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November 29, 1993

To: Members of the Executive Board

From: The Secretary

Subject: Dominican Republic - Staff Report for the 1993 Article IV Consultation and Midterm Review of the Stand-By Arrangement

Attached for consideration by the Executive Directors is the staff report for the 1993 Article IV consultation with the Dominican Republic and the midterm review of the stand-by arrangement, which is proposed to be scheduled for discussion on Monday, December 20, 1993. Draft decisions appear on pages 13 and 14.

Mr. Leone (ext. 38628) or Mr. Incer (ext. 38483) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Unless the Documents Preparation 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 European Communities (EC), the GATT Secretariat, and the Inter-American Development Bank (IDB), following its consideration by the Executive Board.

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DOMINICAN REPUBLIC

Staff Report for the 1993 Article IV Consultation and the Midterm Review of the Stand-By Arrangement

Prepared by the Western Hemisphere Department

(In consultation with the Legal, Monetary and Exchange Affairs, Policy Development and Review, Statistics, and Treasurer's Departments)

Approved by S. T. Beza and J. Pujol

November 29, 1993

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I. Introduction

Discussions with the Dominican Republic on the 1993 Article IV consultation and the midterm review (including financing assurances) of the program supported by the stand-by arrangement approved on July 9, 1993 were held in Santo Domingo during the period August 25-September 14, 1993. Discussions continued at headquarters during the Annual Meetings. The representatives of the Dominican Republic in the discussions included the Secretary of Finance, the Governor of the Central Bank, the Technical Secretary of the Presidency, and other senior public officials. 1/

On July 9, 1993, the Executive Board approved a 9-month stand-by arrangement in an amount equivalent to SDR 31.8 million (20 percent of quota or 26.7 percent on an annual basis) for the period until March 28, 1994 (EBS/93/97 of June 17, 1993). At that time the Executive Board approved a purchase equivalent to SDR 34.6 million (21.8 percent of quota) under the CCFF decision related to an export shortfall. To date the Dominican Republic has made the first purchase under the stand-by arrangement as well as the purchase under the CCFF. This purchase raised the amount outstanding under the CCFF to 50 percent of the Dominican Republic's quota. The Dominican Republic's relations with the Fund are summarized in Table 1 and Appendix I. Relations with the World Bank group are set out in Appendix II.

The most recent Article IV consultation with the Dominican Republic was concluded by the Executive Board on November 20, 1992. On that occasion, Executive Directors commended the Dominican authorities on the continued implementation of their economic program of adjustment and structural reform and urged them to maintain a strong fiscal policy stance. They encouraged the authorities to continue to strengthen the tax system, to enforce budgetary discipline on public enterprises, and to proceed with their intention to privatize these enterprises. They emphasized the need to eliminate inefficiencies in the financial system and encouraged the authorities to continue steps in the direction of liberalizing the exchange system, and to persist in their efforts aimed at re-establishing relations with all external creditors.

The Dominican Republic has accepted the obligations of Article VIII, Sections 2, 3, and 4.

II. Background and Developments Through 1992

Following several years of macroeconomic imbalances, in mid-1990 the Dominican Republic began implementing a comprehensive economic program centered on fiscal adjustment and structural reforms. In addition, a

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1/ Staff representatives in the discussions were Messrs. Leone (Head), Baldrich, Incer, and Medeiros (all WHD), and Mrs. Marcoux (Assistant-WHD).

substantial currency devaluation was undertaken followed by the adoption of a flexible exchange rate regime, interest rate liberalization, and more realistic public pricing policies. The program was supported by a 19-month stand-by arrangement from August 1991 and the Fund also approved a purchase in an amount equivalent to 40 percent of quota under the CCFF related to a shortfall in exports and an increase in the cost of oil imports. 1/

The policies adopted resulted in a marked improvement in economic performance. After declining by 5 percent in 1990, real GDP began to recover in the second half of 1991 (Table 2). The overall balance of the public sector shifted from a deficit of 5 percent of GDP in 1990 to a small surplus in 1991 (0.1 percent of GDP), reflecting both higher revenue and lower spending in relation to GDP (Table 3). The net domestic assets of the Central Bank declined sharply in 1991, real interest rates turned positive, and broad money recovered in real terms (Tables 4 and 5). After a sharp increase in consumer prices in 1990 of about 100 percent that reflected in part the effects of the devaluation and public sector price adjustments, the 12-month rate of increase in consumer prices fell to 4 percent by the end of 1991 (see Table 2).

The overall balance of payments improved markedly in 1991 (Table 6). The external current account deficit declined somewhat and the capital account turned from a net outflow of about US$300 million in 1990 to a net inflow of US$250 million, mainly because of a sharp reversal in private capital flows. As a result, net international reserves increased by US$380 million.

The authorities took further action to strengthen the public finances in 1992. A tax reform was enacted in the first half of the year that introduced important modifications in the income tax regime, converted all excise taxes to an ad valorem basis, and raised the value-added tax rate. Partly in response to these measures, revenues continued to increase and the overall surplus of the nonfinancial public sector rose to 1.6 percent of GDP.

Economic performance continued to improve in 1992. Real GDP grew by 7.8 percent and the 12-month rate of increase in consumer prices remained moderate at about 6.7 percent (see Table 2). The improvement in the public finances, together with a strong growth in private claims on the banking system, permitted an increase in bank credit to the private sector (see Table 5), while net international reserves of the Central Bank rose by US$123 million. The external current account deficit widened to 6.5 percent of GDP, reflecting a sharp increase in imports and a decline in exports (export prices and volumes continued to fall). However, the current account

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1/ For more details see EBS/92/169 and EBS/93/97 of October 27, 1992 and June 17, 1993, respectively.

deficit was more than financed by private capital inflows and the net international reserves of the Central Bank rose as noted (see Table 6). The nominal and real exchange rates have remained generally stable since mid-1991 (Chart). The Dominican Republic observed all performance criteria established under the arrangement which expired in March 1993.

III. The 1993 Program and Discussions on Policies

1. The 1993 program

The program for 1993 aimed at consolidating the achievements of the program launched by the Government in 1990. Specifically, it sought to limit the 12-month rate of consumer price increases to the 5-8 percent range, facilitate real GDP growth of about 5 percent, and raise official net international reserves by US$25 million. National savings were expected to increase by 1.5 percentage points of GDP to 18.8 percent of GDP mainly because of a recovery of private savings. This increase in savings was expected to produce a reduction in the external current account deficit from 6.5 percent of GDP in 1992 to around 5 percent of GDP in 1993.

The objectives of the 1993 program were to be achieved through the maintenance of external competitiveness and a firm fiscal stance. In addition, the authorities were expected to complete the external debt restructuring process, continue the implementation of the trade and tax reforms, introduce a financial system reform, and proceed with the strengthening of tax administration.

Economic performance continued to be generally good in the first nine months of 1993, but real GDP growth slowed down reflecting a marked deterioration in agriculture and mining (ferronickel, gold, and bauxite output) and a slowdown in manufacturing, construction, and commerce. The 12-month increase in consumer prices declined to 3.5 percent through September compared with 7.8 percent earlier. Despite nonrecurrent outlays related to the rehabilitation of and investment in two public enterprises, the fiscal stance remained strong. Deposits in commercial banks continued to grow rapidly while the growth of credit to the private sector moderated with the result that net international reserves rose more than planned (see below). There was little change in interest rates.

The balance of payments has been characterized by a continued weakness in export performance (particularly mining products), a slowdown of imports, and continued strong capital inflows (albeit smaller than in 1992). The rise of net international reserves of about US$142 million in the first nine months exceeded the adjusted program objective by US$105 million (Table 7).

The Dominican Republic observed all quantitative performance criteria established under the arrangement for end-June and end-September 1993. 1/

Based on developments in the first nine months of 1993, real GDP growth is projected to slow down to 3 percent for the year as a whole compared with 7.8 percent in 1992 and 5 percent assumed in the program. Domestic investment is expected to increase by 2.5 percentage points of GDP with respect to 1992 and national savings by some 5 percentage points of GDP; thus, the reliance on external savings would decline (see Table 2). The rate of consumer price increase is projected to remain low. The external current account deficit is projected to narrow to about 3.8 percent of GDP (compared with 5.2 percent assumed in the program) from 6.5 percent in 1992 while private capital inflows are expected to be close to projection.

2. Discussions on policies

Economic performance was broadly satisfactory during the first nine months of 1993. However, information available at the time of the mission suggested a pace of public expenditure above that envisaged in the program. Furthermore, there had been delays in the ratification by Congress of the bilateral agreements with Paris Club creditors preceding the settlement of arrears. In the discussions the authorities indicated their willingness to take action aimed at meeting the program objectives during the remainder of the year, achieving Congressional ratification of the bilateral agreements with Paris Club creditors, and implementing as soon as possible structural reforms that had been delayed.

Following the discussions, the authorities took action to reduce the pace of public expenditure. In addition, the Dominican Congress ratified bilateral agreements with Paris Club creditors and arrears with these creditors were subsequently cleared. Furthermore, negotiations with commercial banks, certain non-Paris Club bilateral creditors, and suppliers continue with good prospects for an early resolution (see below).

a. The public finances

The maintenance of a solid fiscal stance continued to be at the center of the adjustment process in the first half of 1993, with the consolidated public sector recording an overall deficit (after grants and on a commitment basis) of less than 0.1 percent of annual GDP, compared with a projected deficit of 0.25 percent of GDP for the same period. Capital expenditures were about 21 percent higher than programmed during the first half of 1993

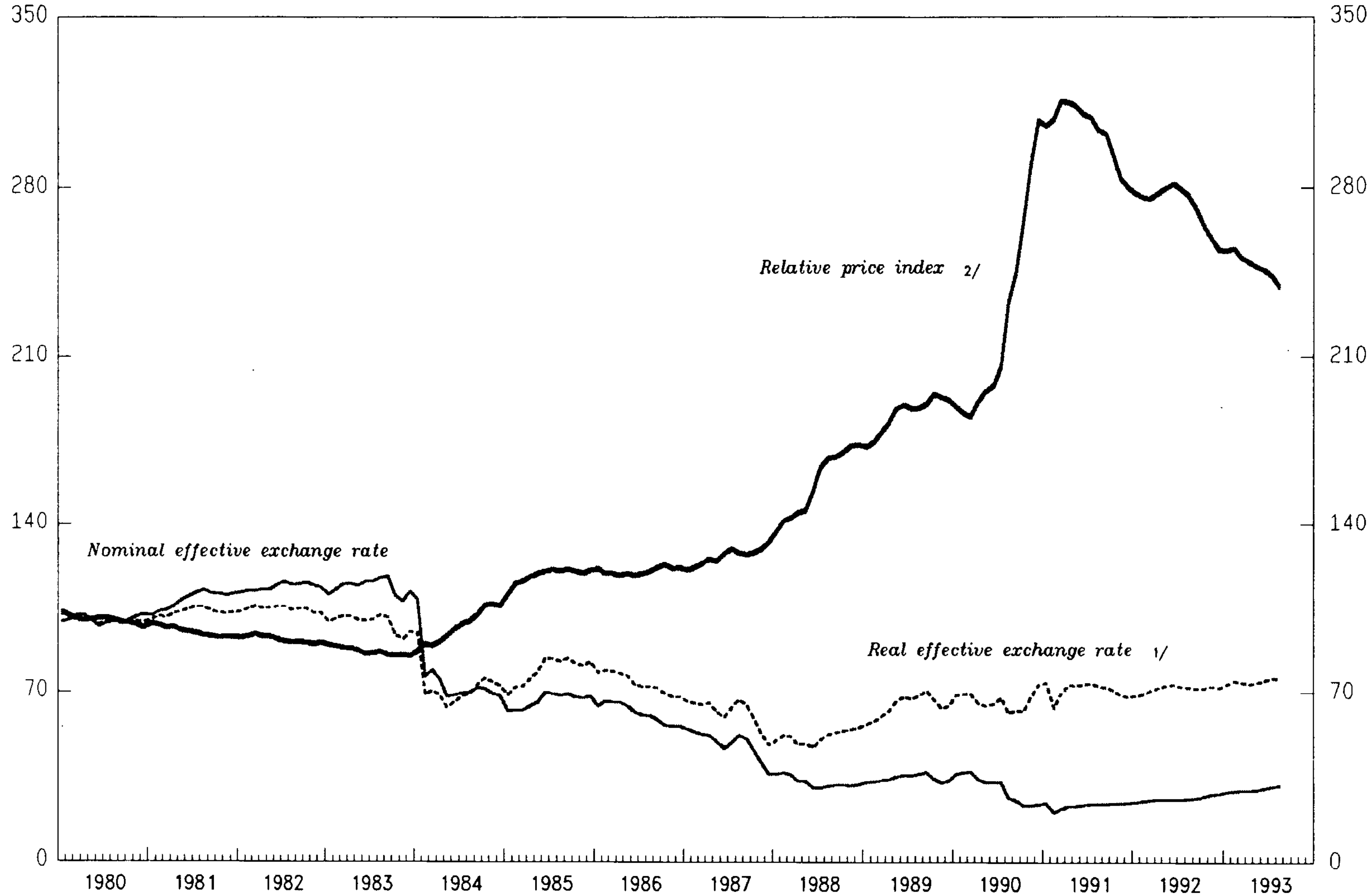
1/ A possible deviation with regard to the domestic financing ceiling of the public sector for end-June was corrected by end-September. Furthermore, the deviation may not have occurred to the extent that debt-service payments already made to the United States prior to the payment of overdue obligations are classified as meeting rescheduled Paris Club obligations.

CHART 1

DOMINICAN REPUBLIC

EXCHANGE RATE DEVELOPMENTS

(1980=100)



Source: IMF Information Notice System.

1/ Trade-weighted index of nominal exchange rates deflated by seasonally adjusted relative consumer prices; increase means appreciation.
2/ Seasonally adjusted.

while grants were lower than expected, the effects on the fiscal balance were more than offset by higher than programmed current revenues.

The public sector investment plan for 1993 has focused on a core program of priority projects. However, the pace of execution of road works and aqueducts was faster than programmed, explaining most of the overruns observed in the first half of 1993. Additional resources also were provided to social sectors, particularly health and education. In addition, major rehabilitation work is under way in two of the largest public enterprises, the state-owned sugar and gold mining companies. In the latter case, the introduction of new technology is being completed to gain access to ore in more dense rock formations, with a view to reversing the decline in gold production observed in recent years. With regard to revenues, these have been favorably affected by the full effect of the tax reform introduced in mid-1992 and improvements in tax administration (Table 8). At the same time, the operations of the public enterprises have continued to improve with the application of realistic pricing policies, improvements in management, better maintenance, and the implementation of operational and lease arrangements with foreign companies (Table 9). For 1993 as a whole, the authorities expect to achieve a surplus of about 0.6 percent of GDP in the consolidated public sector compared with an equilibrium position assumed in the program (see Table 3). In the effort to improve fiscal performance, the authorities will continue with the implementation of the multiyear customs reform that was initiated in 1990 (as discussed below) and improvements in tax administration (particularly as regard the collection of domestic taxes, on the basis of the recommendations of an FAD mission). In addition, the Government expects to reduce the tax on foreign exchange sales (as explained below) once the debt-servicing burden is reduced.

On privatization, the authorities indicated that a new legal framework is about to be enacted that will permit the participation of the private sector in the generation and distribution of electricity. In addition, arrangements have been made with foreign companies to operate state-owned mines and for the leasing of certain routes of the state-owned airline. The authorities have indicated that several state-owned enterprises operated under a holding company could be privatized soon.

b. <u>Monetary and credit policy</u>

During the first half of 1993, M3 (defined as the banking system liabilities to the private sector) increased at an annual rate of 35 percent (somewhat more than expected), but net credit to the public and private sectors was smaller than programmed, resulting in an accumulation of excess reserves by banks. The authorities noted that the slowdown in credit to the private sector was linked to the implementation of new prudential regulations. They noted that recent problems of certain financial institutions had created uncertainty, and thus deposit rates had stayed high despite the decline in inflation, exchange rate stability, and low and falling interest rates in the United States. In addition, certain regulations and high operating costs of banking institutions were factors behind the wide margin between lending and deposit rates.

The authorities are introducing major reforms to the financial system, including the authorization of multiservice banks and the approval of new prudential regulations. At the same time, the Superintendency of Banks is being restructured and modernized with the aim of strengthening banking supervision. Further reforms are contemplated in the context of a draft Monetary and Financial Code now under review in the Central Bank. This code provides the legal framework for a more autonomous central bank in the conduct of monetary policy, a more competitive financial sector, and a modern banking supervision and regulation.

A few multiservice banks (resulting from the merger of several existing banks) have started operations. Banks are adjusting to the new prudential regulations, but the enforcement of these new regulations has brought to light the problems faced by certain institutions. As a result, the Monetary Board had to intervene some institutions and has initiated the liquidation of others.

In the absence of institutional arrangements to protect small depositors (contemplated in the proposed new Monetary and Financial Code), the Monetary Board authorized the Central Bank to pay back the deposits and take over the assets of financial institutions in liquidation. So far the authorities have announced the payment of about RD$300 million (0.3 percent of GDP); the total amount of deposits of banks in liquidation is estimated at about RD$600 million (0.6 percent of GDP). To limit the monetary effects of these payments to depositors, only small depositors will be paid in cash. Large deposits will be exchanged for central bank certificates. These certificates would be redeemed with the proceeds resulting from the banks' liquidation. The budget would absorb any losses that may result from the protection of depositors.

The authorities also noted their plan to modernize the operations and policy instruments of the Central Bank on the basis of the recommendations made by a recent MAE mission. Further assistance may be requested to complete the review of the Monetary and Financial Code (before sending it to Congress) and to implement the recommendations received from MAE.

c. Wages and prices

While wages can be negotiated freely in the Dominican Republic, frequently they have been influenced by developments in minimum wages. The last increase in minimum wages was granted in 1991 when they were raised by 25 percent. As inflation has declined, wage increases have moderated. Some unions currently are requesting very large pay increases, but under current conditions the increases are expected to remain low. In this regard, the authorities agreed on the need to maintain a cautious stance regarding minimum wages and public sector wages in order to preserve a strong fiscal position and to avoid negative influences on private sector wages. The authorities noted that all price controls affecting transactions in the private sector have been eliminated in the last few years.

d. External sector

(1) The exchange and trade system

Under the 1991 reform of the exchange system, the Dominican Republic established a unified rate that is determined in the interbank market. 1/ Since that time the nominal and real effective exchange rates have remained largely stable (see Chart). In the discussions the authorities restated their commitment to maintain external competitiveness through the continued implementation of strong macroeconomic policies.

A surrender requirement for foreign exchange to the Central Bank remains in effect for certain transactions, mainly receipts from traditional exports and receipts on payments made through credit cards. Elimination of this requirement is contemplated in the draft Monetary and Financial Code.

The Dominican Republic maintains exchange restrictions evidenced by the existence of external payments arrears as well as a restriction on profit remittances. No new external payments arrears evidencing payments restrictions subject to Fund approval have been incurred during the period of the present stand-by arrangement. Also, elimination of the restriction on profit remittances is envisaged in the draft foreign investment law which is expected to be sent to Congress before the end of the year. However, it is not certain at this stage when this new legislation will be enacted.

The authorities plan to reduce the 2 percent tax on sales of foreign exchange (now being earmarked to service external debt) following the completion of debt reduction and restructuring arrangements that are in progress and that are expected to reduce debt-servicing requirements.

The authorities have continued to implement the reform of import tariffs. In the discussions, they recalled that a 30 percent tariff premium was introduced in September 1990 when import duty rates were reduced under the customs reform. The premium had been reduced gradually and was eliminated in September 1993. Furthermore, the existing tariff surcharge will be reduced from 7 percent at present to 3 percent in 1994, and eliminated in 1995. However, certain nontariff barriers remain, particularly in the form of discretionary procedures for import licensing.

(2) Balance of payments outlook for 1993

The outlook for the balance of payments in 1993 has changed from earlier projections. In particular, the deficit of the external current account is now expected to narrow to 3.8 percent of GDP in 1993 (the program

1/ The 1991 reform of the exchange system is described in EBS/91/127.

had assumed 5.2 percent of GDP) from 6.5 percent of GDP in 1992 (see Table 6). Exports earnings are somehow lower than had been projected, mainly because of lower volumes and prices of ferronickel, gold, and silver. The growth of imports in 1993 also has been much lower than envisaged. In addition, the balance on net services is projected to be better than programmed owing to continued strong tourism receipts and lower than programmed interest payments.

The external current account deficit is being financed by capital inflows. Private capital inflows are projected to be larger than programmed although smaller than in 1992. Public capital inflows are now expected to be smaller than programmed owing to lower disbursements from official bilateral sources related to the delays referred to above in the Dominican Republic's payments to Paris Club creditors earlier this year. Also, delays in the completion of draft legislation associated with certain structural reforms (mainly the financial sector reform) have slowed disbursements by multilateral organizations. Payments to Paris Club creditors now have been made (the bilateral agreements with Paris Club creditors were ratified by the Dominican Congress on October 5, 1993) and the legislation just mentioned is being finalized. Net international reserves of the Central Bank are projected to show an increase of about US$26 million during 1993, whereas the program envisaged a loss of US$57 million.

(3) External debt

At the end of 1992 the outstanding external debt of the Dominican Republic (including Fund credit) amounted to US$4.4 billion of which US$627 million was overdue; by mid-1993 the amount overdue was reduced to US$569.7 million (Tables 10 and 11). Under the program, the Dominican Republic is to remain current on its external payments obligations and to eliminate by the end of 1993 all external payments arrears.

This year the Dominican Republic has cleared its arrears with Brazil and Peru. Proposals have been made by the authorities for the restructuring and repurchase of the overdue debt to the remaining official bilateral creditors, including the OPEC Special Fund. External payments arrears with some suppliers also were cleared and negotiations continue with other suppliers.

The arrears relating to the debt to commercial banks are expected to be eliminated in the context of the agreement on the global restructuring of bank debt (agreed in principle in April 1993). The agreement contemplates three options: a cash buyback of eligible debt, and two options for the exchange of eligible principal remaining unpaid after the cash buyback through collateralized discount bonds and uncollateralized interest reduction par bonds. It also sets forth arrangements for addressing interest arrears. Since May 1993, the Dominican Republic has made the agreed partial payments of US$750,000 a month which will be credited against interest obligations falling due.

The Dominican Republic has reserved the right not to proceed with the 1993 financing plan if it does not result in debt reduction of at least 50 percent with respect to eligible principal and interest. The options chosen by the banks (a cash buyback for about 11 percent of eligible debt, collateralized discount bonds for 71 percent, and uncollateralized interest reduction bonds for 16 percent) would produce a debt reduction of at most 29 percent, and a new round of discussions was initiated recently in an effort to achieve a rebalancing of options.

e. Medium-term outlook

The balance of payments projection for the period through 1998 presented by the staff at the time of the request of the current stand-by arrangement (EBS/93/97 of June 17, 1993) has been modified to take into account recent developments and the latest World Economic Outlook projection of commodity prices. The main assumptions underlying the medium-term projection of the balance of payments are presented in Table 12. They are based on the assumption that sound financial policies will be maintained.

A recovery of most export prices (both of agricultural and mineral products) is projected for 1994, and the volume of exports also is expected to rise, helped by the rehabilitation of the mining sector. As envisaged in the previous medium-term projections, the growth of imports moderated in 1993 after a sharp recovery in 1992. For subsequent years the growth in imports is expected to remain as in the earlier projections.

On the assumption that the agreement between the Dominican Republic and the Commercial Bank Advisory Committee will be executed in late 1993 or early 1994, the staff has estimated the effects on the medium-term balance of payments. For illustrative purposes the staff has assumed that the new round of discussions yield a rebalancing of options in such a way that: (a) 45 percent of the eligible debt is allocated to the cash buy-back option, (b) 45 percent to the discount bond exchange, and (c) the remaining 10 percent to the par bond exchange. The cash outlays under these assumptions are estimated to amount to about US$200 million, and are assumed to be financed by drawing down the Central Bank's gross international reserves to the equivalent of about two months of imports by the end of 1993. The reduction in interest obligations associated with the commercial bank restructuring package assumed above would contribute significantly to the reduction in the external current account deficit in 1994 and beyond.

Based on the continuation of satisfactory macroeconomic policies, continued growth in tourism and free trade zone receipts, reduced debt-servicing requirements after the completion of debt-restructuring operations that are in progress, and more moderate capital inflows (in particular, a decline in private capital inflows during 1994 and 1995), the Dominican Republic's net international reserves would increase by about US$50 million in 1994 and about US$100 million in 1995. Subsequent to 1995, the net international reserves are projected to increase by about US$200 million a year on average, with gross reserves rising to the equivalent of about 3 1/2 months of imports by 1998 (Table 13).

The Dominican Republic's balance of payments remains vulnerable to external shocks. Table 14 illustrates the sensitivity to a 1 percentage point reduction in the growth of exports, a 1 percentage point increase in external interest rates, an increase of international oil prices of US$2 a barrel, and a 1 percentage point reduction in the number of tourist arrivals. Taken individually these changes would result in a weakening in the overall balance of payments (relative to the baseline scenario) in a range from about US$15 million a year on average (in the case of higher oil prices) to about US$60 million a year on average (in the case of higher international interest rates). Failure to restructure the commercial bank debt would also result in a weakening in the overall balance of payments (relative to the baseline scenario) of about US$43 million a year on average, on the assumption that interest payments accrue fully.

f. Social indicators and statistics

The Dominican Republic has made significant progress during the last 10-15 years in improving social and economic conditions. However, several indicators highlight the need for further work (Appendix III). To this end, the authorities have in recent years completed large infrastructure works, increased the allocation of funds to social projects (particularly to health and education), improved the water supply systems for rural areas and small towns, and developed assistance programs for low income groups.

Deficiencies in macroeconomic and social statistics in the Dominican Republic result in some difficulties for economic and social analysis and policy making. The authorities are acting to overcome these deficiencies. To this end, the national accounts are being revised with assistance from UNDP. Also, the recently reorganized Department of Economic Statistics of the Central Bank is implementing the recommendations of a recent STA mission to improve money and banking statistics (Appendix V). Furthermore, the authorities have requested the assistance of the Fund to improve the balance of payments statistics.

IV. Staff Appraisal

Since August 1990, the Dominican Republic has been implementing an economic program involving major macroeconomic measures as well as a wide range of structural reforms. The program has been supported by two stand-by arrangements from the Fund including the current arrangement that is to run through March 1994. The program has been successful in attaining its objectives notwithstanding the continued weakening of the terms of trade. Inflation has been reduced, economic growth has been resumed, the balance of payments has been strengthened, and there has been progress in re-establishing relations with external creditors.

The strategy that yielded these achievements has emphasized the implementation and maintenance of a strong fiscal position (including through the adoption of sound public sector pricing policies), the unification and liberalization of the exchange system, the lifting of controls on interest rates and prices, and the liberalization of external trade. Also, a new labor code was adopted and a major tax reform was put into effect. The authorities expect to enact soon a comprehensive reform of the financial system and a legal framework for foreign investment.

The authorities have demonstrated their commitment to the maintenance of the macroeconomic program launched in 1990 and to complete the implementation of the planned structural reforms. The recent clearance of arrears with the Paris Club and other bilateral creditors and the discussions in progress with the Advisory Committee of the commercial banks also show the authorities' willingness to act to consolidate recent gains. At the same time, several developments in 1993 indicate a need for further efforts to strengthen policies, particularly because the Dominican Republic remains vulnerable to external shocks.

Maintenance of a strong fiscal stance will need to remain at the center of the adjustment effort, and the enhancement of revenue performance will continue to be essential to this end. Recent gains in tax revenues have been significant, aided by the tax reform put in place during 1991-92. However, improvements are still required in the collection and administration of domestic taxes. To achieve these objectives, the authorities should give high priority to plans to modernize and make more efficient tax collection and administration.

The pace of implementation of the public sector investment program recently has exceeded program projections, which already envisaged higher levels of spending this year. Larger than programmed revenues and improvements in the performance of certain public enterprises helped accommodate higher capital expenditure. In the future, the authorities would be well advised to maintain a careful control over capital expenditure, with investment focused on projects that yield high returns and that support private sector activity and essential social programs. Also, the authorities should strive to broaden private sector involvement in the state-owned enterprises either through equity participation or lease arrangements, thereby strengthening fiscal performance and the efficiency of the economy.

Monetary management has been generally prudent, aided by the strong fiscal policy. However, some of the actions proposed to protect depositors of financial institutions being liquidated may have the effect of weakening monetary control. In this connection, it is advisable that the budget absorb any losses that may result from the protection of depositors. At the same time, to ensure the soundness of the financial institutions, it is important that the recently approved prudential regulations be enforced effectively and that the supervisory capabilities of the Superintendency of Banks be strengthened.

A cautious wage policy in the public sector continues to be crucial for the maintenance of a satisfactory fiscal stance and to provide an example for the private sector, thereby helping to preserve low inflation and external competitiveness. Such efforts would be aided by the implementation of the new labor code which enhances the setting of wages and compensations on the basis of market trends.

While the reform of the trade regime has been consolidated with the recent enactment of the new customs law, several nontariff barriers still remain in place. The authorities would be well advised to review these barriers with the aim of streamlining procedures and increasing transparency in foreign trade transactions.

The clearance of all remaining arrears is essential for the consolidation of international creditworthiness. In this regard, the staff would encourage the authorities to complete negotiations under way with bilateral (non-Paris Club) creditors, commercial banks, and suppliers.

In sum, the Dominican authorities have successfully pursued a comprehensive economic program of adjustment and structural reform since mid-1990. While there are significant challenges ahead, the authorities have acted promptly to correct policies as needed to keep the program on track. Moreover, they have reaffirmed their commitment to stability and structural reform. In this light, the efforts of the Dominican Republic deserve the continued support of the international financial community and the Fund. Accordingly, it is proposed that the midterm review and the review of financing assurances under the stand-by arrangement be completed.

It is recommended that the Dominican Republic remain on the standard 12-month consultation cycle.

V. Proposed Decisions

The following draft decisions are proposed for adoption by the Executive Board:

A. 1993 Consultation

1. The Fund takes this decision relating to the Dominican Republic's exchange measures subject to Article VIII, Section 2(a), in the light of the 1993 Article IV consultation with the Dominican Republic, conducted under decision No. 5392-(77/63), adopted April 29, 1977, as amended (Surveillance over Exchange Rate Policies).

2. The Dominican Republic maintains restrictions on the making of payments and transfers for current international transactions in the form of limitations on profit remittances and as evidenced by some external payments arrears. In the light of the authorities' intention to eliminate the external payments arrears before the expiration of the current stand-by arrangement, the Fund grants approval for the retention by the Dominican Republic of the restrictions evidenced by these arrears until February 28, 1994.

B. Review Under Stand-By Arrangement

1. The Dominican Republic has consulted with the Fund in accordance with paragraph 3(b) of the stand-by arrangement for the Dominican Republic (EBS/93/97, July 14, 1993, Supplement 2), and paragraph 15 of the letter dated June 4, 1993 from the Governor of the Central Bank and the Secretary of Finance of the Dominican Republic

attached thereto, in order to review progress made in implementing the program, and the external financing associated with the program.

2. The Fund decides that the first two reviews contemplated in paragraph 3(b) of the stand-by arrangement for the Dominican Republic have been completed.

Table 1. Dominican Republic: IMF Position

	1990	1991	1992	1993	1994
	(In millions of SDRs)				
Purchases	--	44.8	37.4	53.3	15.0
Ordinary resources	--	44.8	37.4	53.3	15.0
Credit tranches	--	--	37.4	18.7	15.0
CCFF	--	44.8	--	34.6	--
Borrowed resources	--	--	--	--	
Repurchases	42.8	32.9	10.3	7.2	5.6
Total credit outstanding (end of the period)	50.4	62.3	89.4	135.5	144.9
	(In percent of quota)				
Purchases	--	40.0	23.5	33.6	9.4
Repurchases	38.2	29.3	6.5	4.5	3.5
Total credit outstanding (end of the period)	45.0	55.6	56.3	85.3	91.2

Source: International Monetary Fund.

Table 2. Dominican Republic: Macroeconomic Flows

	1989	1990	1991	1992	1993 Prog.	1993 Proj.
			(In percent of GDP)			
			I. Balance of Payments			
Current account balance	-4.5	-2.9	-2.5	-6.5	-5.2	-3.8
Of which: exports	13.8	10.2	9.0	7.1	6.1	5.9
imports	-29.3	-24.9	-23.6	-27.4	-26.5	-25.8
tourist receipts	12.2	12.5	12.0	13.3	14.1	14.5
interest payments	-4.4	-4.3	-4.0	-3.1	-2.8	-2.6
Capital account	-2.2	-4.2	3.4	5.3	3.9	3.7
Private	-1.9	-0.1	5.2	6.9	4.3	4.7
Official	-0.3	-4.1	-1.8	-1.6	-0.4	-1.0
Overall balance	-6.7	-7.1	0.9	-1.1	-1.3	-0.1
Change in net international reserves (increase -)	1.7	-1.1	-5.2	-1.6	0.7	-0.3
			II. Aggregate Expenditure, Savings, and Investment			
Aggregate domestic expenditure	105.2	103.2	103.1	107.8	106.7	105.7
Consumption	77.2	81.3	82.7	84.1	82.7	79.4
Capital formation	28.0	21.9	20.4	23.7	24.0	26.3
Private sector 1/	16.7	15.4	13.9	16.0	15.4	16.8
Public sector	11.3	6.5	6.5	7.7	8.6	9.5
National savings	23.5	19.0	17.9	17.3	18.8	22.4
Public sector	5.0	1.2	6.4	8.9	8.2	8.3
Private sector	18.5	17.9	11.5	8.3	10.6	14.0
External savings	4.5	2.9	2.5	6.5	5.2	3.9
			III. Public Sector			
Current account balance 2/	6.1	3.1	6.7	8.8	8.3	9.2
Capital expenditure	11.3	6.5	6.5	7.7	7.9	8.3
Primary balance	-1.9	-1.0	3.9	4.5	2.7	3.1
Overall balance (accrual basis) 3/	-5.9	-5.0	0.1	1.6	--	0.6
			IV. Financial System Flows			
Liabilities to private sector	10.3	8.0	8.6	6.9	2.8	4.6
Net domestic assets	13.9	10.7	2.1	3.3	4.2	4.7
Public sector (net)	1.8	1.0	-2.6	-2.7	0.2	1.5
Private sector	9.0	5.8	3.9	6.0	3.3	2.5
Net foreign assets	-1.6	-0.8	5.2	1.7	-0.5	0.3
Velocity (GDP/money and quasi-money) 4/	3.1	3.4	4.0	3.3	3.1	2.7
			(Percentage change over previous year)			
Memorandum items						
Real GDP	4.1	-5.0	-0.9	7.8	5.0	3.0
Consumer prices (year average)	45.4	59.4	53.9	4.6	5.6-7.6	5.6
Consumer prices (end of year)	41.2	100.7	4.0	6.7	5.0-8.0	5.0
			(In millions of Dominican pesos)			
GDP	42,393	60,590	91,063	99,279	108,369	105,569

Sources: Central Bank of the Dominican Republic; and Fund staff estimates.

1/ Includes changes in inventories.
2/ Of the consolidated public sector.
3/ After grants.
4/ Defined as the ratio between GDP and the average stock of money and quasi-money for two consecutive years. Money and quasi-money does not include financial system's private capital and surplus.

Table 3. Dominican Republic: Operations of the Public Sector

	1989	1990	1991	Prel. 1992	1993 Prog.	1993 Proj.
			(In millions of Dominican pesos)			
Total revenue	7,186.1	7,810.4	14,582.2	18,399.2	20,061.5	21,125.4
Current revenue	7,031.9	7,589.6	14,352.5	18,089.0	19,689.9	20,648.9
Of which: oil price differential	--	--	1,944.8	1,800.0	2,246.9	2,295.2
commission on FX sale	--	--	536.9	498.1	534.3	560.3
Capital revenue	154.3	220.8	229.7	310.2	371.6	476.5
Total expenditure	9,249.2	9,645.2	14,156.0	16,926.9	19,211.7	19,653.0
Current expenditure 1/	4,461.7	5,687.0	8,228.8	9,309.5	10,671.6	10,943.9
Of which:						
accrued interest payments	1,719.1	2,446.5	3,489.3	2,949.6	2,888.9	2,649.9
accrued interest payments of CBDR	404.5	583.4	1,272.0	900.0	947.5	745.0
Capital expenditure	4,787.5	3,958.2	5,927.2	7,617.4	8,540.1	8,709.1
Current account balance	2,570.1	1,902.6	6,123.7	8,779.5	9,018.3	9,705.0
Central Bank losses	-77.4	--	--	--	--	--
Residual deficit 2/	-912.3	-1,723.6	-1,027.0	-986.0	-1,849.9	-1,849.9
Overall balance before grants 1/	-3,052.7	-3,558.4	-600.7	486.3	-1,000.0	-377.5
Grants	541.8	522.4	707.4	1,062.5	1,000.0	1,000.0
Overall balance after grants 1/	-2,510.9	-3,036.0	106.7	1,548.8	--	622.5
Financing	2,510.9	3,036.0	-106.7	-1,548.8	--	-622.5
Interest arrears	1,035.4	1,882.4	1,619.5	--	--	--
Interest rescheduling	61.4	--	1,062.3	2,015.0	932.5	743.8
External (net)	784.4	337.8	-411.6	-857.5	-1,107.5	-1,541.3
Domestic (net)	629.8	815.8	-2,376.8	-2,706.3	175.0	175.0
			(As a percent of GDP)			
Total revenue	17.0	12.9	16.0	18.5	18.5	20.0
Total expenditure	21.8	15.9	15.5	17.0	17.7	18.6
Current expenditure 1/	10.5	9.4	9.0	9.4	9.8	10.3
Capital expenditure	11.3	6.5	6.5	7.7	7.9	8.3
Current account balance	6.1	3.1	6.7	8.8	8.3	9.2
Central Bank losses	-0.2	--	--	--	--	--
Residual deficit 2/	-2.2	-2.8	-1.1	-1.0	-1.7	-1.7
Overall balance before grants 1/	-7.2	-5.9	-0.7	0.5	-0.9	-0.3
Grants	1.3	0.9	0.8	1.1	0.9	0.9
Overall balance after grants 1/	-5.9	-5.0	0.1	1.6	--	0.6
Financing	5.9	5.0	-0.1	-1.6	--	-0.6
Interest arrears	2.4	3.1	1.8	--	--	--
Interest rescheduling	0.1	--	1.2	2.0	0.9	0.7
External (net)	1.9	0.6	-0.5	-0.9	-1.0	-1.5
Domestic (net)	1.5	1.3	-2.6	-2.7	0.2	0.2
Memoramdun items						
Primary balance (in millions of Dominican pesos)	-791.8	-589.5	3,595.9	4,498.4	2,888.9	3,272.4
Primary balance (as a percent of GDP)	-1.9	-1.0	3.9	4.5	2.7	3.1

Sources: National Budget Office (ONAPRE); Central Bank of the Dominican Republic; Secretary of Finance; and Fund staff estimates.

1/ On accrual basis. Includes payment of interest on the Central Bank's medium-and long-term debt.
2/ Reflects the operations of the nonconsolidated public sector.

Table 4. Dominican Republic: Summary Operations of the Central Bank

(In millions of pesos, unless otherwise indicated)

	December					
					1993	
	1989	1990	1991	1992	Prog.	Proj.
Net international reserves	-1731.3	-2,215.4	2,281.3	3,825.0	3,112.5	4,149.8
(In millions of U.S. dollars)	-273.5	-197.8	182.5	306.0	249.0	332.0
Net domestic credit	6,625.2	10,314.6	8,652.5	6,469.6	9,026.2	8,011.9
Credit to the public sector	4,481.4	5,490.1	3,918.0	2,617.6	2,792.6	2,792.6
Credit to the public sector resulting from renegotiation	--	--	1,052.5	1,296.3	1,933.3	1,738.8
Official capital and accumulated surplus (-)	-62.3	-57.3	-60.2	-60.2	-60.2	-60.2
Credit to financial institutions	1,643.4	2,276.1	2,203.8	2,040.6	2,500.0	2,607.3
Other	562.8	2,605.8	1,538.4	575.3	1,860.6	933.4
Revaluation account	8,143.8	14,486.0	17,495.4	17,680.0	17,680.0	17,919.3
Medium- and long-term liabilities	8,286.0	15,739.1	17,536.8	15,872.7	16,873.4	16,467.7
(In millions of U.S. dollars)	1,309.0	1,405.3	1,402.9	1,269.8	1,349.9	1,317.4
Liabilities to commercial banks	1,646.9	2,422.5	5,789.6	5,591.4	5,585.9	6,708.6
Liabilities with other financial institutions	383.4	401.6	413.3	483.8	483.8	464.7
Liabilities to private sector	2,722.0	4,022.1	4,689.4	6,026.7	6,575.6	13,148.6
Of which: currency in circulation	2,664.5	3,717.2	4,585.3	5,926.4	6,466.4	6,330.7
(Annual percentage change of currency in circulation)	42.0	39.5	23.4	29.2	9.1	6.8
Memorandum items						
Net domestic assets 1/						
Stocks (end of period)	4,903.1	6,762.2	3,471.2	3,130.3	4,382.8	3,193.5
Flows 2/	1,775.3	752.6	-3,559.4	-341.0	1,252.5	63.2
Credit to the public sector by the Central Bank and Banco de Reservas (flows)	1,225.9	769.7	-2,313.6	-2,685.6	174.9	174.9

Sources: Central Bank of the Dominican Republic; and Fund staff estimates.

1/ The net domestic assets are defined as the difference between currency issue and the net international reserves.

2/ For the purpose of this calculation, changes of net international reserves were converted to Dominican pesos at the average exchange rate for the period.

Table 5. Dominican Republic: Summary Operations of the Consolidated Banking System

(In millions of Dominican pesos, unless otherwise indicated)

	December					
					1993	
	1989	1990	1991	1992	Prog.	Proj.
Net international reserves	-1,131.1	-1,602.3	3,105.8	4,777.1	4,064.6	5,058.9
(In millions of U.S. dollars)	-178.7	-143.1	248.5	382.2	325.2	404.7
Net domestic credit	14,476.1	20,147.5	20,168.6	22,366.8	26,393.5	27,661.8
Net credit to the public sector	5,036.8	5,765.7	3,360.1	653.8	828.8	828.4
Credit to the public sector resulting from renegotiation			1,052.5	1,296.3	1,933.3	1,738.8
Official capital and accumulated surplus	-532.6	-589.8	-718.3	-863.6	-863.6	-794.5
Credit to other financial institutions	670.9	994.1	1,324.9	1,524.8	1,524.8	1,611.1
Credit to the private sector	6,858.0	8,943.7	11,126.2	15,806.4	17,697.5	20,214.7
Other	2,443.1	5,033.8	4,023.2	3,949.1	5,173.4	4,063.3
Revaluation account	7,357.0	13,691.2	16,632.5	16,817.1	16,817.1	17,056.4
Medium- and long-term external liabilities	8,286.0	15,739.1	17,536.8	15,872.7	16,873.4	16,467.7
Liabilities with other financial institutions	826.5	989.8	1,402.3	1,726.6	1,726.6	1,732.3
Liabilities to the private sector	11,589.5	15,507.5	20,967.7	26,361.7	28,575.1	31,577.0
Memorandum items						
Money and quasi-money	10,485.0	13,903.2	18,659.9	24,122.2	26,335.6	29,453.2
(Flows)	2,640.0	3,418.2	4,756.7	3,462.3	2,213.9	5,331.0
Annual percentage change						
Currency in circulation	42.0	39.5	23.4	29.2	9.1	6.8
Money and quasi-money						
(Nominal terms)	33.7	32.6	34.2	29.3	9.2	22.1
(Real terms)	-5.4	-33.9	29.0	21.2	4.0	16.3

Sources: Central Bank of the Dominican Republic; and Fund staff estimates.

Table 6. Dominican Republic: Summary Balance of Payments

(In millions of U.S. dollars, unless otherwise indicated)

	1989	1990	1991	Prel. 1992	1993 Prog.	1993 Proj.
Current account	-302.8	-206.3	-180.6	-513.1	-449.9	-325.0
Trade balance	-1,039.4	-1,058.1	-1,070.5	-1,616.4	-1,766.5	-1,678.0
Exports, f.o.b.	924.4	734.7	658.3	561.7	527.8	501.3
Imports, f.o.b.	-1,963.8	-1,792.8	-1,728.8	-2,178.1	-2,294.3	-2.179.3
Net services	352.3	481.2	503.4	671.5	874.7	911.1
Receipts	1,162.8	1,282.4	1,338.1	1,562.7	1,775.8	1,777.2
Of which: tourism	818.4	899.5	877.2	1,054.8	1,218.4	1,223.9
free trade zones	198.5	199.5	255.2	287.4	316.1	316.1
Payments	-810.5	-801.3	-834.7	-891.3	-901.1	-866.1
Of which: interest	-295.7	-310.9	-295.4	-245.6	-242.6	-220.3
Transfers (net)	384.3	370.6	386.5	431.8	441.8	441.8
Private	300.5	314.8	329.5	346.6	361.8	361.8
Public	83.8	55.8	57.0	85.2	80.0	80.0
Capital account	-148.7	-300.6	249.1	423.1	339.0	314.0
Public sector capital	-15.6	-302.2	-133.7	-123.8	-35.7	-88.5
Medium and long term	-41.0	-291.1	-133.4	-123.8	-35.7	-88.5
Short term	25.3	-11.1	-0.3	--	--	--
Private sector capital	-133.0	1.7	382.8	505.9	374.7	402.5
Of which: direct investment	110.0	132.8	145.0	179.0	200.0	200.0
Other (including errors and omissions)	-243.0	-131.2	237.8	367.9	174.7	202.5
Overall balance	-451.5	-507.0	68.5	-90.0	-110.9	-11.1
Financing	451.5	507.0	-68.5	90.0	110.9	11.1
Central bank net international reserves (increase -)	112.4	-75.7	-380.4	-123.6	57.0 1/	-25.9
Arrears 2/	273.5	519.6	-662.5	-52.0	-588.8	-588.8
Debt relief	65.6	63.1	974.4	265.6	642.7	625.8
Memorandum items						
Stock of arrears 3/	841.5	1,479.0	779.1	627.5	--	--
Gross international reserves	122.8	68.8	426.1	489.0	495.4	578.3
Current account (as percent of GDP)	-4.5	-2.9	-2.5	-6.5	-5.2	-3.8

Sources: Central Bank of the Dominican Republic; and Fund staff estimates.

1/ The programmed net international reserve target for 1993 was adjusted downward (as specified in the Technical Memorandum of Understanding) to allow for the payment of deferred external debt-service payments from 1991 and 1992, for which reserves had been accumulated through an upward adjustment in the target for net international reserves in both years.

2/ Excluding central bank arrears on reserve liabilities, which are included in the net international reserves.

3/ Including arrears on central bank reserve liabilities and late interest.

Table 7. Dominican Republic: Performance Criteria Under the Stand-By Arrangement in 1993 1/

	June 30	Sept. 30	Dec. 31
(In millions of Dominican pesos)			
Net credit of the Central Bank and the Bank of Reserves to the nonfinancial public sector 2/	-278.5	-847.4	
Ceiling			
Unadjusted	948.0	418.0	175.0
Adjusted	-450.4	-836.7	
Excess (-)/Margin (+)	-171.9 3/	10.7	
Net domestic assets of the monetary authorities 2/4/	-1,922.7	-2,145.1	
Ceiling			
Unadjusted	470.0	385.0	1,253.0
Adjusted	-878.6	-934.2	
Excess (-)/Margin (+)	1,044.1	1,210.9	
Overall deficit of the nonfinancial public sector 2/	73.6	-741.5	
Ceiling	260.0	225.0	--
Excess (-)/Margin (+)	186.4	966.5	
(In millions of U.S. dollars)			
Net foreign borrowing of the public sector 2/			
Ceiling 5/	35.0	35.0	35.0
Actual	-21.1	4.3	
Excess (-)/Margin (+)	56.1	30.7	
Subceiling 6/	10.0	10.0	10.0
Actual	-5.8	-10.8	
Excess (-)/Margin (+)	15.8	20.8	
Net international reserves of the monetary authorities 2/7/	99.8	142.5	
Floor			
Unadjusted	-80.0	-68.0	-57.0
Adjusted	27.9	37.5	
Excess (-)/Margin (+)	71.9	105.0	

Sources: Central Bank of the Dominican Republic; and Fund staff estimates.

1/ Performance criteria tested at the end of each period. These quantitative performance criteria are subject to the adjustments described in the Technical Memorandum of Understanding.
2/ Cumulative changes from end-1992.
3/ Assumes that debt-service payments already made to the United States cannot be classified as meeting rescheduled Paris Club obligations.
4/ Defined as the difference between currency issue and the net international reserves of the Central Bank of the Dominican Republic.
5/ Maturity of up to 12 years.
6/ Maturity of up to one year.
7/ On the basis of payment of the US$82 millions of obligations carried forward from 1993.

Table 8. Dominican Republic: Central Government Operations

	1989	1990	1991	Prel. 1992	1993 Prog.	1993 Proj.
	(In millions of Dominican pesos)					
Total revenue	6,796.3	7,478.4	11,010.3	15,248.5	16,221.7	17,319.0
Current revenue	6,722.3	7,306.6	10,842.3	14,986.1	15,935.4	17,012.6
Tax revenue	5,237.0	6,220.1	9,337.0	13,547.1	14,738.7	15,707.8
Taxes on income and profits	1,281.2	1,595.0	2,359.0	2,747.0	2,710.5	3,163.2
Taxes on property	43.7	54.7	69.4	90.5	98.7	102.2
Taxes on goods and services	1,509.1	2,080.1	2,973.6	4,192.3	5,065.8	5,416.2
Taxes on international trade and transactions	2,154.1	2,448.1	3,882.2	6,454.9	6,795.6	6,929.0
Other taxes	248.9	42.2	52.8	62.4	68.1	97.2
Nontax revenue	1,485.3	1,086.5	1,505.3	1,439.0	1,196.7	1,304.8
Capital revenue	73.9	171.8	168.0	262.4	286.3	306.4
Total expenditure	7,024.3	7,881.2	10,877.1	14,199.0	16,824.3	17,696.1
Current expenditure	3,398.3	4,389.1	6,126.6	7,468.4	8,647.0	9,289.7
Salaries and wages	1,191.4	1,580.1	2,064.9	2,724.2	3,150.9	3,359.9
Goods and services	357.5	387.9	541.5	962.2	984.9	1,110.9
Current transfers	941.5	1,110.8	1,525.8	1,580.5	1,948.4	2,147.8
Interest payments 1/	702.5	980.7	1,517.3	1,403.3	1,297.6	1,297.6
Other	205.4	329.6	477.1	798.2	1,265.2	1,373.5
Capital expenditure	3,626.0	3,492.1	4,750.5	6,730.6	8,177.3	8,406.4
Fixed investment	2,594.1	2,005.1	2,181.7	3,722.1	4,508.3	4,516.2
Capital transfers	925.2	1,426.4	2,510.0	2,961.7	3,636.1	3,777.7
Other	106.7	60.6	58.8	46.8	32.9	112.5
Current account balance	3,324.0	2,917.5	4,715.7	7,517.7	7,288.4	7,722.9
Grants	541.8	522.4	707.4	1,062.5	1,000.0	1,000.0
Overall balance after grants	313.8	119.7	840.6	2,112.0	397.4	622.5
	(As a percent of GDP)					
Total revenue	16.0	12.4	12.1	15.4	15.0	16.4
Current revenue	15.9	12.1	12.0	15.1	14.7	16.0
Tax revenue	12.4	10.3	10.3	13.6	13.6	14.8
Nontax revenue	3.5	1.8	1.7	1.4	1.1	1.2
Capital revenue	0.2	0.3	0.2	0.3	0.3	0.3
Total expenditure	16.6	13.1	12.0	14.3	15.5	16.7
Current expenditure	8.0	7.3	6.8	7.5	8.0	8.8
Capital expenditure	8.6	5.8	5.2	6.8	7.5	7.9
Current account balance	7.8	4.8	5.2	7.6	6.7	7.3
Grants	1.3	0.9	0.8	1.1	0.9	0.9
Overall balance after grants	0.7	0.2	0.9	2.1	0.4	0.6

Sources: National Budget Office (ONAPRE); Central Bank of the Dominican Republic; Secretary of Finance; and Fund staff estimates.

1/ On accrual basis.

Table 9. Dominican Republic: Summary Operations of the Public Enterprises 1/

	1989	1990	1991	Prel. 1992	1993 Prog.	1993 Proj.
			(In millions of Dominican pesos)			
Total revenue	2,841.5	4,591.2	6,753.4	8,197.6	9,798.6	10,630.5
Current revenue	2,329.4	4,071.0	5,860.9	6,622.4	7,495.4	7,862.3
Of which: current transfers	238.7	405.8	513.1	450.8	503.1	795.2
Capital revenue	512.1	520.2	892.5	1,575.2	2,303.2	2,768.2
Of which: capital transfers	509.1	514.6	881.9	1,538.2	2,293.6	2,673.8
Total expenditure	3,895.9	5,268.6	7,929.4	9,186.3	10,137.6	10,858.3
Current expenditure 2/	2,442.8	4,367.1	6,019.8	6,937.7	7,695.7	8,090.1
Of which: accrued interset	245.0	422.1	840.2	646.3	643.8	643.8
Capital expenditure	1,453.1	901.5	1,909.6	2,248.6	2,441.9	2,768.2
Current account balance	-113.4	-296.1	-158.9	-315.3	-200.3	-227.8
Overall balance	-1,054.4	-677.4	-1,176.0	-988.7	-339.0	-227.8
Memorandum items						
Current account balance before transfers	-352.1	-701.9	-672.0	-766.1	-703.4	-1,023.0
Overall balance before transfers	-1,802.2	-1,597.8	-2,571.0	-2,977.7	-3,135.7	-3,696.8
			(As a percent of GDP)			
Total revenue	6.7	7.6	7.4	8.3	9.0	10.0
Current revenue	5.5	6.7	6.4	6.7	6.9	7.4
Of which: current transfers	0.6	0.7	0.6	0.5	0.5	0.7
Capital revenue	1.2	0.9	1.0	1.6	2.1	2.6
Of which: capital transfers	1.2	0.8	1.0	1.5	2.1	2.5
Total expenditure	9.2	8.7	8.7	9.3	9.4	10.2
Current expenditure 2/	5.8	7.2	6.6	7.0	7.1	7.6
Capital expenditure	3.4	1.5	2.1	2.3	2.3	2.6
Current account balance	-0.3	-0.5	-0.2	-0.3	-0.2	-0.2
Overall balance	-2.5	-1.1	-1.3	-1.0	-0.3	-0.2
Memorandum items						
Current account balance before transfers	-0.8	-1.2	-0.7	-0.8	-0.6	-1.0
Overall balance before transfers	-4.3	-2.6	-2.8	-3.0	-2.9	-3.5

Sources: National Budget Office (ONAPRE); Central Bank of the Dominican Republic; Secretary of Finances; and Fund staff estimates.

1/ Includes the Dominican Electricity Corporation (CDE); the Corporation of State Enterprises (CORDE); the State Sugar Council (CEA); the Price Stabilization Institute (INESPRE); the Dominican Port Authority; the Agricultural Bank; the Airport Comission; the Workers Saving Bank; the Santo Domingo Water and Sewerage Commision; the Santiago Water and Sewerage Comission; the National Water and Sewerage Institute; the Cooperative Development and Credit Institute; the Industrial Development Corporation; and the Cotton Institute; the Dominican Radio Television; the National Lottery and the Government Post Office.

2/ Includes interest due on the external debt arrears of the public enterprises.

Table 10. Dominican Republic: External Debt and Debt Service, Medium-Term Indicators 1/

	1992	1993	1994	1995	1996	1997	1998
(In millions of U.S. dollars, unless otherwise indicated)							
I. External Public Debt							
Total public external debt outstanding, end of period	4,426.2	3,755.4	3,743.9	3,711.5	3,655.5	3,581.7	3,543.9
Of which: IMF	122.9	189.1	201.4	169.3	112.2	41.9	2.7
As percentage of GDP	56.4	44.3	39.6	35.9	32.5	29.3	23.1
Of which: IMF	1.6	2.2	2.1	1.6	1.0	0.3	--
II. External public debt service							
Before rescheduling	488.2	472.9	386.2	397.7	433.6	459.1	428.8
Amortization 2/	242.5	252.6	200.3	208.4	241.3	271.7	245.5
Of which: IMF	14.5	10.1	7.8	31.0	56.5	69.8	39.2
Interest 3/	245.7	220.3	186.0	189.1	192.3	187.4	183.4
After rescheduling and including arrears 4/	328.6 5/	621.9	386.2	397.7	433.6	459.1	428.8
Amortization 2/	249.3	461.6	200.3	208.4	241.3	271.7	245.5
Interest 3/	79.3	160.3	186.0	189.2	192.3	187.4	183.4
(As a percentage of GDP)							
Before rescheduling	6.2	5.6	4.1	3.8	3.9	3.8	2.8
After rescheduling and including arrears	4.2	7.3	4.1	3.8	3.9	3.8	2.8
Interest payments	3.1	2.6	2.0	1.8	1.7	1.5	1.2
(As percent of exports of goods, services and transfers) 6/							
Before rescheduling	19.1	17.3	12.8	12.1	12.3	12.2	10.6
After rescheduling and including arrears	12.9	22.8	12.8	12.1	12.3	12.2	10.6
Interest payments	9.6	8.1	6.2	5.8	5.5	5.0	4.5

Sources: Central Bank of the Dominican Republic; and Fund staff estimates.

1/ Assumes that commercial bank debt restructuring package is finalized in late 1993 with 45 percent allocated to the buyback option, 45 percent to the discount bond exchange, and 10 percent to the TIRB exchange.

2/ Includes amortization of medium- and long-term debt and gross repurchases to the Fund.

3/ Includes interest on Central Bank reserve liabilities.

4/ Includes payment made with regard to debt buyback with Venenzuela (US$58 million) and Spain (US$4.3 million) in 1992.

5/ Represents actual debt-service payments.

6/ Including net private transfers.

Table 11. Dominican Republic: Public External Debt 1/

(In millions of U.S. dollars)

	Dec. 31, 1992	Estimated June 30, 1993	Arrears on Public External Debt as of Dec. 31, 1992	Arrears on Public External Debt as of June 30, 1993
Multilateral	1,106.0	1,092.8	19.9	21.0
IDA	19.3	19.0	--	--
IDB	667.6	660.3	--	--
IBRD	260.7	261.0	--	--
IFC	0.3	0.3	--	--
IFAD	13.2	12.9	--	--
IMF	123.0	118.3	--	--
OPEC	21.9	21.0	19.9 2/	21.0 2/
Bilateral	2,027.8	1,986.0	55.6	40.9
Paris Club	1,768.2	1,745.9	--	--
Belgium	1.3	1.3	--	--
Canada	1.4	1.4	--	--
Germany	87.5	85.0	--	--
France	31.5	31.5	--	--
Italy	58.3	57.4	--	--
Japan	248.6	241.9	--	--
Spain	328.6	328.6	--	--
United States	1,011.0	998.8	--	--
Other bilateral	259.7	240.1	55.6	40.9
Argentina	30.3	27.3	27.0	23.3
Brazil	11.2	--	10.6	--
Taiwan Province of China	7.2	7.2	7.2	7.4
Colombia	18.0	13.3	--	--
Paraguay	1.0	1.0	1.0	1.0
Peru	9.8	9.8	9.8	9.2
Venezuela	182.2	181.5	--	--
Commercial banks	1,134.4	1,124.0	468.9	443.9
Suppliers and others	157.9	129.7	83.1	63.9
Total	4,426.2	4,332.5	627.5 3/	569.7 3/

Sources: Central Bank of the Dominican Republic; and Fund staff estimates.

1/ Includes total arrears including late interest on arrears.
2/ Represents deferment of arrears agreed with OPEC Special Fund.
3/ Includes reserve liabilities.

Table 12. Dominican Republic: Medium-Term Balance of Payments Outlook: Principal Assumptions

(Annual percentage changes, unless otherwise indicated)

	Projected	
	1993	1994-98
Real GDP	3.0	4.5
Export volume	-9.1	4.2
Import volume	-0.3	4.3
Tourist arrivals	22.5	5.0
Terms of trade	-2.1	3.0
Average interest rate (percent per annum)	5.0	5.3
Oil import prices (US$/bbl)	17.5	18.9

Sources: Central Bank of the Dominican Republic; and Fund staff estimates.

Table 13. Dominican Republic: Medium-Term Balance of Payments Outlook 1/

(In millions of U.S. dollars, unless otherwise indicated)

	Est. 1992	Proj. 1993	Projected 1994	1995	1996	1997	1998
Current account	-513.1	-339.7	-199.7	-143.8	-105.3	-71.7	-37.5
Trade Balance	-1,616.4	-1,678.0	-1,731.9	-1,825.4	-1,948.1	-2,095.9	-2,252.9
Exports, f.o.b.	561.7	501.3	592.1	655.0	704.6	754.5	810.0
Imports, f.o.b.	-2,178.1	-2,179.3	-2,324.0	-2,480.5	-2,652.6	-2,850.4	-3,063.0
Net services	671.5	896.5	1,077.3	1,213.3	1,360.6	1,527.5	1,704.0
Receipts	1,562.7	1,777.2	1,944.9	2,119.1	2,305.7	2,507.5	2,722.5
Of which: tourism	1,054.8	1,223.9	1,339.7	1,458.2	1,584.2	1,721.2	1,865.5
free trade zones	255.2	316.2	347.8	382.5	420.8	462.9	509.2
Payments	-891.3	-880.7	-867.6	-905.8	-945.1	-979.9	-1,018.5
Of which: interest	-245.6	-234.9	-189.9	-194.4	-197.4	-192.4	-188.6
Transfers (net)	431.8	441.8	454.8	468.3	482.2	496.6	511.4
Private	346.6	361.8	370.8	380.1	389.6	399.4	409.3
Public	85.2	80.0	84.0	88.2	92.6	97.2	102.1
Capital account	423.1	169.3	249.7	248.8	258.4	258.9	272.6
Public sector capital	-123.8	-233.3	7.5	32.5	33.4	24.9	29.2
Medium and long term	-123.8	-233.3	7.5	32.5	33.4	24.9	29.2
Private sector capital	546.9	402.6	242.2	216.3	225.0	234.0	243.3
Of which: direct investment	179.0	200.0	208.0	216.3	225.0	234.0	243.3
Other (including errors and ommissions)	367.9	202.6	34.2	--	--	--	--
Overall balance	-90.0	-170.4	50.0	105.0	153.1	187.2	235.1
Financing	90.0	170.4	-50.0	-105.0	-153.1	-187.2	-235.1
Central Bank net international reserves (increase -)	-123.6	171.0	-50.0	-105.0	-153.1	-187.2	-235.1
Arrears (excluding reserve liabilities)	-52.0	-588.8	--	--	--	--	--
Debt relief	265.6	588.2	--	--	--	--	--
Memorandum items							
Current account (as a percentage of GDP)	-6.5	-4.0	-2.2	-1.5	-1.0	-0.6	-0.3
Gross international reserves (end of period)	489.0	388.7	451.8	525.8	621.6	738.9	935.7
(in terms of months of imports)	2.7	2.1	2.3	2.5	2.8	3.1	3.7

Sources: Central Bank of the Dominican Republic; and Fund staff estimates.

1/ Assumes that debt with commercial banks is restructured at the end of 1993.

Table 14. Dominican Republic: Alternative Medium-Term Balance of Payments Scenarios

(In millions of U.S. dollars, unless otherwise indicated)

			Projection		
	1994	1995	1996	1997	1998
1. Baseline scenario					
Merchandise exports	592.1	655.0	704.6	754.5	810.0
Interest payments	189.9	194.4	197.4	192.4	188.6
Oil imports	479.5	511.2	544.1	582.1	622.9
Tourism receipts	1,339.7	1,458.2	1,584.2	1,721.2	1,865.5
Current account	-199.7	-143.8	-105.3	-71.4	-37.4
(as a percentage of GDP)	-2.2	-1.5	-1.0	-0.6	-0.3
Overall balance of payments	50.0	105.0	153.1	187.2	235.1
Financing gap	--	--	--	--	--
2. Lower export growth 1/					
Merchandise exports	587.1	643.6	685.9	727.6	773.9
Current account deficit	-204.7	-155.2	-124.0	-98.3	-73.5
(as a percentage of GDP)	-2.2	-1.6	-1.2	-0.9	-0.6
Overall balance of payments	45.0	93.6	134.4	160.3	199.0
Financing gap	-5.0	--	--	--	--
3. Higher interest rates 2/					
Interest payments 3/	237.7	245.6	251.3	248.5	248.0
Current account	-247.6	-195.1	-159.1	-127.7	-96.8
(as a percentage of GDP)	-2.7	-2.0	-1.5	-1.1	-0.8
Overall balance of payment	2.1	53.8	99.3	131.2	175.7
Financing gap	47.9	--	--	--	--
4. Higher oil prices 4/					
Oil imports	532.5	566.3	601.8	642.6	686.4
Current account	-252.7	-198.9	-163.0	-131.9	-100.9
(as a percentage of GDP)	-2.8	-2.0	-1.5	-1.2	-0.8
Overall balance of payments	-3.0	49.9	95.4	126.7	171.6
Financing gap	-53.0	-0.1	--	--	--
5. Lower tourism revenue 5/					
Tourism receipts	1,327.5	1,444.8	1,569.6	1,705.4	1,848.3
Current account	-211.9	-157.2	-119.9	-87.2	-54.6
(as a percentage of GDP)	-2.3	-1.6	-1.1	-0.8	-0.4
Overall balance of payments	37.8	91.6	138.5	171.4	217.9
Financing gap	12.2	--	--	--	--
6. Lack of debt restructuring 6/					
Interest payments 3/	241.9	243.3	240.3	230.5	219.3
Current account	-251.7	-192.7	-148.2	-109.5	-68.1
(as a percentage of GDP)	-2.7	-1.9	-1.4	-1.0	-0.6
Overall balance of payments	-2.0	56.1	110.2	149.1	204.4
Financing gap	-52.0	--	--	--	--

Sources: Central Bank of the Dominican Republic; and Fund staff estimates.

1/ Assumes that export growth is 1 percent a year lower than in the baseline scenario.
2/ Assumes a 1 percentage point increase in interest rates with respect to the baseline scenario.
3/ Includes interest on the financing gap.
4/ Assumes oil prices are US$2 a barrel higher than in the baseline scenario.
5/ Assumes 1 percent a year lower growth in tourism revenue with respect to the baseline scenario.
6/ Assumes no settlement with commercial banks.

Dominican Republic: Fund Relations
(As of October 31, 1993)

I. Membership Status: Joined December 28, 1945; Article VIII.

II. General Resources Account:

	SDR Million	Percent of Quota
Quota	158.80	100.0
Fund holdings of currency	281.28	177.1

III. SDR Department:

	SDR Million	Percent of Allocation
Net cumulative allocation	31.59	100.0
Holdings	6.40	20.3

IV. Outstanding Purchases and Loans:

	SDR Million	Percent of Quota
Stand-by arrangements	43.04	27.1
CCFF	79.44	50.0

V. Financial Arrangements:

Type of Arrangement	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-by	7/09/93	3/28/94	31.80	3.80
Stand-by	8/28/91	3/27/93	39.24	39.24
Stand-by	4/15/85	4/14/86	78.50	78.50

VI. Projected Obligations to the Fund:

See attached table.

VII. Exchange Rate Arrangement:

Following a short period of dual exchange rates, the exchange system was unified on July 1, 1991, with the rate for transactions effected in the official market set in relation to the rate prevailing in the interbank market. Since then, the exchange rate of the peso against the U.S. dollar has been generally stable, at around RD$12.65 per U.S. dollar (mid-point).

VIII. Article IV Consultation:

The last Article IV consultation was concluded by the Executive Board on November 20, 1992 (EBM/92/139). The relevant staff report was EBS/92/168. The Dominican Republic is on the standard 12-month consultation cycle.

IX. Article VIII:

The Dominican Republic accepted the obligations of Article VIII on August 1, 1953.

X. Technical Assistance:

A mission from the Statistics Department visited Santo Domingo for two weeks from November 30, 1992 to provide technical assistance in the area of money and banking statistics. In January 1993, two experts contracted by FAD provided technical assistance on tax administration. A MAE mission visited Santo Domingo in June 1993 to advise the authorities on financial reform.

Dominican Republic: Projected Payments to the Fund as of September 30, 1993

(In millions of SDRs)

	Overdue	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Beyond	Total
Obligations from existing drawings													
1. Principal													
a. Repurchases	--	1.2	5.6	22.4	41.0	38.8	14.6	--	--	--	--	--	123.7
b. ESAF/SAF repayments	--	--	--	--	--	--	--	--	--	--	--	--	--
c. Trust Fund obligations	--	--	--	--	--	--	--	--	--	--	--	--	--
2. Charges and interest 1/	--	1.9	7.5	6.8	5.2	3.1	1.4	1.1	1.1	1.1	1.1	--	30.1
Total Obligations 2/	--	3.2	13.1	29.2	46.2	41.9	16.0	1.1	1.1	1.1	1.1	--	153.8
(percent of quota)	--	1.9	8.2	18.3	29.0	26.3	10.1	0.6	0.6	0.6	0.6	--	96.8
Obligations from prospective drawings													
1. Principal													
a. Repurchases	--	--	--	--	--	12.1	14.0	1.9	--	--	--	--	28.0
b. ESAF/SAF repayments	--	--	--	--	--	--	--	--	--	--	--	--	--
c. Trust Fund obligations	--	--	--	--	--	--	--	--	--	--	--	--	--
2. Charges and interest 1/	--	--	1.2	1.5	1.4	1.2	0.6	--	--	--	--	--	5.9
Total obligations	--	--	1.2	1.5	1.4	13.4	14.6	1.9	--	--	--	--	33.9
(percent of quota)	--	--	0.7	0.9	0.8	8.4	9.1	1.2	--	--	--	--	21.3
Cumulative (existing and prospective)													
1. Principal													
a. Repurchases	--	1.2	5.6	22.4	41.0	50.9	28.6	1.9	--	--	--	--	151.7
b. ESAF/SAF repayments	--	--	--	--	--	--	--	--	--	--	--	--	--
c. Trust Fund obligations	--	--	--	--	--	--	--	--	--	--	--	--	--
2. Charges and interest 1/	--	1.9	8.7	8.2	6.6	4.3	2.0	1.1	1.1	1.1	1.1	--	36.0
Total obligations 2/	--	3.2	14.3	30.7	47.6	55.3	30.6	3.0	1.1	1.1	1.1	--	187.7
(percent of quota)	--	1.9	8.9	19.3	29.9	34.8	19.2	1.8	0.6	0.6	0.6	--	118.2

1/ Projections are based on current rates of charge, including burden-sharing charges where applicable, for purchases in the GRA, and on current interest rates for SAF, ESAF, and Trust Fund. The current SDR interest rate is assumed for net use of SDRs.

2/ Overdue obligations (if applicable) will be settled in full at close of business October 1, 1993.

Dominican Republic: Relations with the World Bank Group

(In millions of U.S. dollars)

A. IBRD and IDA Operations (as of September 30, 1993)

	Commitments (Net of Cancellations)	Disbursements	Undisbursed Amount
Agriculture and irrigation 1/	102.0	102.0	--
Mining	25.0	25.0	--
Tourism 2/	42.4	42.4	--
Transport	183.6	113.5	70.1
Population 3/	4.9	4.9	--
Education 4/	27.0	15.1	12.0
Housing 5/	3.3	3.3	--
Energy	105.0	88.9	16.1
Hurricane reconstruction	25.0	25.0	--
Technical assistance 6/	--	--	--
Trade	30.0	15.4	14.6
Total	548.2	435.5	112.8

B. IFC Operations (as of September 30, 1993)

	Loan	Equity	Total
Commitments (gross)	45.1	4.1	49.2
Commitments (net) 7/	22.9	4.1	27.0
Total held by IFC	22.2	0.5	22.2
Total undisbursed (including participants)	6.8	--	6.8

C. IBRD and IDA Loan Transactions (as of September 30, 1993)

	1986	1987	1988	1989	1990	1991	1992	1993
Disbursements	12.6	16.6	16.4	31.8	38.9	42.5	32.6	34.4
Repayments	-18.3	-18.5	-22.7	-19.9	-19.4	-31.1	-23.7	-33.8
Net lending	-5.7	-1.9	-6.3	11.9	19.5	11.4	8.9	0.6
Interest and charges	-14.9	-16.3	-16.8	-4.8	-13.9	-23.1	-18.8	-19.9
Net transfer	-20.6	-18.2	-23.1	-2.9	5.9	-12.0	-9.9	-19.3
Debt outstanding 8/	201.2	240.1	214.2	221.7	258.4	269.8	278.7	246.0

Source: IBRD.

1/ US$0.42 million of the Cocoa and Coffee Development Loan was canceled.
2/ US$0.1 million of the First Puerto Plata Tourism Loan and US$3.5 million of the Second Puerto Plata Tourism Loan were canceled.
3/ US$0.1 million of the Population and Family Health Loan was canceled.
4/ US$5.8 million of the Vocational Training Loan was canceled.
5/ US$22.2 million of the Sites and Services Loan was canceled.
6/ US$7.1 million of the Technical Assistance Loan was canceled.
7/ Gross commitments adjusted by cancellations, terminations, repayment, and sales.
8/ Includes adjustments for exchange rate variations.

Dominican Republic: Social Indicators of Development, 1991-92

	Dominican Republic (most recent estimates)	Dominican Republic (15-20 years ago)	Latin America and Caribbean 1/ (most recent estimates)
Demographic			
Area (square kilometers)	48,400	48,400	...
Population (millions)	7.4	5.0	445.5
Density (population per sq. kilometer)	152.9	103.3	...
Population annual growth rate (percent)	1.7	2.5	1.7
Of which: urban	2.7	4.8	2.9
Crude birth rate (per thousand population)	27.4	...	27
Crude death rate (per thousand population)	6.2	...	6.9
Fertility rate (birth for women)	3.1	5.1	3.1
Labor force			
Total labor force (thousands)	2,255	1,340	162,042
Participation rate (percent of labor force)	30.4	26.8	36.4
Health			
Infant mortality (per thousand live births)	54.2	77	47.4
Under 5 years of age mortality rate	71.8	...	57.0
Life expectancy at birth (years)	67	...	68
Population per physician (persons)	1,765	2,299	936
Population per nurse (persons)	1,210	2,240	877
Immunized under 5 months (percent of group)			
Measles	96.0	...	74.7
DPT	69.0	...	74.5
Oral rehydration therapy under 5 years of age (percent of cases)	22.0	...	51.0
Access to safe water (percent of population)	67.0	55.0	73.4
Urban	82.0	88.0	83.6
Rural	45.0	27.0	66.9
Nutrition			
Cereal imports (thousands of metric tons)	662	226	21,698
Food production per capita (index 1979-1981 = 100)	76	104	104
Daily calorie supply (calories per person)	2,359	...	2,726
Daily protein supply (grans per person)	48	...	68
Prevalence of malnutrition under 5 years of age (percent of age group)	12.5	...	...
Education			
Gross enrollment ratios (percent of school age group)			
Primary	95.0	...	107.4
Secondary	74.0	36.0	48.0
Science and engineering (percent of tertiary students)	23.5	...	...
Pupil/teacher ratio (pupils per teacher)			
Primary	47	51	25
Secondary	43	...	...
Pupils reaching 4th grade (percent of cohort)	62	34	64
Illiteracy rate (percent of population over 15 years)	17	...	15
Newspaper circulation (per thousand of population)	39.3	39.0	81.9
Women			
Enrollment ratio (percent of school age group)			
Primary	96	...	...
Secondary	57	...	53
Illiteracy rate (percent of population over 15 years)	18	...	17
Life expectancy (years)	69.2	...	70.7
Labor force (percent of total)	15.0	...	26.7
Labor force participation rate (percent of total)	9.4	...	18.6

Source: World Bank Social Indicators of Development.

1/ Includes countries in the same income group.

Dominican Republic: Selected Economic and Financial Indicators

	1989	1990	1991	1992	1993 Prog.	1993 Proj.
(Annual percentage changes, unless otherwise specified)						
Income and prices						
Real GDP	4.1	-5.0	-0.9	7.8	5.0	3.0
GDP deflator	43.6	50.5	51.7	1.1	4.5	3.5
Consumer prices (end of year)	41.2	100.7	4.0	6.7	5.0-8.0	5.0
Consumer prices (average)	45.4	59.4	53.9	4.6	5.6-7.6	5.6
External sector						
Exports (f.o.b)	3.9	-20.5	-10.4	-14.7	-6.0	-10.8
Export volume	-3.7	-11.7	-8.7	-7.1	-4.2	-9.0
Imports (f.o.b)	22.1	-8.7	-3.6	26.0	5.3	0.1
Import volume	18.3	-15.6	-2.8	24.2	3.9	-0.3
Terms of trade	4.5	-16.8	-1.0	-9.5	-3.2	-2.2
Nominal effective exchange rate						
Average (depreciation -)	4.7	-11.7	-23.3	11.9	--	--
End of period	5.5	-30.0	4.9	14.3	--	--
Real effective exchange rate						
Average (depreciation -)	24.8	3.2	6.9	0.6	--	--
End of period	18.3	4.2	0.6	5.2	--	--
Nonfinancial public sector						
Receipts	35.5	8.7	86.7	26.2	9.0	14.8
Outlays	36.5	11.0	33.5	18.0	17.6	16.1
Financial system money and credit						
Domestic credit (net) 1/	44.9	31.2	11.1	12.8	12.9	12.6
Public sector (net) 1/	4.7	4.1	-10.6	-9.0	0.5	0.5
Private sector (net) 1/	29.8	19.0	15.7	19.9	7.4	8.7
M-3 (nominal) 1/	32.4	27.4	32.6	26.4	9.2	10.5
(real) 1/	-6.3	-36.6	27.5	18.5	4.0	5.2
Velocity (GDP/money and quasi-money) 2/	3.1	3.4	4.0	3.3	3.1	2.7
Interest on certificates of deposits (in percent, end of period)	12.0-24.0	36.0	18.6	17.0	--	--
(Percent of GDP)						
Primary fiscal balance	-1.9	1.0	3.9	4.5	2.7	3.1
Overall fiscal balance	-5.9	-5.0	0.1	1.6	--	0.6
Gross domestic investment	28.0	21.9	20.4	23.7	24.0	26.1
Gross national saving	23.5	19.0	17.9	17.3	18.8	22.4
External current account deficit	4.5	2.9	2.5	6.5	5.2	3.9
Public external debt (including IMF)	60.3	62.7	63.3	55.7	44.4	45.2
Interest payments on public debt	4.4	4.3	4.1	3.1	2.8	2.6
(In percent of exports of goods, non factor services, and private transfers)						
External public debt service						
Before rescheduling	28.5	33.9	27.1	20.2	17.8	17.8
After rescheduling	25.7	31.2	18.8	8.9	23.5	12.6
(In millions of U.S. dollars)						
Overall balance of payments (deficit -)	-451.5	-508.4	68.4	-90.0	-110.9	-11.1
Change in net international reserves (increase -)	112.4	-75.7	-380.3	-123.5	57.0	-25.9
Arrears/debt relief	339.1	582.7	311.9	213.6	53.9	37.0
Gross official reserves, end of period	122.8	68.8	426.1	490.0	495.4	578.4
(months of imports)	0.8	0.5	3.0	2.7	2.6	3.2

1/ In relation to the stock of money and quasi-money at the beginning of the period.
2/ Defined as the ratio between GDP and the average stock of money and quasi-money for two consecutive years. Money and quasi-money does not include financial system's private capital and surplus.

Dominican Republic--Statistical Issues

Outstanding statistical issues

1. Government finance

GFS data are available through 1990 for the consolidated central government. However, these data differ from data provided by the authorities to WHD during the Article IV consultation missions. Major discrepancies in revenue occur because the authorities apply different classification keys for providing data to STA and WHD. One source of discrepancy in expenditure is the recording of interest payments by the WHD on a commitment basis. There are also considerable discrepancies in grants probably associated with the different treatment of grants in kind.

2. Monetary accounts

Many of the recommendations of the report of the December 1992 mission on money and banking statistics, the Spanish version of which was sent to the authorities in late August 1993, have already been implemented. One recommendation that remains to be implemented is the completion of new, more detailed Fund report forms for the monetary authorities and deposit money banks that will permit the derivation of the WHD accounts from STA accounts. It was recommended that both the new and existing report forms should be completed and reported during a short transitional period. However, submission of the new report forms has not yet begun.

Table 15. Dominican Republic: Indicators of Fund Credit

	1993	1994	Projections 1995	1996	1997	1998
Outstanding Fund credit (end of period)						
In millions of SDRs	135.5	144.9	122.5	81.5	30.6	2.0
In percent of new quota	85.3	91.2	77.1	51.3	19.2	1.2
In percent of GDP	2.2	2.1	1.6	1.0	0.3	--
In percent of exports of goods and nonfactor services	8.3	7.9	6.0	3.7	1.3	0.1
Baseline scenario						
Debt service due to the Fund						
In millions of U.S. dollars	23.0	19.9	42.4	65.5	75.7	41.9
In percent of quota	10.4	9.0	19.3	30.0	34.8	19.6
In percent of exports of goods and nonfactor services (net)	1.0	0.8	1.5	2.2	2.3	1.2
In percent of debt service due 1/	4.9	5.1	10.7	15.1	16.5	9.8
In percent of gross official reserves 2/	3.9	3.1	5.8	8.1	8.9	4.7
Gross Fund financing						
In millions of U.S. dollars	74.4	20.9	--	--	--	--
In percent of Dominican Republic gross financing needs 3/	12.8	4.9	--	--	--	--
Alternative scenarios for debt service to the Fund						
Debt service due to the Fund						
In percent of exports of goods and nonfactor services, assuming						
Slower growth of exports	1.0	0.8	1.5	2.2	2.3	1.2
Slower growth of tourism	1.0	0.8	1.5	2.2	2.3	1.2
Higher interest rates	1.0	0.8	1.5	2.2	2.3	1.2

Sources: Central Bank of the Dominican Republic; and Fund staff estimates.

1/ Defined as in Table 10.
2/ At end of period.
3/ Gross financing need is defined as the sum of the current account deficit, medium- and long-term amortization, and Fund repurchases.

Table 16. Dominican Republic: Proposed Schedule of Purchases Under the Stand-by Arrangement

(In million of SDRs)

Availability Date	Total Eligible Purchases
July 1993	3.8 1/
December 1993	13.0
February 1994	15.0
Total	31.8

Source: Fund staff estimates.

1/ In addition, Dominican Republic purchased SDR 34.6 million (21.8 percent of quota) under the CCFF.