

Situation and Perspective

SEPTEMBER 2012

POINTS OF INTEREST

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>Investment Climate<

Highlight:

- *The pending tax reform remains a source of tension due to its potential impact on macroeconomic balance, business competitiveness and the people's well being.*
- *The most promising business opportunities that have been announced are in the fields of Micro, Small and Medium Businesses (MSMBs), in the application of the incentives of the new Trust law, as well as those of the film industry and renewable energy.*

1 - CEI-RD Director Cites Investment Advantages to UK Entrepreneurs

The executive director of the Center for Export and Investment of the Dominican Republic (CEI-RD), Jean Alain Rodriguez, highlighted the advantages the country offers for investment in different areas, especially tourism, renewable energy and the film industry. The official made the remarks during his participation as a speaker at a luncheon hosted by the British Chamber of Commerce. During his speech, he said that Law #57-07 on Incentives to Renewable Energy Sources makes it attractive to invest in that sector. He also referred to Law 108-10 on Promotion of the Film Industry, citing the example of Pinewood Indomina Studios, which is making an initial investment of US\$50 million to build a movie studio.

He said that among the advantages the country offers investors are: macroeconomic stability, strategic geographical position and preferential access to the US market, Europe and Central America, due to the signing of several free trade agreements.

Posted by: Hoy newspaper, September 27, 2012.

2 - One-stop Shop exclusively for MSMBs

Earlier this month the Government unveiled its action plan for micro, small and medium businesses (MSMBs), which will affect the sector's institutional, legal, financing, company formation and other variables. The official initiative proves that President Danilo Medina has placed this segment of the economy at the center of its development strategy.

The plan presented by the government consists of seven components: (1) strengthening of the legal and institutional framework of the MSMBs; (2) establishment of a one-stop shop for MSMBs; (3) creation of a national program of formalization of MSMBs; (4) creation of a national certification program for real property titling; (5) a simplified taxation regime for MSMBs; (6) creation of a simplified social security program for MSMBs, and (7) development and implementation of policies, programs and tools to ensure that MSMBs have access to credit. Medina has already ordered the creation of a fund of more than RD\$10,000 million for the promotion of Micro Small and Medium Businesses, as a way of generating new jobs.

Posted by: The Listin Diario newspaper, September 20, 2012.

3 - President Medina disclosed tax reform

President Danilo Medina presented before the Social and Economic Council his tax proposal which will raise the tax burden from 13% to 15%. According to statements made on Thursday September 27 by the Minister of Economy, Planning and Development Temístocles Montás, the tax reform will necessarily involve an increase in the tax burden, which is now one of the lowest in the region, and that this is the only way to balance the economy and have the resources necessary to meet social demands.

For its part, the National Council of Private Enterprise (CONEP) and other business organizations conditioned their support on the preservation of the incentives that favor the sector, transparency, and improvement of the quality of public spending.

Posted by: The Listin Diario newspaper, September 20, 2012.

4 – Trusts will capture 1% of GDP in 2013

The volume of assets managed by trust companies in the country is estimated to reach 1% of GDP next year and 8% by 2017, as calculated by Gustavo Vergara, executive vice president and general manager of the BHD Trust. The executive said the financial instrument has a wide application in the national economy, especially in the real estate, tourism, business and public mining and energy infrastructure sectors.

Posted by: The Listin Diario newspaper , September 3, 2012.

5 - The Dominican Week in the U.S. to Promote Business

Dominican Week in the United States celebrated this year its twentieth anniversary. The event features participation from prominent businessmen, politicians and executives residing in the USA. This year the event took place from October 1st to the 5th in Washington and New York.

The information was released by Roberto Herrera, President of the Organizing Committee of the Dominican Week in the United States, and Ivan Campos, Manager of Corporate Communications of the American Chamber of Commerce (AmCham-DR). "The activity contributes to raising the international image of the country and its nationals through various important events," said Campos.

Posted by: The Listin Diario newspaper , September 11, 2012.

6 - The SD Chamber of Commerce implements one-stop shop

The Chamber of Commerce and Production of Santo Domingo launched its one-stop shop system, with the support of the Inter-American Development Bank (IDB), in order to expedite the process of business registration and promote the formalization of thousands of businesses in the country.

As reported by the president of the organization, Maribel Gassó, the one-stop shop will handle all necessary processes for creation of new businesses and formalizing existing businesses; it will also serve as an interconnection platform to promote greater commercial interaction.

Posted by: The Listin Diario newspaper , September 20, 2012.

>Economics Aspects<

Highlight:

- *The Central Bank Governor's statements that the economy is under control and that its problems are manageable are tranquilizing.*

7 - The IMF says the fiscal situation in the DR is difficult"

The International Monetary Fund (IMF) mission concluded that the "fiscal situation is not easy" – and neither is that of the electric sector – stating that it will report it to its board in Washington so it can prepare its recommendations to the Dominican authorities. They came to this conclusion based on the information made available to them during the ten days they met with government officials, the Central Bank and representatives from civil society organizations

IMF representatives ended their visit on Tuesday, September 18, which sought to conduct an analysis of the country's economic situation and subsequently evaluate a possible financial agreement.

Published by: The Diario Libre newspaper, September 18, 2012.

8 - DR has its Economic Fundamentals under Control

The Dominican Republic is prepared, in terms of its economic fundamentals, to weather the fiscal situation found, and President Danilo Medina, who is aware of this, has explained that this will be done through a comprehensive reform that first includes significant cuts in public spending and, second, increased tax revenue and strengthening of public institutions. These were the words of Central Bank governor Hector Valdez Albizu, who explained that this shows there is a commitment by President Medina to face the situation as other countries are doing. He said the country is fully capable of handling the situation by increasing the pace of implementation of the measures once the budget is approved and an agreement is signed with the International Monetary Fund (IMF).

Valdez Albizu said that it was the IMF that confirmed that the Dominican economy grew 3.8% in the first half of the year, and although they understand that growth was slower than the previous year, it was nonetheless consistent with the programmed performance level.

Posted by: The Listin Diario newspaper , September 21, 2012.

9- Exchange Rates



IMAGEN PUBLICADA POR PERIODICO HOY DIGITAL, "NEGOCIOS", 26 DE JULIO DEL 2008

During the course of the month of September the Dollar of the United States has remained between RD\$ 39.21 and RD\$39.33, while the euro has remained between RD\$ 49.41 and RD\$51.43 . While fuel prices where between RD\$243.50 for a gallon of premium and RD\$224.20. for a regular unleaded gallon.

Exchange Rates and Fuel prices

According to the last report from the Central Bank of the Dominican Republic the percentage change in CPI in the month of August was 1.01, with a base index of 109.60 and a 12-month average 5.48.

**Monetary and banking indicators:
Central Bank:**

Gross international assets: US\$ 3959.8
Gross international reserves: US\$ 3345.2
Net International Reserves IMF: US\$ 2980.4

Global Market – September 2012

| Products | Prices |
|---------------------------|---------|
| Sugar (US\$ x Pound) | 19.57 |
| Cocoa (US\$ x Tons) | 2.469 |
| Coffee (US\$ x Pound) | 169.45 |
| Petroleum (US\$ x Barrel) | 89,98 |
| Gold (US\$ x Troy Ounce) | 1753.60 |
| Silver (US\$ x Ounce) | 3387.7 |

10 - Debt and education will absorb 40% of the 2013 budget

If the government presents a RD\$500,000 million budget for 2013 – an amount similar to the current year's budget – just two items will consume 40% of the budget. Public Debt and Education together will require the equivalent of 6.7% of the Gross Domestic Product (GDP). In absolute figures it would amount to more than RD\$200,000 million, or two-fifths of the potential size of the budget. Next year, for which the government is committed to allocate to the education sector the equivalent of 4% of GDP, is projected to be a period in which previously agreed expenses will increase their pressure on public finances. During the current year the allocation for education is around 2.7% and the debt service allocation is 1.9%.

Notably, the State's Draft Budget Act has not yet been sent to Congress by President Danilo Medina, who has clarified that it will be done before the end of the year.

Posted by: The El Caribe newspaper, September 28, 2012.

>Political Aspects<

Highlights:

- *The initial measures taken by the Medina administration have earned him the acceptance of the public due to their emphasis on austerity and transparency.*
- *There are no concerns over of internal differences within the two major political parties, PRD and PLD.*

11 - Danilo proposes to refocus investment patterns in DR

President Danilo Medina said on Wednesday September 26 that the Dominican Republic should reorient investment patterns and public policies to promote equality and social inclusion of vulnerable groups. In a speech delivered on the opening day of the sixty-seventh session of the General Assembly of the United Nations (UN) in New York, the head of state sustained that in order to achieve those goals it is necessary to have the support of the international community.

In that sense, he called on international financial organizations to assume with greater enthusiasm and understanding the country's efforts and those of other developing nations, to break the vicious cycle of poverty and social exclusion, as the basis for progress. Medina brought up the need to change the criteria for measuring international development and poverty reduction strategies, arguing that those parameters prevent them from receiving aid for their own development, reduce the contributions of international cooperation, and hinder access to loans from international banks.

Medina explained that based on these parameters, the Dominican Republic has been classified as an upper-middle income country, which impedes it from receiving foreign aid.

Posted by: The Hoy newspaper, September 26, 2012.

12 - Hillary Clinton emphasizes Danilo's transparency measures

President Danilo Medina met on Sunday September 23 with Secretary of State Hillary Clinton in New York, and during that meeting the government official commended the measures taken by the Dominican Government in the area of ethics and transparency.

"We received with great sympathy the message sent by the Dominican government about the measures it is taking. This will contribute and strengthen the business climate as well as the image of the Dominican Republic in the world," Clinton said.

Posted by: The Listin Diario newspaper , September 24, 2012.

13 - The PRD condemned to a final split

What many feared and regretted – the Dominican Revolutionary Party (PRD) is doomed to a final inevitable division, judging from the entrenched positions taken by two opposing points of view, one institutional and the other rebellious, a third force that wants to stand out on its own, Luis Abinader, through the formal separation of Hipolito Mejia and various subgroups.

A mediation committee consisting of Siquió NG de la Rosa, Eligio Jaquez, Neney Cabrera, Angel de la Cruz, Nelson Espinal, William Jana and Peggy Cabral is trying to carry out an impossible dialogue to reunite a PRD that is no longer the expression of two factions.

Posted by: El Caribe newspaper, September 25, 2012.

14 - Danilo earns countrymen's trust in first 30 days in office

After 30 days of taking office, President Danilo Medina has passed his first test with popular opinion in his favor on the part of the various sectors that support his principal actions, which began with the creation of mechanisms that strengthen government transparency, including a Code of Ethical Guidelines which requires officials to fulfill their duties honestly, avoiding conflicts of interest, family favoritism, gifts and bribes in public institutions.

In addition to the Code of Ethics guidelines that each official was required to sign in the first Council of Ministers, Medina created the Directorate of Ethics and Governmental Integrity under the guidance of lawyer Marino Vinicio Castillo.

In addition, various state agencies and other sectors already delivered to the president a project to streamline the titling of real properties.

Posted by: The Listin Diario newspaper , September 16, 2012.

15 - Attorney General wants to resume F. Bautista probe

The Attorney General of the Republic, Francisco Domínguez Brito, on Friday October 28 requested the Criminal Chamber of the Supreme Court of Justice (SCJ) to revoke the closure of the case against Senator Felix Bautista, in order to resume the investigations for alleged embezzlement.

In his written request, Dominguez Brito challenges resolution #03093 of the National Agency for Prosecution of Corruption (DPCA), in which the entity alleges lack of evidence to definitively file charges against the lawmaker.

" Filing and accepting this as precedent and making it definitive when the proper thing to do is a temporary filing means leaving a large window open to impunity said the Attorney General, during a press conference at the headquarters of the Attorney General's office.

Posted by: Hoy newspaper, September 28, 2012.

>Legislative Aspects<

Highlight:

- *The attention and debate remains focused on the relevance of revising the incentive laws as part of the tax reform.*

16- Executive Power creates new regulations for the Procurement and Contracting Act

President Danilo Medina issued a new regulation to the Law on Procurement and Contracting of Goods, Services, Works and Concessions. In decree 543-12, the executive explained that the new regulation, which repeals the previous one, will govern all purchases and contracts for goods, services, works, consultancies and rentals with purchase options, as well as leases by public sector entities.

Posted by: The Listin Diario newspaper , September 10, 2012.

17 - Government Asked to Revise 35 laws granting tax exemptions

The Dominican Republic has over 35 laws that grant exemptions, many of which no longer have any reason to exist, therefore a thorough revision is necessary, stated yesterday the President of the Finance Committee of the Chamber of Deputies, Marino Collante.

The Reformist lawmaker noted that the laws to be revised include: Law #557-05 on tax reform, the law on border development, Law #158-01, as amended, on promotion of tourism development, Law #122-5 on regulation and promotion of nonprofit organizations; Law #56-07 on the textile chain and footwear; Law # 57-7 on development of renewable energy sources and #392-7 on Industrial Competitiveness and Innovation.

Similarly, he mentioned laws #480-8 on the international financial zone in the Dominican Republic, # 502-8 on books and libraries, #108-10 on promotion of the film industry, #34-89, as amended, on Customs; #5852-62 on water, #146-61 on mining; #18-68 on sumptuous housing and Law 96-88 authorizing the operation of slot machines in casinos.

He also cited exemptions to the free zones, which exceed RD\$ 66.8 million, and mining exemptions totaling RD\$ 772.2 million.

Posted by: Hoy newspaper, September 17, 2012.

18 - Credit card rules issued

The Monetary Board issued yesterday the Proposed Credit Card Regulations, which provides that issuers must perform the calculation and collection of interest resulting from transactions with that payment instrument on the unpaid balance.

The regulation, which establishes the criteria to be applied by financial intermediaries, also contemplated that the issuers of credit cards may only charge interest on the agreed services provided, among other obligations by such entities.

Posted by: The Listin Diario newspaper , September 13, 2012.

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