

Situation and Perspective

AUGUST 2012

POINTS OF INTEREST

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>Investment Climate<

1 - President Danilo Medina sworn in

The new President of the Dominican Republic, Danilo Medina, elected in the May 20 elections earlier this year, took office on Thursday August 16 during a ceremony in which he delivered his first address to the National Assembly gathered in the Congress building.

In his speech, President Danilo Medina promised to lay the foundations for the development of the Dominican Republic and called on all sectors of society to enter into a social pact that will allow 1.5 million people to come out of poverty and join the ranks of the middle class, to generate 400,000 new dignified jobs and maintain GDP growth at a 4.5% annual average. The social pact proposed by the new president would be based on three pillars: a fiscal pact, a pact for education and a pact for electricity, in compliance with the National Development Strategy. In his speech to the National Assembly yesterday, he promised to reactivate the Economic and Social Council, for which he will convene all those interested in participating in this concerted effort.

He also intends to address specific issues, including building an ethical and transparent country, "based on merit as well as a relentless and vigorous combat of all forms of impunity."

Medina said he would work to sign an FTA with Haiti.

Posted by: The Listin Diario newspaper, August 17, 2012.

2 - Medina prohibits use of credit cards, parties and limits foreign travel

On Wednesday 22, President Danilo Medina ordered a set of austerity measures aimed at reducing spending in public institutions, on the basis that the local and international economic situation imposes greater economic discipline on the part of government. The provisions are contained in Decree 499-12, released in the first general meeting of the Governing Council led by President Medina at the National Palace; they apply to all bodies that make up the central state administration and autonomous agencies as well as decentralized agencies instituted by specific laws.

His many other prohibitions include:

- Parties, feasts, luncheons, receptions, celebrations or other activities of a similar nature
- Acquisition of vehicles of any kind for a year
- Leasing of private facilities to hold activities, with the exception of training, teaching, workshops or other educational activities.
- The allocation and use of credit cards to senior officials except for the President and Vice President, ministers and general directors or managers and decentralized autonomous bodies established by law.

Posted by: The Hoy newspaper, August 23, 2012.

3 - BHD launches the country's first trust

Trust BHD SA became the first company permitted to engage in fiduciary operations in Dominican Republic. It is backed with registration number B-001-0101 in the Register of Trust Companies of the Superintendence of Banks.

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

4 - Dominican Maritime installs the country's largest solar plant

On Wednesday August 8, the company Marítima Dominicana S.A.S. launched the largest photo-voltaic solar plant in the country, consisting of 1,460 panels with an average generating capacity of 510 kilowatt hours per year; the plant is expected to reduce annual power consumption by 17% as well as help improve the environment.

Marítima Dominicana S.A.S. President, Gustavo Tavares, thanked the National Energy Commission (CNE), the Ministry of the Treasury and the General Directorate of Internal Revenues for having granted it the benefits of law 57-07 on Incentives to Renewable Energy. Thanks to those benefits, the company is exempt from value added tax and income tax, which makes the project very attractive and profitable, with a three year payback period.

Posted by: The Listin Diario newspaper, August 8, 2012.

5 - State privatizes toll collection for 30 years

The Government is in the process of assigning toll collections to a private company, which in turn will be responsible for the rehabilitation and maintenance of the country's major highways.

The contract was approved by both houses of the National Congress, after the executive branch submitted the Toll Administration Concession agreement signed between the Dominican State and the Consorcio Dominicano de Vías Concesionadas (Dovicon), which includes the design, financing, construction, operation and maintenance of the "Viadom" highway project, whose budget totals US\$ 471.9 million.

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

6 - Danilo inherits power sector's record debt

President Danilo Medina inherited the electric sector's highest debt ever, as the commitments due to the generating companies amount to US\$903 million.

Yesterday, the Dominican Association of the Electricity Industry (ADIE) revealed that the amount owed is more than \$903 million, taking into account the obligations coming due next week, and expressed concern over the high accrued liabilities and arrears to generators, which currently hold overdue receivables amounting to four months.

Posted by: The Hoy newspaper, August 15, 2012.

>Economics Aspects<

7 - Central Bank Governor highlights high economic growth

Central Bank Governor Hector Valdez Albizu declared that in the period 2005-2011, the country's real GDP growth averaged 7.1% per year, one of the highest in Latin America and the Caribbean.

On presenting the Central Bank's report for 2004-2012 at a ceremony held in that entity's auditorium, the government official said that, despite the difficult international environment, "our country has well established fundamentals to continue on a path of stability and economic growth."

Referring to the inflation rate in 2005-2011, Valdez Albizu said that, despite the strong impact from the rise in oil prices and so-called "commodities", during the years 2005-2011, the country recorded an average annual inflation of 6.5%, which is a reasonable level for an oil importing economy, that is small, open and under development, like ours.

Posted by: Caribbean newspaper, August 15, 2012.

8- Exchange Rates



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

During the course of the month of August the Dollar of the United States has remained between RD\$ 39.08 and RD\$ 39.13, while the euro has remained between RD\$ 47.86 and RD\$49.34 . While fuel prices were between 233.50 for a gallon of premium and RD\$215.60 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 July was -0.20, with a base index of 108.50 and a 12-month average 6.15.

Monetary and banking indicators:

Central Bank:

Gross international assets: US\$ 4177.5
 Gross international reserves: US\$ 3567.9
 Net International Reserves IMF: U.S. \$ US\$3188.0

Global Market – August 2012

Products	Prices
Sugar (US\$ x Pound)	19.75
Cocoa (US\$ x Tons)	2601
Coffee (US\$ x Pound)	163.40
Petroleum (US\$ x Barrel)	94,62
Gold (US\$ x Troy Ounce)	1657.10
Silver (US\$ x Ounce)	3060.9

9 - Internal debt this year will be more onerous than external debt

Domestic debt this year will be more costly to the government than foreign debt, even though local funding is less than one third of total loans contracted by the non-financial public sector. For 2012, the cost of domestic public debt is 89.47% higher than the share of external debt, although as of July, the share of local debt to total debt was 28.59 percent. As of 30 June, non-financial public sector debt amounted to US\$ 17,426.8 million, of which 28.3 percent corresponds to domestic public debt and a 71.7 percent share to external debt. According to projections from the Treasury Ministry's General Directorate of Public Credit, in 2012 the Government plans to pay down debt commitments totaling RD\$ 111,687.5 million, equivalent to US\$ 2771.4 million.

Out of that amount, RD\$45,279.5 million (40.50%) have been projected as payment of external debt service and RD\$62,302.7 million (55.8%) for the internal debt service.

Posted by: Caribbean newspaper, August 29, 2012.

10 - IMF suggests recovering 4.7% of GDP in taxes

The International Monetary Fund (IMF) mission that analyzed the behavior of the tax system of the Dominican Republic last December, headed by Ricardo Fenochietto, recommended recovering the country's tax base, eroded by high incentives and some distortions which generate fiscal inequity, through the application of measures capable of generating a tax impact on the order of 4.7% of GDP.

The recommended actions will be aimed at "broadening the tax base, reducing exemptions and simplifying the tax system, among others."

It suggested broadening the VAT tax base and lowering the tax rate as well as eliminating all exemptions. "And if it were not possible to eliminate all exemptions, then the government should begin with those products that are not basic necessities and are consumed mostly by the higher-income sectors, which would make the tax revenue impact 1.6 percent of GDP."

Posted by: The Listin Diario newspaper, August 6, 2012.

11 - LF paved the way to stability

The last administration of President Leonel Fernandez, consisting of two consecutive periods of government and three of his political career, left a positive legacy: macroeconomic stability and more positives than negatives in terms of road development and minor construction.

The country exhibits the highest economic growth in the Caribbean region and ranks second with respect to Central America. Only Panama exceeds it. In the first half of 2012 the Dominican economy grew by 4.2% and is projected to close this year between 4.5% and 5% of GDP.

Likewise, the International Monetary Fund (IMF) estimates that in 2013 growth will remain at 4.5%.

Other important indicators are the stability of the exchange rate, low inflation and adequate level of net reserves at the Central Bank. Foreign investment in the Dominican economy maintains an adequate flow, the level of which has been recognized by organizations such as ECLAC (Economic Commission for Latin America and the Caribbean).

On average, during the last four years the Foreign Direct Investment (FDI) reached US\$ 2,000 million.

Published by: The Diario a Diario newspaper, August 14, 2012.

>Political Aspects<

12-Danilo Medina introduces his cabinet

Through decree number 454-12, President Medina designated the key Ministers that will make up his cabinet.

Among the new designations are: Gustavo Montalvo, appointed Minister of the Presidency; Ramón Luis Rodríguez, Minister of Agriculture; Freddy Hidalgo, Minister of Public Health; Sigfrido Pared, Minister of the Armed Forces; Jorge Minaya, Minister of Youth; and Bautista Rojas, Minister of the Environment.

Other designations included: Simon Lizardo, Minister of Finance; José del Castillo, Minister of Industry and Commerce, and Gonzalo Castillo, Minister of Public Works.

Maritza Hernandez was appointed Minister of Labor; José Antonio Rodríguez, Minister of Culture; Francisco Domínguez Brito, Attorney General; Cesar Pina Toribio, Legal Counsel to the Presidency; and Jaime David Fernandez Mirabal, Minister of Sports.

Cabinet members who were ratified in their posts are: Ligja Amada Melo de Cardona, Minister of Higher Education, Science and Technology; Alejandrina Germán, Minister for Women. Similarly, Francisco Javier Garcia was confirmed as Minister of Tourism; Carlos Morales Troncoso, Minister of Foreign Affairs; Josefina Pimentel, Minister of Education; Temístocles Montás, Minister of Economy, Planning and Development; Ramón Ventura Camejo, Minister of Public Administration; and Jose Ramon Fadul, Minister of Interior and Police.

Medina also appointed three ministers without portfolio: Franklin Almeyda, Antonio Isa Conde and Miguel Mejia.

Posted by: The Hoy newspaper, August 16, 2012.

13 – Hipólito Condemns Leonel and offers to cooperate with Danilo

Ex-President Hipólito Mejía offered to participate in the new government, in actions designed to benefit the large majority of the people. He proposed a pact with elected president Danilo Medina to solve the country's main problems, while also criticizing the administration of outgoing president Leonel Fernandez, which he described as one of the most corrupt in the country's history.

Posted by: Caribbean newspaper, August 15, 2012.

14 - Vargas and Jorge Mera discuss agenda

In what seems to indicate a possible understanding between the followers of Miguel Vargas and Hipólito Mejía, the Secretary General of the Dominican Revolutionary Party (PRD), Orlando Jorge Mera, and the Chairman of the organization met yesterday at the white party's National Headquarters.

The mediation committee made up of Nelson Espinal, Peggy Cabral, Nene Cabrera, Eligio Jaquez, Angel Cruz and William Jana, also claim to have caused the meeting between Vargas and Jorge Mera. "During the various meetings with the parties and with the top leadership of the party, we have seen everyone's proactive attitude.

Posted by: The Hoy newspaper, August 23, 2012.

>Legislative Aspects<**15 - New executive posts in the National Congress**

In the Senate, Reinaldo Pared Perez was reelected as President and Cristina Lizardo as vice president. In the House of Deputies, Abel Martinez Duran was sworn in as President; Lucia Medina, as Vice-President, Angela and Juan Julio Pozo Campo, as Secretaries. Senators Amilcar Romero, and Heinz Vieluf were also elected as Secretaries while Senator Rafael Calderon was elected as PLD spokesman and Félix Vásquez as Reformist Party spokesman.

After the installation of the newly elected officers, the Senate and House of Deputies initiated the second Ordinary Legislature of 2012, which will last 150 days, as established in the Constitution.

Posted by: Free Daily Newspaper, August 17, 2012 and the Political Observatory Website Dominicano.

16 – Tax directives for Trust regime goes into effect

General Standard 02-12, on Trust Taxation became effective today. The new directive establishes the requirements and mechanisms that will allow end buyers of affordable housing to offset the value added tax on the cost of the properties.

The directive, issued by the Directorate of Internal Taxes (DGII), also describes the tax treatment of the trust and the transfer of information from tax liabilities.

It also establishes regulations for entities acting or seeking to act as fiduciary agents.

Posted by: The Listin Diario newspaper, August 26, 2012.

17 - Deputies approve Law on public sector wages

After an intense debate lasting over two hours, the Chamber of Deputies passed into law the bill on Public Sector Salaries, just as it received it from the Senate.

The legislative piece, among other things, creates a common pay system for all three branches of government, financial and non-financial organizations established in the constitution; it restricts per diem fee and incentive payments, establishes criteria for salary determination and pay raises; prohibits the issuance of credit cards to officers; places a cap on the earnings of the principal public servants and orders periodic salary reviews.

The bill was observed and returned by outgoing President Leonel Fernandez.

Posted by: Caribbean newspaper, August 14, 2012.

18 - Leonel submitted customs bill

Before handing over the presidency to Danilo Medina, Leonel Fernandez sent Congress a Customs bill that seeks to improve the existing legal framework. In a letter to Reinaldo Pared Perez, President of the Senate, Fernández indicates that the current law does not contemplate some customs law principles, neither does it reflect economic, legal, technological and institutional advances experienced by the country in recent years.

According to the proponent, the bill incorporates trade facilitation measures laid down in conventions such as DR-CAFTA and the EPA; provides for coordination of the work of the para-customs bodies with the General Directorate of Customs, and incorporates the use of information technology.

Posted by: Caribbean newspaper, August 21, 2012.

19- Consensus sought on Property Title

The Dominican Association of Surveyors (ASODAGRIM), which groups the surveyors of the Dominican Republic, called on all economic, social and political sectors of the nation to reach a consensus on the bill submitted to Congress by the President of the Republic, Danilo Medina Sánchez, on August 16, 2012, regarding the strategic law on real property registration, which creates the National Property Registration Office (ONARI) and amends Law 108-05 on Property Registration.

He explained that this new law changes the history of real estate registration in the country and can affect large investments in industry, agriculture and tourism.

Posted by: The Hoy newspaper, August 21, 2012.

20-Entities modify LPG regulations

The Ministry of Industry and Trade and The General Directorate for Standards and Quality Systems (DIGENOR) decided to modify the metrology regulations for the sell of liquefied petroleum gas, so that starting at the previously mentioned date it must be sold by volume and not per pound.

Manuel García Arévalo, Minister of Industry and Trade to that date, said the measure seeks to reflect the reality in the sale of fuels in the country. This decision was made on August 15th.

Posted by: The Hoy newspaper, August 15, 2012.

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