WORLD TRADE ORGANIZATION

RESTRICTED

WT/TPR/G/435

29 November 2022

(22-8694)

Page: 1/18

Trade Policy Review Body

Original: Spanish

TRADE POLICY REVIEW

REPORT BY

THE DOMINICAN REPUBLIC

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Dominican Republic is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on the Dominican Republic.

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1 OVERVIEW (RECENT DEVELOPMENTS)

1.1. The Dominican economy recorded average year-on-year growth of 5.6% during the first six months of 2022. The positive trend in economic activity during this period was driven by the recovery in tourism and the buoyancy of some sectors, such as construction, trade, transportation, farming, health, and manufacturing in free zones. Economic growth is expected to be around 5.0% for the current year, close to its potential. Regarding employment, total employment in January-March 2022 was similar to its level in the same quarter of 2019, prior to the pandemic, with record figures for the free zone sector in June 2022 and a 100% recovery in jobs in the tourism sector.

1.2. Rising commodity prices as a result of the international geopolitical situation and value chain disruption – external factors that were more persistent than expected – caused a 5.48% variation in the price level between January and July, while year-on-year inflation, as measured from July 2021 to July 2022, was 9.43%. However, the year-on-year consumer price index (CPI) figure for July 2022 fell 0.21% from the peak of 9.64% recorded in April of this year, which shows that year-on-year inflation is gradually easing, primarily due to measures implemented by the Government, in particular subsidizing fuel on the local market and reversing scheduled increases in the electricity tariff. In addition, a tighter monetary policy stance has been adopted, as a result of the ongoing normalization of that policy together with actions to remove excess liquidity from the economy, in order to anchor the expectations of economic agents and help to bring inflation into the target range within the policy horizon.

1.3. In view of the international financial situation, the Dominican financial system is stable, with sound balance sheets. Financial intermediaries have adequate levels of assets, liabilities and equity. The entities' total assets amounted to DOP 2,865 million in June 2022, putting year-on-year growth at 11.9%. The increase in assets is due primarily to higher loans and investments. The performance of the main indicators of the consolidated financial system is stable and shows adequate levels of solvency, liquidity and profitability, as well as a low level of risk in the credit portfolio.

1.4. The Dominican economy's external sector has continued to perform well, in spite of the international environment. On the one hand, total exports of goods during the first half of 2022 were 16.5% higher than during the same period the previous year. At the same time, remittances totalled USD 4,861.1 million for the January-June period, down 7.6% year on year, but up from 2019, prior to the pandemic. Tourism receipts were up USD 1,980.7 million, thanks to year-on-year growth of 92.5%, a clear indication that the sector is recovering. A sign of investor confidence in the country is that, according to preliminary figures, foreign direct investment (FDI) reached USD 1,870.9 million between January and June 2022, an increase of 8.0% over the same period in 2021.

1.5. The positive trend in foreign exchange-generating activities contributed to the relative stability of the exchange rate, as reflected in an appreciation of the local currency of around 4.8% at the end of June. Furthermore, international reserves grew to some USD 14,456 million, equivalent to roughly 13.3% of gross domestic product (GDP) and about six months of imports, exceeding the metrics recommended by the International Monetary Fund (IMF).

2 OVERVIEW 2015-21

2.1. The Dominican economy experienced growth roughly in line with its potential, in a context of controlled inflation pressures, low twin deficits and a stable financial system.

2.2. Between 2015 and 2021, the Dominican Republic saw GDP grow at an average annual rate of 5.1%, in line with its potential. This steady growth reflects the positive impact of the efficient coordination of monetary and fiscal policies, which has made it possible to strengthen macroeconomic fundamentals, thanks also to the positive commodity supply shock of 2015-17. In addition, the diversification of the production structure and implementation of reforms helped to sustain the growth that was observed between 2015 and 2019, and contributed to a rapid economic recovery in 2021 following the crisis caused by the spread of COVID-19. GDP per capita rose from USD 7,138.4 in 2015 to USD 8,971.9 at the end of 2021.

2.3. In recent years, this economic growth has been reflected in a stabilization of the open unemployment rate, which averaged 7.3% in 2015 and 7.4% in 2021, according to the results of the Continuous National Labour Force Survey (ENCFT). Similarly, there was a significant reduction in poverty indicators and a concomitant expansion of the middle class, reflecting the improved quality of life of Dominicans.

2.4. Moreover, the positive supply shock and favourable structural conditions enabled economic growth without generating inflationary pressures. Inflation was within the target range of 4.0% (with a tolerance band of ±1.0%) throughout the 2015-19 period. This stability, aided by the correct monetary policy management of the Central Bank of the Dominican Republic (BCRD), has kept the expectations of economic agents anchored, facilitated the private sector's investment and consumption decisions and helped to eliminate volatility that could affect the business climate and macroeconomic stability, laying the foundations for sustainable growth.

2.5. It is important to note that, according to the World Bank, at the end of 2019, the country was on track to meet the target of achieving high-income status by 2030. However, in 2020, economic performance was significantly affected by the economic shutdown resulting from the COVID-19 pandemic. Although the onset of the pandemic did not, by and large, completely wipe out the economic achievements of the period, it brought the progress made under the main indicators to an abrupt halt and posed a major challenge for the future.

2.6. During the period under review, the banking system performed well despite the economic effects of the COVID-19 pandemic, thanks to the monetary and financial policies implemented during the period and to the channelling of resources to domestic production sectors and households. In December 2021, total financial assets amounted to DOP 2,761.4 billion (USD 48.6 billion), of which 88.0% (USD 42.8 billion) was concentrated in full-service banks, 9.7% in savings and loan associations, 1.9% in savings and credit banks, 0.3% in the National Development and Export Bank (Bandex), and 0.1% in credit corporations.

2.7. The financial intermediation process was further established throughout the review period. The total assets of the financial system amounted to 51.2% of GDP in 2021, compared to 42.4% in 2015. In that regard, financial system deposits increased from 39.4% of GDP in 2015 to 39.8% in December 2021, while in the same month the loan portfolio stood at 24.9%, very close to historical values.

2.8. Microprudential indicators point to appropriate liquidity conditions and adequate capitalization. In December 2021, the solvency ratio of the financial system was 19.1%, and for full-service banks it was 16.4%, exceeding the minimum levels required by local and international regulations by 10% and 8%, respectively. Furthermore, the indicators for return on assets and return on equity were 2.3% and 20.7%, respectively.

2.9. The delinquency rate continued its downward trend, falling from 1.7% in December 2015 to 1.3% in December 2021. Non-performing loan coverage, calculated as the ratio of provisions to non-performing loans, was 335.7% in December 2021. In that regard, financial entities increased their provisioning levels during the pandemic, despite the granting of regulatory waivers allowing them to voluntarily freeze their debtors' classifications and the respective provisions for a period of one year, after which the institutions must regularize the classifications in accordance with the Asset Valuation Regulations.

2.10. With regard to external accounts, the current account deficit averaged 1.5% of GDP during the period 2015-21, significantly lower than the 6.1% recorded between 2008 and 2014. This decrease in the deficit was due primarily to favourable terms of trade: on the import side, the prices of crude oil and its derivatives were low, and on the export side, the prices of gold and silver rose significantly. It should be stressed that, between 2015 and early 2020, prior to the outbreak of the COVID-19 pandemic, the positive trend in the real exchange rate that had emerged continued in a low-volatility environment. In addition, gross international reserves climbed from USD 4,861.8 million at the end of 2014 to the high levels observed in December 2021 of USD 13,034.0 million, equivalent to 5.6 months of imports. As at 30 June 2022, reserves amounted to USD 14,456 million.

2.11. With respect to fiscal outlook, during the period 2015-19, consolidated public sector deficit averaged 2.6% of GDP, lower than the 3.8% of GDP for the fiscal years from 2008 to 2014. In 2020, increased spending to cope with the effects of the COVID-19 pandemic, coupled with a shortfall in revenue due to the shutdown of economic activity, resulted in a deficit of 7.9% of GDP. However, this has been reversed thanks to the economic recovery, administrative efforts aimed at maximizing revenue collection, and the rationalization of spending, bringing the deficit down to 2.9% of GDP, with an average for 2015-21 of 3.4% of GDP. Since 2021, the Dominican Government has focused its public debt strategy on increasing its borrowing from multilateral and bilateral sources, minimizing financing risk, and reducing the proportion denominated in foreign currency. By 2021, as a result of public debt management, the average cost of non-financial public sector debt had been reduced by 9 basis points, and the average portfolio life had been extended from 12.0 to 12.2 years.

2.12. During the period under review, the Dominican Republic made significant progress in the areas of payment systems and cybersecurity[1], which contributed to the growth of the domestic financial market and the development of an ecosystem of fintech companies. Particular attention is drawn to the involvement of the BCRD as manager of a cross-border payment system called the Central American Interconnected Payment System (SIP), which is linked to the settlement systems of the central banks of the member States of the Central American Monetary Council (CMCA): Guatemala, Costa Rica, Honduras, Nicaragua, El Salvador and the Dominican Republic. This system allows payments between these countries to be settled in real time and is used to process intra-regional payments.

2.13. In order to ensure information integrity, availability and confidentiality, along with the optimal functioning of the information systems and technological infrastructure of the System of Payments and Settlement of Securities of the Dominican Republic (SIPARD), the Monetary Board, by means of its Second Resolution of 1 November 2018, adopted the Cyber- and Information Security Regulations, whose scope covers financial intermediaries, payment system administrators and other SIPARD participants, in addition to support entities and related services interconnected with financial intermediaries and SIPARD.

2.14. In the area of cyber- and information security, the Sectoral Council for Financial Sector Cybersecurity Incident Response and the Financial Sector Cybersecurity Incident Response Centre (SPRICS) were set up and their capacities were strengthened, enabling them to adopt preventive measures to protect against cybersecurity threats. Furthermore, in order to promote the correct implementation and management of the controls established in the Cyber- and Information Security Regulations, an automated self-assessment tool was made available to the participants.

3 ECONOMIC IMPACT OF THE COVID-19 PANDEMIC AND MEASURES ADOPTED

3.1. When the pandemic was declared, the Dominican Republic had strong macroeconomic fundamentals, reflected in dynamic growth, near-target inflation, and low public and external deficits, which allowed the economy to weather the negative effects of the measures adopted to tackle the health emergency.

3.2. It was to be expected that the global impact of the COVID-19 pandemic would significantly affect the Dominican economy. In this regard, the local spread of the coronavirus in the country led to the implementation of stringent lockdown measures, the temporary closure of non-essential productive activities, restrictions on freedom of transit, and the closure of the maritime, land and air borders, among other measures. This caused a contraction in external demand, consumption and investment, and a severe drop in the value added of the vast majority of economic activities, especially in key sectors such as construction and tourism. Specifically, real GDP shrank by 6.7% in 2020, and GDP per capita in United States dollars fell back to 2016 levels.

3.3. Regarding the labour market, the average open unemployment rate was 5.8% in 2020, which was lower than in 2019, but it fluctuated during the year owing to the COVID-19 pandemic. In particular, in the second quarter of 2020, active job searching was limited by lockdown measures

[1] Article 15 of Monetary and Financial Law No. 183-02, which was enacted in 2002, establishes that "the Central Bank is responsible for payment system oversight and final settlement". Moreover, Article 27 of the Law provides that "the Monetary Board's fundamental objective in regulating the organization and functioning of the clearing and settlement system shall be to ensure the immediacy and smooth processing of payments". To this end, under the powers conferred by Article 4 of the Law, the Monetary Board, through its Sixth Resolution of 19 April 2007, approved the Payment Systems Regulations, which on that date became the first regulations on the matter to have a broader scope, establishing "the legal regime and procedures applicable to the System of Payments and Settlement of Securities of the Dominican Republic (SIPARD)".

and restrictions on movement, causing the unemployment rate to reach 3.2%, as this element is crucial in the definition of the indicator. Furthermore, these limitations had a significant impact in that a large part of the labour force temporarily became absent workers, who are considered employed according to the guidelines of the International Labour Organization, an element that also contributed to a lower unemployment rate during this period.

3.4. In the third and fourth quarters of 2020, the labour market began to return to normal, with fewer absent workers (7.1%) and a higher open unemployment rate (7.4%), reflecting the impact of the pandemic on active job seeking. However, there was also an increase in the number of people employed in these quarters, mainly as a result of the relaxation of lockdown measures and the partial reopening of economic activities. On a separate note, the pandemic brought the progress made in poverty reduction to a temporary halt.

3.5. Meanwhile, inflation reached 5.55% in 2020, the first time it had exceeded the upper limit of the monetary programme's target since the implementation of the inflation-targeting scheme. It should be noted that this indicator was subject to cost shocks owing to weather events that affected the supply of some foods, such as the drought at the beginning of the year and tropical storms that struck the country in the third quarter of 2020. In addition, the hike in prices that year reflected the increase in the international price of oil and its derivatives and in that of various imported inputs.

3.6. The regulation of the financial system has fostered national financial stability by creating the conditions needed to provide financing to the productive sectors, strengthening the operational framework of financial and foreign exchange intermediaries during the COVID-19 pandemic. In response to this situation, the Monetary Board and the BCRD adopted a series of financial regulation measures to alleviate the financial burden on households and companies, and increase the provision of financing and liquidity through financial intermediaries. The main objective of these measures has been to reduce systemic risk and promote the revival of economic activities in an environment of monetary, exchange rate and financial stability.

3.7. At the beginning of the pandemic, the Monetary Board put in place a series of measures to provide liquidity, in both local and foreign currency, through the freeing up funds from the legal reserve. Subsequently, the Board approved a facility for the provision of liquidity through repurchase agreements denominated in local and foreign currency, and monetary resources were also granted through the Rapid Liquidity Facility to be channelled through financial intermediaries in the form of credit to the productive sectors, households and micro-, small and medium-sized enterprises (MSMEs). These provisions were accompanied by special, transitory regulatory treatment aimed at creating favourable conditions for debtors and the financial system.

3.8. In fact, by the end of 2021, the monetary stimulus plan amounted to more than DOP 215 billion and USD 622 million, equivalent to 5.0% of Dominican GDP, to provide liquidity to financial institutions to channel financing to the national productive sectors, making it one of the largest monetary and financial stimulus packages in the Central American and Caribbean region. These programmes and facilities have benefited more than 92,000 users, promoting the expansion of loans in local currency.

3.9. The external sector was not exempt from the adverse effects of the COVID-19 pandemic. Overall, the current account deficit worsened from 1.3% of GDP in 2019 to 1.7% in 2020, mainly as a result of two factors: a deterioration in the balance of goods and services, partly offset by an increase in remittance inflows.

3.10. First, exports of goods and services shrank by 27.4%, with a considerable drop of 64.2% in tourism revenues, caused by mobility restrictions imposed during the pandemic. At the same time, in view of the contraction in demand, imports of goods and services fell by 17.2%, which offset the drop in exports. Overall, this resulted in a 34.7% larger deficit in the balance of goods and services. It is worth noting that, with the reopening of tourism and the revival of exports from free zones, signs of recovery began to appear in the second half of 2020.

3.11. Second, the Dominican Republic received remittance flows of about USD 8,219.2 million in 2020, up 16.0% from 2019. This increase was due mainly to the economic assistance provided by remitting country governments to members of the Dominican diaspora residing in their economies. It should be noted that, at the beginning of the pandemic, the outlook was for a slump in remittance flows worldwide; however, the opposite was observed in most remittance-receiving countries. This increase largely offset the adverse impact of the contraction in global demand, so that, in 2020, the current account deficit did not worsen significantly.

4 ECONOMIC AND FINANCIAL RECOVERY (2020–22)

4.1. A proactive public policy response coupled with a diverse and flexible economy enabled the Dominican Republic to return to pre-pandemic production levels in late 2021.

4.2. The economic results for 2020 shows that, according to the monthly indicator of economic activity, the most critical point in the crisis occurred in April (-29.8%) and then, from May onwards, the economy began to recover, a trend that would continue throughout 2021, driven by the effective coordination of monetary and fiscal policies, the easing of lockdown measures, and gradual rebound of domestic productive activities and international trade. Likewise, progress in implementing the National Vaccination Plan and the Responsible Tourism Recovery Plan in response to COVID-19 had a significant impact on these results. Altogether, this has been crucial for stimulating economic activities and domestic demand, namely, consumption and investment.

4.3. Specifically, in 2021, real GDP grew by 12.3% year-on-year. When comparing economic activity levels in 2021 and 2019 in order to isolate the statistical effect of the 2020 baseline, it should be noted that the 2021 levels in real terms are 4.7% higher, reflecting an upturn and exceeding the levels seen prior to the outbreak of the COVID-19 pandemic. This resulted in a GDP of over USD 94 billion and a GDP per capita of USD 8,971.9.

4.4. This positive performance also had a favourable impact on the labour market. The average open unemployment rate was 7.4% in 2021. This indicator increased compared with 2020 because a large proportion of the previously inactive population began looking for work again with the relaxation of restrictions on business operating hours and freedom of movement, thereby placing upward pressure on this indicator.

4.5. During the October-December quarter in 2021, employment reached a total of 4,682,079 (including formal and informal employment), up 267,478 (6.1%) from 4,414,601 workers in the same period of the previous year. The employment level reached in October-December 2021 is statistically equal to the level in the same quarter of 2019, indicating a return to the employment levels of the period prior to the onset of the COVID-19 pandemic. A number of poverty indicators also began to gradually decrease again in 2021.

4.6. Lastly, with regard to inflation, for much of 2021, annual inflation was impacted by a broad-based global supply shock, in particular higher prices for oil, food and other primary goods, higher freight rates due to container shortages, and other pandemic-related supply chain disruptions. This resulted in significant increases in the cost of the main imported raw materials and finished goods, mainly affecting domestic prices of fuels and foodstuffs in the basket of goods. This led inflation to deviate from its expected path, with it reaching 8.5% by the end of 2021.

4.7. In order to offset the effects of external factors on prices, a monetary standardization plan has been implemented through increases in monetary policy interest rates and liquidity control measures, to help bring inflation into the target range. The aim of this monetary normalization process is to avoid the risk of overheating the economy, which could worsen external inflationary pressures.

4.8. The economic and financial policy measures implemented to mitigate the effects of the health crisis proved effective in reviving the economy. These measures promoted liquidity in the market, leading financial institutions to increase their share in the securities market, in order to maintain appropriate profitability levels throughout 2021. In this regard, liquidity coverage levels remain favourable, with surpluses of more than DOP 567,302.4 million towards the end of 2021, supported by growing investment, which was up by almost 40.0% compared with 2020.

4.9. Credit to the private sector also grew by 11.8%, boosted by loans to the trade and consumer sectors. Household debt is on a par with pre-COVID-19 levels. These loans represent around 13.6% of GDP and had grown by 11.0% by the end of 2021. Likewise, corporate sector lending continued to grow at a positive year-on-year rate of 12.6%, buoyed by loans to the construction and manufacturing industries. The level of corporate and household credit risk exposure was limited. After reaching levels above 2.0% in 2020, the delinquency rate declined, falling to approximately 1.3% by the end of 2021.

4.10. At the aggregate level, the financial system has adequate provisions to cover all past-due loans. In March 2021, a number of entities began implementing the phased provisioning programme stipulated by the Monetary Board, relating to loans and receivables provided from funds released through liquidity facilities in 2020. The phased provisioning process is ongoing, however, the estimated provisions are close to those made by financial intermediaries, so the gap is narrowing. For this reason, provisions have reached levels that exceed the historical average.

4.11. The Dominican Republic is exposed to external shocks and, as such, since 2021 it has felt the impact of supply and demand imbalances, supply chain disruption and, since the start of 2022, the effects of the conflict in Eastern Europe, factors that have exacerbated inflationary pressures globally. In this context, the BCRD has implemented a phased monetary policy normalization plan, which provides for the gradual and orderly repayment of the liquidity provided during the COVID-19 pandemic, some DOP 85 billion of which has been recovered to date. Likewise, since November 2021, the monetary policy interest rate has increased by 350 basis points, standing at 6.50% in May 2022.

4.12. These measures have helped to accelerate the monetary policy transmission mechanism, contributing to an adjustment in domestic interest rates and a significant slowdown in the growth of monetary aggregates. In this active monetary policy context, the BCRD will continuously monitor international financial conditions and economic agents' expectations, to take the necessary steps to bring inflation gradually into the target range over the monetary policy horizon.

4.13. During the pandemic, and following the global reopening, the country's exports of goods and services grew significantly, in line with the domestic economic recovery. However, demand for foreign goods and services also rose which, combined with price increases in international markets, led to a deterioration in the current account deficit from 1.7% of GDP in 2020 to 2.8% of GDP in 2021.

4.14. Non-resident air passenger arrivals went up from 2,405,315 travellers in 2020 to 4,994,313 in 2021, a jump of 107.6%. This resulted in tourism growing by 112.6%, demonstrating the sector's post-pandemic recovery. The health policy package, notably the successful vaccination programme implemented by the Dominican Government between 2020 and 2021, was key to the upswing in tourism. Likewise, domestic and free zone exports saw substantial increases, by 19.9% and 21.8% respectively. Family remittances also reached a record USD 10,402.5 million, up 26.6% on 2020, which was also driven by government aid schemes to mitigate the impact of the pandemic, mainly in the United States.

4.15. Meanwhile, imports of goods and services surged by 40.6% compared to 2020, partly due to prevailing global inflation levels. While this increase led to a deterioration in the current account deficit, this trend reflects an improvement in domestic demand for foreign goods and services and is in line with the economic growth seen in 2021.

5 GLOBAL GEOPOLITICAL OVERVIEW AND OUTLOOK (2022)

5.1. The deterioration in global economic conditions has hit the local economy, causing a shift in the monetary policy stance and the introduction of government subsidy programmes to lessen the impact of higher commodity prices on the Dominican people. The outlook for growth thus remains positive, albeit more modest, while inflation is expected to be brought into the target range over the monetary policy horizon.

5.2. The Dominican economy has continued to perform well in 2022, recording average year-on-year growth of 5.6% in the first six months of the year. This positive trend in economic activity has been driven by the recovery in tourism and the buoyancy in construction, trade, transportation, farming and fishing, health, and manufacturing in free trade zones. Going forward, the growth prospects for the Dominican economy remain good, even if they have been tempered by prevailing global uncertainty. In this connection, economic growth is expected to be around 5.0% for the current year, close to its potential.

5.3. Inflation rose 5.48% between January and July, while year-on-year inflation, as measured from July 2021 to July 2022, was 9.43%. Domestic inflation, like economies the world over, continues to be affected by external factors that have been more persistent than expected, notably rises in commodity prices for products traded on international markets. However, the year-on-year CPI figure for July 2022 fell 0.21% from the peak of 9.64% recorded in April of this year, which shows that year-on-year inflation is gradually easing. This is partly due to measures implemented by the Government, in particular subsidizing fuel on the local market and reversing increases in the electricity tariff scheduled for the July-September quarter of 2022. In addition, a tighter monetary policy stance has been adopted, as a result of an increase in the monetary policy rate and a reduction in excess liquidity, to help to bring inflation into the target range within the policy horizon.

5.4. Soaring global inflation in the wake of the conflict between the Russian Federation and Ukraine has produced another global aggregate supply shock. In this connection, local food production commodities, such as maize, wheat, barley and soya beans, together with fertilizers, have seen steep price increases in recent months. In addition, the price per barrel of West Texas Intermediate (WTI) crude oil has topped the levels reached during the 2008 financial crisis. International container transport costs also remain high, which has hit the prices of imported consumer goods. In this context, the monetary authorities remain attentive to international financial conditions and economic agents' expectations, and continue to take the necessary steps to bring inflation gradually into the target range of 4% (with a tolerance band of ± 1%) over the monetary policy horizon.

5.5. The key findings of the financial stability analysis suggest that financial intermediaries are expected to maintain limited exposure to internal and external risk factors in 2022, in line with the Dominican Republic's economic recovery, the normalization of monetary conditions and the gradual repayment of resources granted through the various liquidity facilities. Furthermore, financial risks are expected to remain low, given prevailing market conditions.

5.6. The recent performance of the global economy and the inflationary impact of ongoing geopolitical conflicts, external shocks and service cost adjustments have tempered the growth prospects for the local economy.

5.7. In its role as regulator of the financial system and executor of macroprudential policies, the BCRD will continue to monitor the trends of the main financial indicators and assess the financial soundness of financial intermediaries, in order to take prompt action to help preserve financial stability and limit the build-up of systemic risk.

5.8. From the second half of 2021, there were signs of a moderate rate of economic growth and a recovery in employment in both advanced and developing economies, as inflationary pressures and persistent supply shocks, ranging from supply to labour shortages, began to loom increasingly large on the international balance of risks. Similarly, the emergence of the new Omicron variant of COVID-19 led multilateral agencies and governments worldwide to revise their macroeconomic forecasts, in the face of the risk of a reintroduction of restrictive measures. As the months go by, the increasingly obvious incongruity between high foreign demand for goods and services following the economic reopening and the disruptions to global supply and distribution chains, has been exacerbated by the impact of the conflict between the Russian Federation and Ukraine since late February 2022, which has significantly increased business cost structures and final consumer prices.

5.9. Despite these adverse circumstances, the lifting of COVID-19 restrictions, thanks to the effectiveness of the Dominican Republic's health measures and monetary stimulus policies, which reached 5.0% of GDP, pushed year-on-year GDP growth of the domestic economy up to around 12.3% over the 2021-22 period and 4.7% in 2019, the year before the pandemic hit.

5.10. Many North American and European economies continued to pursue expansionary fiscal and monetary policies, while the risk of de-anchoring inflation expectations put central banks in a quandary as to how and when the appropriate adjustments should be made to tighten these policies, without jeopardizing the post-pandemic recovery process still under way in many economies. The persistence of external shocks and the Dominican Republic's healthy economic performance led the BCRD to act promptly and implement a plan to normalize its monetary policy from the end of 2021. Under this new scheme, the BCRD sought to reduce excess liquidity through open market operations and increases in the policy interest rate, which has risen by nearly 350 basis points since November 2021.

5.11. The conflict between Ukraine and the Russian Federation and the sanctions imposed as a result on the latter have triggered high levels of volatility in international markets. In the case of commodities, in which the Russian Federation has a significant global share of exports in goods such as natural gas, wheat, crude oil, nickel, fertilizers and coal, international prices have reached historic levels not seen since 2008. As a net buyer of commodities, the Dominican Republic imported around USD 656.6 million in goods, including soya beans, wheat, maize, sugar and fertilizers in 2021. Despite this, its highly diversified basket of imports and exports and limited trade exposure to the Russian and Ukrainian markets, meant that these goods accounted for only 6.2% of the total primary goods brought into the country in 2021.

5.12. In addition, the external sector of the Dominican economy has proved resilient and sufficiently adaptable in the face of adverse external shocks. Accordingly, the positive performance of total exports, with a year-on-year increase of 15.4%, pushed their overall value to close to USD 4,521.8 million between January and April 2022. Should national exports (19.8%) and free trade zones (12.1%) both continue to perform well, the current account deficit is forecast to reach around 3.0% of GDP by the end of 2022, a gap to be financed in full by the USD 3.5 billion that the economy is expected to receive in FDI by year-end, according to BCRD projections.

5.13. Likewise, the rapid recovery in tourism and nearly USD 10 billion in family remittances expected in 2022 will lead to stronger foreign exchange inflows into the Dominican economy. These foreign currency revenues will be essential to keeping the exchange rate relatively stable, which, by 31 May 2022, had appreciated 3.2% compared to the same date in 2021. The timely accumulation of international reserves, a major factor in dealing with episodes of volatility and adverse shocks, has served as the basis for the BCRD's projected levels of close to USD 13,360.2 million by the end of 2022, equivalent to 12.3% of GDP and 5.5 months of import cover, which is considerably higher than the parameters recommended by the IMF to maintain a strong external position.

5.14. The Dominican Republic, as an open economy, is no stranger to the collateral effects of the current international climate, including the restrictive monetary stances adopted by various economies, which could mainly affect the oil bill and tourism. However, the underlying buoyancy of the Dominican economy and the right monetary policy stance improve the country's external position, as shown by the increase in the main generators of foreign exchange. Therefore, the outlook for the country until the end of 2022 is positive. The year-end forecasts of various international organizations, investment banks and credit rating agencies are the same. The IMF and the World Bank, for example, estimate GDP growth for the Dominican Republic of around 5.5% and 5.0%, respectively, for 2022, which would place the country among the economies with the highest levels of expected economic expansion in Latin America and the Caribbean.

6 STABILIZATION AND NORMALIZATION OF THE ECONOMIC CYCLE (2019-22)

6.1 National Development Strategy

6.1. Between 2015 and 2022, the Government of the Dominican Republic has reiterated its commitment to implement Law No. 1-12 establishing the National Development Strategy 2030 (END 2030) and its implementing regulations, through Decree No. 134-14, as the main tool for coordinating its goals and lines of action to achieve development in the framework of a participatory democracy that guarantees the social and democratic rule of law and promotes equity, equal opportunities and social justice, among other highly important issues.

6.2. Over the years, END 2030 has been implemented following the planning set out in various National Multi-Year Public Sector Plans that are aligned with the development strategy in an organized manner that is consistent with the Sustainable Development Goals and the Government Programme. Two further plans have been drawn up since then: in 2016, the National Multi-Year Public Sector Plan (PNPSP) 2017-20, and its updates, and, recently, the PNPSP 2021-24.

6.3. The PNPSP 2021-24 sets out the aspiration to develop an intuitive, functional and calculable concept of quality of life. A better quality of life is understood as "improving people's daily lives by improving public services (such as water, electricity, health, education, public safety and access to justice), by establishing the conditions to create good-quality jobs, and by creating more opportunities for all people, without distinction".[2] This also requires a more effective and efficient State, a productive apparatus that can generate more foreign exchange and a country that is socially and territorially more cohesive, inclusive and united. To achieve the goals specified and established for the intervention areas, seven cross-cutting topics or issues were outlined: gender, territory, participation, sustainability, transparency and accountability, affirmative actions for vulnerable groups, and digital transformation.

6.4. The rationale underpinning the PNPSP 2021-24 seeks to ensure that sectoral policies, final and intermediate products, and goals take into account the impact of policies on people's quality of life. For instance, policies might improve formal employment or gender or territorial equity, or they might reduce pollution. Ultimately, quality of life has become one of the Dominican Republic's core development objectives.

6.5. Once the commitments undertaken in the 2014 Education Pact had been implemented, the Electricity Pact, signed on 25 February 2021, led to more than three years of discussions among stakeholders from a cross-section of society. Consensus was reached on 212 topics; there were 14 areas of disagreement, which will need to be addressed at a later stage. It was also agreed that compliance with the areas of consensus and solutions to the areas of disagreement would be monitored by the Monitoring and Oversight Committee, a body established under the Pact.

6.6. Regarding the Fiscal Pact, progress has been made through policies to improve the quality of government expenditure and savings in State institutions. In this regard, public scrutiny of management of the civil service is important for these reforms that seek to improve the quality of income and expenditure.

6.7. The discussions that have been initiated and the commitments related to the presentation and signing of the National Commitment Proposal for a Water Pact are the result of open dialogue and of agreements forged collectively with society as a whole. This process is intended to lead to the development and signing of a Pact in the near future to boost water sustainability and security over a 15-year period (2021-36).

6.8. The recent pandemic has led to public policies being redesigned because lockdowns caused problems to the real economy, tax revenue fell and government expenditure increased to subsidize the poorest people and those who lost their jobs. The worst consequences of the pandemic are now believed to have been overcome.

6.9. The Dominican Republic is a middle-income country with GDP per capita of USD 8,971.9 in 2021.[3] While poverty rates had been falling since 2004, in recent years the impact of COVID-19 have been felt, with the crisis beginning in the country in April 2020. Therefore, as a result of the effects of the pandemic on the Dominican economy, exceptionally economic policies and relief measures had to be introduced in 2020 to slow the contraction of the economy and the resulting job losses and increased monetary poverty.

6.10. The pandemic has reversed the improvements in overall poverty and extreme poverty rates of recent years. Overall poverty (28.6% in 2016) and extreme poverty (4.5% in 2016) had been declining up to and including 2019, but the trend changed in 2020, with overall monetary poverty rising from 20.9% in 2019 to 23.4% in 2020 (274,557 additional people fell into this category). The percentage of people living in extreme poverty increased by 0.9 percentage points from 2.6% in 2019 to 3.5% in 2020.[4]

6.11. The economic downturn was partly reversed in 2021, as reflected in the poverty rates: while extreme poverty fell to 3.1%, thanks to the *Quédate en Casa* (Stay at Home), Employee Solidarity Assistance Fund (FASE) and *Pa' Ti* (For You) social programmes and other measures, monetary poverty continued to rise, reaching 23.9%. As measured by the Gini coefficient[5], inequality decreased from 0.433 in 2016 to 0.396 in 2021.

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[2] National Multi-Year Public Sector Plan (PNPSP) 2021-24.

[3] BCRD preliminary figures.

[4] Viewed at: https://mepyd.gob.do/publicaciones/boletin-pobreza-monetaria-a7-no9.

[5] At the national level, inequality, as measured by the Gini coefficient, fell between 2020 and 2021 in both urban and rural areas. This trend is corroborated by a reduction in the Palma ratio, which is measured as

6.2 Competitiveness

6.12. The Dominican Republic's competitiveness, as measured by the Global Competitiveness Index of the World Economic Forum, has improved markedly when compared to 2018. It climbed from 82nd out of 140 countries to 78th out of 141 countries and its score increased by 0.9 points to 58.3. The country recorded substantial gains on certain pillars, including those on institutions, the innovation ecosystem and the financial system.

6.13. These competitiveness gains have been bolstered by the results of international assessments. For instance, in 2019, the Global Forum on Transparency and Exchange of Information for Tax Purposes of the Organisation for Economic Co-operation and Development (OECD) classified the Dominican Republic as "largely compliant" with the tax transparency standard. The Financial Action Task Force (FATF), for its part, stated in its Mutual Evaluation Report that the country was in conformity with and generally in compliance with the recommendations for the prevention of money laundering, financing of terrorism and the proliferation of weapons of mass destruction. Similarly, under the Extractive Industries Transparency Initiative (EITI) – a global standard for good governance in the extractive industries, the implementation of which ensures transparency and accountability with regard to mineral resources and promotes compliance with environmental standards – the country was deemed to have made "significant progress".

6.14. As a joint effort to enhance the Dominican Republic's export competitiveness, the National Export Development Plan 2020-30 exemplifies the willingness of public and private institutions that directly or indirectly shape the export process to work together to address the short-, medium- and long-term challenges so that the Dominican Republic can consolidate its integration in international trade.

6.15. Similarly, the National Export Strategy for Modern Services 2021-25 was launched, through which the Dominican Government is taking action to promote an innovative, inclusive and sustainable ecosystem that fosters exports of non-traditional services by strengthening the capacity of the information and communication technologies (ICT) sector and the Orange Economy.

6.16. The National Trade Policy Plan 2016-21 provides strategic guidelines for a comprehensive national trade policy as a tool to strengthen and improve the country's access to international markets through international trade agreements. The continuity is being given to the Plan through the Trade Negotiations Strategy of the Dominican Republic 2021, which was negotiated between the Government and the private sector and sets out the course of action and focus of the trade negotiations towards which the country is moving.

6.17. In 2022, pursuant to Decree No. 612-21, a presidential report was concluded that identified the economic sectors with the greatest potential to maximize the opportunities created by the reconfiguration of global value chains. The report includes a survey of economic sectors, a study of FDI attractiveness by sector, the evolution of United States imports from the Dominican Republic and China, and various factors that affect trade flows, such as freight costs and tariffs. A nearshoring plan was then formulated with a series of short- and medium-term policy proposals to address the critical points identified and to consolidate the Dominican Republic's competitive strengths, which were identified by interviewing representatives of various economic sectors and by reviewing the literature.

6.18. In 2022, the Export Development Bureau was established pursuant to Decree No. 172-22. Chaired by the President of the Dominican Republic and coordinated by the Ministry of Industry, Trade and MSMEs (MICM), the Bureau allows all government action taken to promote and boost exports by Dominican companies to be formulated and evaluated in one place and in a cohesive manner.

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the ratio between the total income of the richest 10% of the population and that of the poorest 40%. Viewed at: https://mepyd.gob.do/publicaciones/boletin-pobreza-monetaria-a7-no9.

6.3 Purchase of shares held by Petróleos de Venezuela, S.A. (PDVSA) in Refinería Dominicana de Petróleo S.A. (REFIDOMSA)

6.19. In September 2021, the Dominican State purchased 49% of the shares from the subscribed and paid-up capital of Refinería Dominicana de Petróleo PDV, S.A. (REFIDOMSA), which were owned by the company PDV Caribe, S.A., a subsidiary of Petróleos de Venezuela, S.A. (PDVSA), a state-owned enterprise of the Bolivarian Republic of Venezuela. As a result of this transaction the State became the owner of 100% of the company's shares.

6.20. The purchase price of EUR 74 million (equivalent to USD 88.134 million) agreed by the State was lower than the selling price that PDV Caribe, S.A. had paid the Dominican State when it bought the shares more than 10 years ago. In the first stage of the purchase, PDV Caribe, S.A., swapped its shares in REFIDOMSA for bonds issued by PDVSA and the Bolivarian Republic of Venezuela and held by the commercial firm PATSA Ltd. (part of Grupo Rizek in the Dominican Republic that facilitated the transaction). In the second stage of the transaction, the Dominican State immediately bought the shares that PATSA, Ltd. had bought from PDVSA at the same agreed price.

6.4 Tariffs

6.21. To counter and prevent the economic and public-health effects of the COVID-19 pandemic, during the state of emergency, the Dominican authorities adopted a series of tariff measures to support or provide a fiscal stimulus to various sectors, in particular the health sector. Resolution No. 163-2020 authorized the Tax Administration to implement a tax holiday for certain healthcare products specified in the Resolution.

6.22. To compensate for the price hikes on a series of products in the basic basket, driven by the geopolitical and trade situation resulting from the conflict between the Russian Federation and Ukraine and from global supply chain interruptions, the Dominican authorities enacted Law No. 6-22 of 27 April 2022, which suspended tariffs on the 67 products in the basic basket.[6]

6.5 Agricultural sector

6.23. The Dominican Republic's agricultural trade policy has a degree of openness that is typical of a booming small economy and is shaped by the commitments entered into under the various trade agreements. In that respect, the opening of the market for some of the main agricultural goods pursuant to the trade agreements signed by the country has created a new challenge in terms of price competition and more efficient production processes.

6.24. The agriculture sector is the primary source of employment in rural areas, where most of the country's poor households are located. The State has focused on implementing policies and programmes that are aligned with the strategic pillars of the agricultural sector: to modernize and strengthen the agricultural sector; boost the supply of food of crop or livestock origin; improve the competitiveness of the agricultural sector and the profitability of producers; promote agricultural exports and the development of infrastructure and services in rural areas based on a territorial approach; foster social protection and productive inclusion with gender equity; and advance practices for environmental sustainability and resilience to climate change.

6.25. Between 2015 and 2021, the food supply grew significantly and was sufficient for nationals and foreign visitors. Part of that success was due to the increase in the Agricultural Bank's loan portfolio at exclusive preferential rates. Capital investment also increased in productive infrastructure, including rural roads, irrigation systems (rehabilitation of irrigation channels at the national level), heavy equipment and agricultural machinery purchases, regional storage and processing centres for drying grain, land preparation and the provision of inputs, among other measures.

6.26. The outbreak of theCOVID-19 pandemic posed a major challenge for the domestic agricultural sector. At the start of the pandemic and when borders closed, food consumption in the tourism

[6] Law provisionally applying zero-rated customs tariffs to certain goods that affect the cost of food items that are basic components of Dominican families' diets. Viewed at: https://micm.gob.do/images/pdf/transparencia/base-legal-de-la-institucion/resoluciones/Leyes/2022/Ley_6-22_Tasa_cero.pdf.

sector declined considerably, causing a production surplus that required measures to move, process and export a significant portion of the excess food. Another disruptive effect of the pandemic was the introduction of local and international restrictions on movement. The real value added of the agricultural sector saw year-on-year growth of 2.6% at the end of 2021 thanks to the performances of crop farming (2.9%) and the livestock, forestry and fisheries sector (1.1%). This was similar to the level recorded the previous year, when the sector grew by 2.8% despite the impact of the health crisis and weather-related events.

6.27. The measures taken by the State to deal with the effects of the pandemic included those implemented by the Dominican Government through institutions in the sector to help small and medium-scale producers, with a view to stimulating agricultural production and ensuring national food security and price stability for agricultural products during the pandemic. The measures include the launch of a comprehensive programme coordinated by the Ministry of Agriculture to mitigate the effects of rising prices for commodities and crude oil that have affected the international market, pushing up in turn production and transport costs. The programme included financial measures, such as the Agricultural Bank's interest-free loans, with 60% of funds allocated to small producers, to ensure the availability of products from the basic basket and guarantee the renegotiation of some debts. It also covers the repair and improvement of roads connecting farms in 28 communities, the drilling of tube wells to supply water to the necessary areas, and the delivery of inputs such as seeds and seedlings to farmers.

6.28. More recently, to counter the effects of the crisis between the Russian Federation and Ukraine, a fund was created to ensure a stable supply of fertilizers and agrochemicals used in the farming industry, with a grace period of six months for principal payments. Direct measures were taken to address the hike in domestic prices of basic food basket products and imported commodities and inputs used in food production, most notably Law No. 6-22, which zero-rated imports of 67 food products for a period of six months.[7] Similarly, the National Price Stabilization Institute (INESPRE) has taken steps to set up more food markets, doubling the number of its warehouses and direct-sale markets throughout the country.

6.29. Lastly, the *Siembra RD* sowing programme has been implemented in order to continue to guarantee food security. The programme includes an initial payment with a 6% per annum interest rate through the Agricultural Bank to improve livestock farming and continue to provide support for inputs. The programme also seeks to increase the acreage of land suitable for planting food products.

6.6 Measures adopted to consolidate customs procedures

6.30. In order to continue consolidating trade facilitation commitments and improving the competitiveness of Dominican foreign trade, the government authorities have been promoting a series of legislative and regulatory initiatives aimed in that direction. The initiatives that are having the greatest impact on the Dominican Republic's trade include the new General Customs Law No. 168-21[8], the initiative for the clearance of goods within 24 hours, the *Exporta* + programme for the facilitation of exports and the fine-tuning of the single window for foreign trade (VUCE) initiative, and the simplified authorized economic operator (AEO) status for MSMEs.

6.31. The General Customs Law No. 168-21 was designed to be a modern and efficient legal instrument that conforms to international rules and standards, in line with the reality of national legislation. This Law incorporates international commitments such as environmental agreements and the Trade Facilitation Agreement (TFA), the practice of non-intrusive or non-invasive inspections, and the use of information technology and e-payment through banks. It lists the customs procedures and regimes in a clear and ordered manner, institutes advance declarations and advance rulings, and brings together all the customs regimes. It also allows for the transmission of documentation prior to the arrival of the means of transport and establishes facilitation measures such as the AEO and the single window for foreign trade. It provides that logistics centres and logistics operators may operate for a period of 15 years, which may be renewed in accordance with the conditions set out

[7] Viewed at: https://micm.gob.do/images/pdf/transparencia/base-legal-de-la-institucion/resoluciones/Leyes/2022/Ley_6-22_Tasa_cero.pdf.

[8] Viewed at: https://www.aduanas.gob.do/ley-16821/#:~:text=Esta%20Ley%20moderniza%20y%20simplifica,los%20tr%C3_per centA1mites%20y%20procedimientos%20aduaneros.

in the regulations. In addition, it establishes the procedures for correcting, rectifying and withdrawing the declaration.

6.32. The pillars of the initiative for the clearance of goods within 24 hours (D24H) include the ongoing improvement of customs processes and procedures, the simplification of procedures and customer service. The application of these measures has helped the private sector to improve its internal processes and lead times, using the facilities provided by the Directorate-General of Customs (DGA), as goods may be presented or declared prior to the arrival of the means of transport. In summary, the results achieved through the D24H programme show that significant progress has been made in reducing clearance times, streamlining processes, lowering costs, alleviating congestion at ports, carrying out processes in advance and filing manifests prior to the vessel's arrival.

6.33. Furthermore, in order to increase the country's volume of exports, the DGA introduced *Exporta +*, with the involvement of 105 recognized enterprises that will work jointly with the DGA to transform the Dominican Republic into the logistics hub for the entire region. *Exporta +* seeks to reduce red tape in the export process, thereby increasing the regular volume of goods that leave the country, in order to increase the Dominican Republic's competitiveness in relation to other nations in the region. The programme's primary aims are to facilitate exports, simplify export processes, increase the flow of exports, integrate "para-customs" entities, improve inter-institutional coordination, close all export files, ensure the traceability of exports, improve export statistics, develop the inspection and joint inspections schedule and improve the information on export processes.

6.34. The single window for foreign trade (VUCE) initiative has led to the integration of over 40 institutions and bodies linked to customs operations, thereby improving the interaction between government institutions and the private sector. The aim is to facilitate the customs procedures and processes involved in the clearance of goods, by reducing the time and cost of foreign trade operations. Sixty-one new services have also been integrated as part of the implementation schedule for 2019, the VUCE Computerized Management Portal has been launched and 221 active services included. In addition to the aforementioned trade facilitation measures, on 1 January 2022, the DGA implemented the updated customs tariff, aligned with the seventh edition of the Harmonized Commodity Description and Coding System (HS), in order to reflect the latest advances in science, technology and international trade patterns.

6.7 Key elements for attracting foreign direct investment (FDI)

6.35. The Dominican Republic has an excellent investment climate, underpinned by a legal framework that is very attractive and secure for foreign investment. The country has a number of political, economic, social and legal advantages that, combined with its natural potential, have enabled it to establish itself as the top destination for FDI in the Caribbean and the second in Central America.

6.36. The Dominican Republic has preferential access to over 1 billion consumers, marketing products under more than 3,000 tariff lines, thanks to the effective implementation of the trade agreements[9] concluded with the major countries of the world, as well as the facilities related to the unilateral preferences granted under the Generalized System of Preferences (GSP), which provides preferential access to 55 destination markets for the products marketed under more than 3,000 tariff lines.

6.37. In February 2020, the Dominican Republic established an innovative regulatory framework for the creation and development of public-private partnerships, pursuant to Law No. 47-20, which created the Directorate-General for Public-Private Partnerships (DGAPP), charged with promoting and regulating such partnerships.

6.38. Moreover, in December 2021, the Dominican State issued Decree No. 806-21 providing for the relaunch of the Investment Single Window of the Dominican Republic as part of the Efficient

[9] The United States and Central America Trade Agreement (DR-CAFTA), the Trade Agreement with the Caribbean Community (CARICOM), the Agreement with Central America, the Partial Scope Agreement with Panama, the EU-CARIFORUM Economic Partnership Agreement and the CARIFORUM-United Kingdom Economic Partnership Agreement.

Government Programme (Zero Red Tape), with a view to interconnecting and combining on a single digital platform all procedures, permits, registrations, licences, no-objection permits, authorizations or any other type of approval required by various government or municipal institutions for investment projects to be carried out in the Dominican Republic.

6.39. Similarly, and with a view to encouraging investors to choose the country, the Investment Promotion Bureau was established under Decree No. 849-21, with the aim of spearheading, within the government, policies, guidelines and mechanisms for the development of facilities and processes that will encourage investment in strategic sectors that help to improve and boost the country's competitiveness.

6.40. Over the past two years, ProDominicana has started work to create, maintain and expand a digital ecosystem with tools focused on trade intelligence, capacity-building and facilitating business links.

7 FUTURE POLICY DIRECTIONS

7.1. The Dominican Republic's trade agenda for the coming years includes leveraging the trade agreements in force, continuing to deepen and modernize economic integration in Central America and the wider region, and enhancing the country's competitiveness through improvements in the various relevant areas: institutional environment; infrastructure; ICT adoption; macroeconomic stability; improvements to the health and skills of the general population; improvements to the goods, services and labour markets; and improvements to the financial system and innovation ecosystem.

7.2. The country will continue to make a positive contribution to the multilateral trading system by actively participating in the Organization's various bodies and the negotiating processes, such as the initiative aimed at reaching a plurilateral agreement on investment. Moreover, the country will continue to monitor its trading partners' compliance with trade agreements and to make use of the dispute settlement mechanisms when necessary.

7.3. A major statistics initiative, the DATACOMEX-RD platform, has been implemented by the MICM and the National Statistics Office. Its purpose is to act as a transparency mechanism for the Dominican Republic's foreign trade statistics that enables economic operators to access relevant information, in addition to encouraging research, the development of business opportunities, the creation of jobs and productive innovation for macroeconomic recovery and improvement.

7.4. At the same time, the Local Manufacturing Directory platform, set up by the MICM, seeks to provide the general public with updated contact information for local manufacturing companies in the Dominican Republic, as well as information on the type of economic activity in which these companies are engaged. It thus provides access to information that could allow companies to expand both locally and internationally and create business synergies.

7.5. In recent years, the Dominican Quality Council (CODOCA) has been stepping up its actions with regard to productive processes . It has prepared, among other important documents, the National Quality Policy 2021-24 with the collaboration of all Dominican Quality System (SIDOCAL) stakeholders, through a process involving the participation of 23 public and private institutions that are CODOCA members. This Council is the highest authority of SIDOCAL and formulates, articulates, coordinates and disseminates policies on quality, contributing to the development, strengthening and recognition of SIDOCAL.

7.6. One of CODOCA's key objectives is to define and articulate quality and productivity policies of national interest in the areas of metrology, standardization, testing, accreditation and certification, in line with national development needs and recognized international guidelines and practices. The measures taken in this regard ultimately seek to improve Dominican products and services, so that the quality of both the domestic market and foreign trade are also enhanced, thereby contributing to the development of the Dominican Republic.

7.7. The Dominican Republic will continue to promote actions aimed at increasing flows of productive investment and opportunities for progress and improved well-being. In this connection, it will continue to promote initiatives such as the launch by ProDominicana of the online Register of Foreign

Direct Investment, the objective of which is to streamline and make the registration processes more transparent to investors, while at the same time making the processes free.

7.8. The confidence that international financial agents have in the Dominican economy means that future macroeconomic prospects are positive. Generally speaking, there has been a positive reaction to the implementation of macroeconomic policies that are consistent with the objectives of bringing about the recovery of productive activities, recovering jobs and protecting the most vulnerable segments of the population. This positive outlook is based on various factors, which include the proper management of public finances; the appreciation of the Dominican peso in 2021 and the first months of 2022; the increase in net international reserves; the tourist arrival figures; and the contribution of remittances. One challenge for the Dominican economy in recent months has been inflation, which is linked to higher commodity prices and the bottlenecks in global trade supply chains caused by the conflict between the Russian Federation and Ukraine. This has led to the recent adoption of tighter monetary policies and it is hoped that these policies will bring inflation back on track in the coming months.

7.9. The rapid recovery of domestic activity and the administrative efforts to streamline tax management resulted in a substantial increase in tax income. This performance, together with the strategy setting public spending priorities, contained the growing demand for resources associated with supporting the reinvigoration and strengthening of the productive fabric, the social programmes needed to support the most vulnerable people, the fight against the pandemic and the rise in mass-market consumer products. As a result of these factors, and despite budgetary pressures, the central government's fiscal deficit stood at 2.9% of GDP at the end of 2021, which is below what had been expected and in line with the fiscal consolidation process that has been the focus of government actions. Moreover, according to the latest estimates, the year-end fiscal balance is aligned with level forecast in the 2022 General State Budget.[10]

7.10. In the medium-term, the fiscal policy guidelines are focused on ensuring a sustainable public debt trajectory in order to guarantee the allocation of public resources to meet the social demands that informed the design of the government programme, and to position the Dominican sovereign credit rating at investment grade. These objectives are rooted in fiscal discipline, stronger tax revenues and the targeted use of public resources, with their cross-cutting focus being to create the conditions conducive to macroeconomic stability. With regard to debt management, the guidelines are focused on increasing the share of debt held by multilateral institutions, mitigating the main risks by increasing the percentage of local currency-denominated debt, reducing the proportion of debt with variable interest rates, improving maturity profiles and improving the balance of the portfolio risks. On the basis of the revenue, expenditure and financing policy planning and the economic outlook for the projection period, non-financial public sector debt is expected to close 2022 at 47.5% of GDP, following a trajectory of constrained growth until the debt-to-GDP ratio climbs to around 48.1% in 2026, at the end of the projection horizon.[11]

7.11. In this connection, the Dominican Government reiterates its commitment to the fiscal consolidation process and to macroeconomic stability, as reflected in the design of a fiscal and macroeconomic policy that enhances the well-being of Dominican society through the responsible management of public finances, promoting development in a context of equity, progressiveness and better-quality public spending.

7.12. Closely following the guidelines in the National Multi-Year Public Sector Plan (PNPSP), international cooperation carried out through the Ministry of the Economy, Planning and Development has been deployed to support national development with major, forward-looking projects on, *inter alia*, reforming the electricity sector, modernizing the electrical grid and reducing losses, leveraging trade agreements, supporting business-friendly and inclusive national and regional policies, strengthening productive capacities and value chains, developing a low-carbon energy industry, improving formal trade with Haiti and combating informal trade, tightening border security, building climate resilience and the Quality Enhancement Programme for the Development of MSMEs.

7.13. The period under review saw the creation of the Intellectual Property Unit of the Office of the Attorney General of the Republic. A "liaison prosecutor" was also selected, who is responsible for

[10] Ministry of Finance (2022) *Marco Fiscal de Mediano Plazo 2020-2026*, April 2022.
[11] *Ibid*.

investigating and prosecuting intellectual property crimes. During the period under review, the number of criminal intellectual property cases increased significantly, reaching a total of 663 cases in 2021.[12] Lastly, Decree No. 405-22 on the Regulations implementing Law No. 17-19 on the eradication of illicit trade in, and the smuggling and counterfeiting of, regulated products was issued on 25 July 2022.

[12] A total of 268 cases were recorded between 2018 and 2020.