

**FOR
AGENDA**

EBS/08/161
Supplement 2

January 9, 2009

To: Members of the Executive Board

From: The Secretary

Subject: **Dominican Republic—First Post-Program Monitoring Review—
Supplementary Information**

The attached supplement to the paper on the first post-program monitoring review for the Dominican Republic (EBS/08/161, 12/29/08), has been prepared on the basis of additional information and 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. Alichì (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 forthwith; 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.

Att: (1)

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Department Heads

INTERNATIONAL MONETARY FUND

DOMINICAN REPUBLIC

Staff Report for the First Post-Program Monitoring Review

Supplementary Information

Approved by José Fajgenbaum and Dominique Desruelle

January 8, 2009

This supplement updates information presented in the staff report (EBS/08/161).

1. **Inflation ended 2008 at its lowest level in the last 7 years (4.6 percent), following a 6-percent decline in the consumer price index in the last quarter of the year.** In this circumstance, the central bank lowered and narrowed the policy interest rate corridor (100 basis point reduction in its overnight rate and 200 basis point reduction in its Lombard rate). Gross international reserves increased by about US\$200 million in December, and sovereign spreads fell by about 200 basis points (in line with market trends and despite Standard and Poor's downgrade in Dominican sovereign ratings).
2. **Congress has approved the 2009 budget.** The budget is consistent with an NFPS deficit of 1.7 percent of GDP as described in EBS/08/161.

Staff appraisal

3. **The recent reduction in policy rates is appropriate in light of the sharp decline in inflation, declining sovereign spreads, international reserve accumulation, the recent slowdown in economic activity, and further risks posed by the global recession.**