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SM/99/191
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

August 27, 1999

To: Members of the Executive Board
From: The Secretary
Subject: **Dominican Republic—Selected Issues**

The following correction has been made in SM/99/191 (7/23/99):

Page 19, last column, line 2: for “3.0” read “5.1”

A corrected page is attached.

Att: (1)

Other Distribution:
Department Heads

Table 1. Dominican Republic: Main Macroeconomic Indicators

	1981-85	1986-90	1991-95	1996-98
(Annual percentage changes, averages)				
Real GDP	1.9	2.8	4.2	7.6
Real GDP per capita	-0.3	0.5	1.9	5.1
Consumer prices (during the period)	17.2	37.0	7.8	6.7
Money and quasi-money (M2)	16.2	41.6	22.4	19.7
(In percent of GDP, averages) 1/				
Consolidated public sector balance 2/	-5.0	-5.2	-1.0	-2.2
Consolidated public sector primary balance	-3.3	-2.0	1.5	0.2
Inflation tax 3/	1.5	3.6	0.7	0.6
External current account balance	-5.1	-3.4	-3.4	-1.6
Net direct investment	0.6	1.5	2.3	2.7
External debt (end-period)	64.7	72.2	33.2	23.7
External debt service	7.5	9.2	4.2	2.5

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

1/ Average ratios in each subperiods are calculated as the ratio between the sum of the relevant variable and the sum of GDP over the given period.

2/ Includes quasi-fiscal losses of the central bank. Since this information is not available for the 1990-93 period, central bank's losses are assumed to be zero for those years.

3/ The inflation tax is calculated as CPI inflation during the year times the stock of base money at the end of the previous year.

Table 2. Dominican Republic: Pending Structural Reforms

Draft Law	Description	Status
<i>Financial sector</i>		
Monetary and financial code	Strengthens central bank independence and banking supervision, Promotes competition and reduces segmentation in the financial system.	Approved by the senate on April 7, 1999 and currently under study by the Chamber of Deputies.
Stock market	Strengthens the organization and enhances the transparency of the securities market. Establishes norms concerning the issue and the public offer of tradeable instruments and the creation of a Security Commission.	Under study by both houses.
<i>Public finances</i>		
Public works and services	Establishes more transparent norms for procurement.	Approved by the senate on March 18, 1999 and under study by the Commission on Public Works and Finance of the Chamber of Deputies.
Bond issue	Allows the issue of RD\$5 billion in bonds, with a 10-year maturity and a 5 percent interest rate, to settle outstanding arrears to the private sector.	Approved by the senate on March 23, 1999 and transmitted to the Chamber of Deputies on April 7, 1999, but not discussed yet.
Public accounting	Aims at rationalizing the activities of programming, management, and distribution of public services through the creation of a General Department of Public Accounting. Divides the function of internal auditing (<i>Controloria</i>) from that of record keeping and administration and provides a system of balance sheet accounting.	Approved by the Chamber of Deputies on April 3, 1999 but not discussed in the senate yet.