



Press Release No. 11/286
FOR IMMEDIATE RELEASE
July 18, 2011

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fifth and Sixth Reviews Under Stand-By Arrangement for Dominican Republic, Approves US\$348.1 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) completed on July 15, 2011 the fifth and sixth reviews of the Dominican Republic's economic performance under a program supported by a 28-month Stand-By Arrangement (SBA). Completion of the review enabled the immediate disbursement of an amount equivalent to SDR 218.9 million (about US\$348.1 million at current rates), bringing total disbursements to an amount equivalent to SDR 766.2 million (about US\$1,218.4 million at current rates).

In concluding the review, the Executive Board also approved a waiver of non-observance of a performance criterion on the current balance of the public electricity sector for end-June 2011; waivers of applicability of the relevant end-June 2011 performance criteria; and modification to performance criteria on the current balance of the public electricity sector and the net domestic assets of the Central Bank for end-September and end-December 2011.

The SBA was approved on November 9, 2009 (see [Press Release No. 09/393](#)), for an amount equivalent to SDR 1,094.5 billion (about US\$1.74 billion), or 500 percent of the Dominican Republic's IMF quota.

Following the Executive Board's discussion of the Dominican Republic on July 15, Nemat Shafik, Deputy Managing Director and Acting Chair, made the following statement:

“Macroeconomic conditions in the Dominican Republic remain quite favorable, and the policies envisaged under the Fund-supported program have contributed to maintaining stability. Following a strong economic recovery in 2010, the implementation of tighter policies in 2011 has been broadly appropriate. As the economy started to decelerate to its long-term trend, concerns about overheating have receded. However, inflationary pressures have emerged as a result of rising international commodity prices, clouding the favorable economic outlook and calling for a prudent policy response.

“Fiscal management was complicated by rising oil prices, which inflated electricity subsidies in the absence of a flexible pricing mechanism. Despite efforts to contain spending, delays in strengthening tax mobilization led to the breach of some of the fiscal targets for end-December 2010 and end-March 2011. To preserve the fiscal objectives for 2011, the authorities introduced corrective measures, including sizeable cuts in non-social primary spending, further increases in electricity tariffs, and a tax package.

“The ongoing monetary tightening has helped to temper domestic demand and limit second-round effects from higher commodity prices on inflation. The central bank stands ready to react if inflationary pressures do not subside. The sharp terms of trade shock heightens the importance of exchange rate flexibility. The authorities are to be commended for their resolve in maintaining financial stability and strengthening bank supervision.

“The reform agenda envisaged under the program should be implemented vigorously, especially by reducing tax incentives and limiting the electricity sector’s burden on the budget. Recent actions to rationalize tax exemptions and centralize their administration are welcome. The authorities’ commitment to introduce a cost-recovery “technical” tariff and adopt a flexible tariff mechanism for electricity, while strengthening the social safety net, is a very positive step,” Ms. Shafik said.