4	39.4	69.1	74.8	8.5
Repayments	24.6	22.7	20.14	22.49	23.8	27.1	34.6	37.9	35.5	36.9	40.6	22.0
Net lending	-13.3	20.1	56.9	28.4	28.6	14.8	36.6	2.5	3.9	32.21	34.3	-13.4
Valuation adjustments	-17.7	6.7	0.3	-1.3	0.8							
Debt outstanding	212.3	239.1	295.6	322	350.7	365.3	401.2	393	402.6	435.16	477.99	461.2
Interest and charges	14.7	14.8	19.4	22.5	22	21	18.8	19.9	21.14	22.6	25	10.7

Annex III—Relations with the Inter-American Development Bank

1. In 2008, the IDB estimates disbursements for US\$134,4 million, from which US\$80 million correspond to budget support and reimbursement of expenses from the Social Management Reform Program (US\$50 million)¹, the Emergency Assistance Program (US\$20 million) and the Roads Infrastructure Program (US\$10 million of a total of US\$50 million). During 2009 the disbursements preliminary estimation will increase up to US\$173 million.

Dominican Republic: Relations with the Inter-American Development Bank (As of December 15, 2008, in millions of U.S. dollars)

A. Operations

Sector	Commitments	Disbursed	Undisbursed Amounts
Agriculture	55.0	45.8	9.2
Science and Technology	-	-	-
Urban Dev. And Housing	-	-	-
Education	132.0	98.9	33.1
Labor Market, Training, and Transfers	26.9	21.3	5.6
Sanitation	31.3	5.8	25.5
State Modernization	239.0	83.7	155.3
Health	-	-	-
Transportation	50.0	10.0	40.0
Private Sector Development	9.4	8.6	0.8
Disaster Prevention	25.0	19.7	5.3
Energy	40.0	-	40.0
Total	608.6	293.8	314.8

B. Loan Transactions

	2000	2001	2002	2003	2004	2005	2006	2007	2008 1/	2009 1/
Disbursements	58.3	142.4	184.1	155.1	254.2	135.7	118.1	109.5	134.4	173.0
Repayments	38.4	45.5	50.7	118.8	63.9	67.0	75.5	171.7	172.4	136.9
Net Lending	19.9	96.9	133.4	36.3	190.3	68.7	42.6	-62.2	-38.0	36.1
Interests and Charges	33.2	36.0	40.9	48.0	52.0	56.0	66.1	66.0	61.1	53.1
Subscriptions and Contributions	7.3	0.7	0.5	0.4	4.0	3.8	2.1	1.9	0.0	0.0
Net Transfer	-20.6	60.2	92.0	-12.1	134.3	8.9	-25.6	-130.1	-99.1	-17.0

1/ Estimate

2. In October 2008, the Bank approved the Electricity Distribution Rehabilitation Program (US\$40 million). In 2009 the Bank will work in the preparation of two projects. The first one is the Program to Support Competitiveness and Productive Development (US\$60 million), which is a three year programmatic policy-based loan for US\$ 180 million (US\$60 million per year). The second one is the Social Protection Program (US\$70 million).

¹ The disbursement would be approved by the IDB Board on December 17, 2008.

Additionally, the Bank is working in the economic and sector work to develop a Policy Dialogue Meeting, which will take place in the first quarter of 2009. This meeting will define the starting point for the designing of the IDB Country Strategy for the period 2009-2012.

Annex IV—Statistical Issues

General issues and data adequacy for surveillance

1. Data provision has some shortcomings, but is broadly adequate for surveillance. The authorities are working to correct weaknesses in their statistical database. The country has participated in the General Data Dissemination System (GDDS) since November 2005.
2. In 2005, a data ROSC mission assessed the statistical system, which is highly centralized in the Central Bank of the Dominican Republic (BCRD). The mission found that notwithstanding recent efforts to improve the quality of macroeconomic statistics, important weaknesses remained. The legal framework is adequate for monetary and balance of payments statistics, but not for other macroeconomic statistics. In most areas the macroeconomic statistics should more closely follow current international methodologies, and source data need to be more fully developed. Statistical techniques are broadly adequate, except for the significant shortcomings of the consumer price index (where weights and reference periods are not aligned). Periodicity and timeliness of data meet or exceed GDDS recommendations. Revision analysis and studies are generally absent or not disseminated.

Real sector statistics

3. *GDP data.* Five STA missions from January 2002 to April 2004 assisted the BCRD in compiling consistent quarterly GDP estimates, and updating the base year of the annual series to 1991. Although a new series for the period 1991–2003 was published in July 2004, the new series was not immediately incorporated in the official quarterly GDP figures. The revised annual and quarterly series for the period 1991–2005 were released on March 16, 2006. The revised GDP estimates are, on average, 17 percent higher than the previous ones. The new base year of 1991 is already outdated as international guidelines on national accounts compilation recommend updating the base year at least every five years.
4. *CPI data.* The CPI weights are based on the 1997/98 household expenditure and income survey and need to be updated. The 2005 data ROSC noted the need for appropriate adjustments for seasonal and missing price imputations, changes in product specifications and quality, and new products. The CPI also needs to take into account imputed rent for owner-occupied dwellings and dwellings used by third parties without payment.
5. *Other.* Data are not always reported for publication in *International Financial Statistics (IFS)* with the required timeliness and have weak coverage of major real sector indicators. There are no available series for producer prices and wages (except minimum wages). Quarterly and annual industrial production data are posted on the central bank's website.

Government finance statistics

6. The April 2002 multisector technical assistance mission and the August 2005 data ROSC mission identified significant shortcomings in the fiscal data on the general government. These shortcomings included (i) legislation that does not clearly define the responsibility for collecting, compiling, and disseminating government finance statistics (GFS); (ii) data sources and data collection procedures that need to be more fully developed; (iii) an analytical framework for compiling GFS that is not fully aligned with international guidelines; (iv) lack of formal procedures to coordinate the exchange of information among GFS compilers; and (v) the absence of an integrated system of financial management that supports GFS compilation.

7. The 2002 mission prepared an action plan to improve collection, compilation, and dissemination of fiscal data, and elaborated a table to bridge the budgetary and the *Government Finance Statistics Manual 2001 (GFSM 2001)* classifications. The 2005 mission concluded that the number of staff of the State Secretariat of Finance (SSF) was insufficient for the compilation of GFS and that the coverage of the GFS remained incomplete. An April/May 2007 statistics mission assisted the BCRD and the SSF in improving the collection, compilation, and reporting of GFS, on accrual and cash bases, based on the *GFSM 2001*. The BCRD compiles and disseminates annual GFS data published in the *Government Finance Statistics Yearbook*.

Monetary and financial statistics

8. The monetary statistics currently reported to WHD are affected by the following issues: (i) lack of sufficient detail to allow for a proper sectorization of accounts and classification of financial instruments; (ii) concepts and principles underlying valuation, classification of financial instruments, and sectorization of institutional units are inconsistent with internationally accepted methodology; (iii) the institutional and financial instrument coverage is not comprehensive; and (iv) the system for reporting lacks a consistent methodology. To address these issues, April 2003 and July 2004 monetary statistics missions began the development of an integrated database to be used by the authorities, STA, and WHD, based on the methodology recommended in the *Monetary and Financial Statistics Manual*. Although the methodology applied in the new database is sound, several problems remain, including lack of data on financial cooperatives and offshore operations of resident banks.

9. The country began to report monetary data to STA in the standardized report forms (SRFs) in August 2007. As part of a regional project for the harmonization of monetary and financial statistics in Central America and the Dominican Republic, a November 2006 mission assisted the authorities in the compilation of the SRFs. SRFs based data, used for publication in the IFS, overcomes the shortcomings described in the previous paragraph;

however, the lack of data on financial cooperatives and offshore operations of resident banks remains.

External sector statistics

10. Since February 1997, balance of payments statistics have been compiled according to the *fifth edition of the Balance of Payments Manual*. However, problems of coverage remain for imports, capital transfers, income, and the financial account, giving rise to large errors and omissions. Three technical assistance missions during 2002–04 have assisted the BCRD in improving balance of payments statistics and preparing the International Investment Position (IIP) data, which are now available up to 2006. A follow up mission was conducted in August 2007 that focused on sample surveys and statistical techniques to improve the compilation of direct investment, portfolio investment, and other nonfinancial private sector assets and liabilities, as well as domestically issued public debt held by nonresidents. A 15-month action plan with recommendations for improving the balance of payments and IIP statistics was prepared by the mission in consultation with the BCRD. The compilation of the external accounts complies with the requirements of the GDDS in terms of periodicity and timeliness.

Data dissemination

11. The authorities publish quarterly reports on economic developments. The reports contain timely preliminary data on real GDP, consumer prices, interest rates, exchange rates, balance of payments, exports and imports, operations of the central government, and the banking system. The Quarterly Bulletin of the BCRD contains more detailed information on sectoral developments, but the bulletin is sometimes published with delays. The BCRD also maintains a website that presents selected data on a relatively timely basis.

Dominican Republic: Table of Common Indicators Required for Surveillance
(As of December 12 2008)

	Date of latest observation	Date received	Frequency of Data ⁷	Frequency of Reporting ⁷	Frequency of Publication ⁷	Memo Items:	
						Data Quality – Methodological Soundness ⁹	Data Quality – Accuracy and Reliability ⁸
Exchange Rates	Oct 2008	11/5/08	D	D	M		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹			D	D	M		
Reserve/Base Money	Oct 2008	11/14/08	D	D	M	LNO, O, LO, LO	LO, O, O, O, LO
Broad Money	Oct 2008	11/14/08	M	M	M		
Central Bank Balance Sheet	Oct 2008	11/14/08	M	M	M		
Consolidated Balance Sheet of the Banking System	Oct 2008	11/14/08	M	M	M		
Interest Rates ²	Sep 2008	10/20/08	D	D	M		
Consumer Price Index	Oct 2008	11/11/08	M	M	M	O, O, O, O	O, LNO, LNO, O, LO
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴						LO, NO, LO, LO	LNO, O, LO, O, LNO
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	May 2008	7/8/08	M	M	M		
Stocks of Central Government and Central Government-Guaranteed Debt ⁵			Q	Q	Q		
External Current Account Balance	2007	3/27/08	Q	Q	Q	O, LO, LO, LO	LO, O, LO, LO, NO
Exports and Imports of Goods and Services	2007	3/27/08	Q	Q	Q		
GDP/GNP	2007	5/5/08	Q	Q	Q	LNO, LO, LNO, LO	LNO, LO, LNO, O, LNO
Gross External Debt			Q	Q	Q		
International Investment Position ⁶	2007	12/4/08	Q	I	I		

¹ Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

⁷ Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

⁸ Reflects the assessment provided in the data ROSC or the Substantive Update (published on June 27, 2006, and based on the findings of the mission that took place during August 3–16, 2006) or the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).

⁹ Same as footnote 8, except referring to international standards concerning (respectively) source data, assessment of source data, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.