

## Situation and Perspective

NOVEMBER 2012

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### >Investment Climate<

#### 1- Tax Reform Act will take effect in January

The General Directorate of Internal Taxes (DGII in Spanish) reported that most items contained in the Law to Strengthen the State Taxing Capacity, Fiscal Sustainability and Sustainable Development will be effective beginning in fiscal year 2013.

The Act provides for amendments to the income tax (ISR) and ITBIS, creates new taxes on properties and rents, and introduces changes in incentive laws, among other things.

*Posted by: The Hoy newspaper, 13 November 2012.*

#### 2- One-stop shop centralizes the process for investing in DR

The Executive Branch issued a Decree # 626-12 creating the One-Stop Shop for Investment (VUI), an instrument concentrating in one office located in the Center for Export and Investment of the Dominican Republic (CEI-RD) the entire bureaucratic process, including issuance of permits, licenses and certificates necessary to obtain approval of an investment project.

Depending on the area that corresponds to the investment project, the owner or agent thereof presently must visit various state agencies such as the Ministry of Environment, Ministry of Public Works, CAASD, INAPA, Municipalities, Ministry of Tourism, Ministry of Industry and Trade and Ministry of Finance, among others. The VUI will do away with all these steps, thereby saving time and financial resources.

*Posted by: El Caribe newspaper, November 15, 2012.*

#### 3- The Quisqueya complex will generate 430 megawatts

The Quisqueya energy park will have a generating capacity of 430 megawatts and will operate two plants equipped with a steam turbine that will produce 15 additional megawatts. The information was provided by representatives of the Empresa Generadora de Electricidad Haina (Ege Haina) and Pueblo Viejo Dominican Corporation (PVDC). Ege Haina's CEO, Tito Sanjurjo, said that the Quisqueya park, with an area of 500,000 square meters, will be the country's largest energy complex. He explained that the project is being built with an investment of US\$650 million, which includes the two plants, transmission lines and a pipeline.

*Posted by: The Hoy newspaper, 14 November 2012.*

#### 4- Construction works will be raffled off in each province

Public Works Minister, Gonzalo Castillo, revealed on Tuesday November 20 that the allocation for the construction of 10,000 classrooms next year will be carried out by means of a lottery so that the beneficiaries will be the engineers and entrepreneurs from the same provinces.

Castillo explained that this is consistent with the framework provided in Law No. 340 on Public Procurement, which allows the use of the lottery drawing for assignment of construction projects not exceeding of 80 million pesos.

*Posted by: The Listín Diario newspaper, November 21, 2012.*

### **5-IFC invests \$25 million in BHD Bank**

The International Finance Corporation (IFC), through its Capital Fund, signed an investment agreement with Banco BHD for \$25 million in secondary capital.

With this sum, BHD will extend loan facilities to small and medium enterprises (SMEs). Through the agreement, which is pending approval by the Superintendence of Banks, the BHD expects to place at least the equivalent of US\$ 100 million in new loans to help local businesses grow and create new jobs.

*Posted by: El Caribe newspaper, November 28, 2012.*

### **>Economics Aspects<**

#### **6- CB says economy grew 3.9% in September**

The Central Bank reported on Wednesday, November 28, that the Dominican economy, measured by gross domestic product in real terms, grew 3.9% in the January-September 2012 period. This growth, according to a report submitted by the institution, was driven by the positive performance shown by all economic activities that comprise it, except the manufacturing and development of grain mill products.

Among the activities that increased their value added are: oil refining and byproducts (14.6%), manufacture of beverages and tobacco products (9.2%), energy and water (8.2%), financial intermediation, insurance and related activities (7.8%), trade (6.1%), agriculture (4.3%), mining (4.1%), and transport and storage (4.1).

Between January and September 2012, the agricultural sector recorded a growth of 4.3% in value added, among others. As for mining and quarrying, this activity grew 4.1% mainly due to the increase in ferronickel production volumes (16.2%).

*Posted by: El Caribe newspaper, November 29, 2012.*

#### **7- Monetary policy rate kept unchanged**

The Central Bank of the Dominican Republic, in its October 2012 monetary policy meeting, decided to keep its key monetary policy interest rate fixed at 5%. It also left its Lombard rate unchanged at 7% per annum.

The decision regarding the benchmark interest rate is based on the fact that the latest projections keep the inflation rate below the lower limit of the 2012 target and within the 2013 target of 5% ± 1 percent.

In September, the year-to-year rate of inflation rose to 2.60%, while the underlying annual inflation was 3.53%

*Posted by: The Hoy newspaper, November 1, 2012.*

#### **8 - BC quasi-fiscal deficit under review**

The Deputy Governor of the Central Bank, Clarissa Torres de la Rocha, and senior officials of the institution, met with the Public Debt Commission of the House of Representatives, led by legislator José Francisco Santana Suriel to discuss the issue of the entity's quasi-fiscal deficit and the recapitalization of the entity.

With numbers and graphs, De la Rocha explained how the quasi-fiscal deficit of the Central Bank went from -3.43% of GDP in 2004 to -1.28% of GDP at the end of December 2011. Likewise, she presented the details of the payments received from the government for the recapitalization of the Central Bank, allocated in the national budget annually, from 2007 to 2011.

*Posted by: The Hoy newspaper, 23 November 2012.*

**9- Exchange Rates**



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

During the course of the month of November the Dollar of the United States has remained between RD\$ 39.77 and RD\$ 40.20, while the euro has remained between RD\$ 50.61 and RD\$52.07 . While fuel prices where between 233.10 for a gallon of premium and RD\$216.00 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 October was 0.24 , with a base index of 110.57 and a 12-month average 4.42.

**Monetary and banking indicators:**

**Central Bank:**

Gross international assets: US\$ 4099.9  
 Gross international reserves: US\$ 3485.7  
 Net International Reserves IMF: U.S. \$ US\$3136.9

**Global Market – November 2012**

Products	Prices
Sugar (US\$ x Pound)	19,23
Cocoa (US\$ x Tons)	2.447
Coffee (US\$ x Pound)	149,15
Petroleum (US\$ x Barrel)	87,18
Gold (US\$ x Troy Ounce)	1742.30
Silver (US\$ x Ounce)	3419.6

**10 - IMF Mission to propose post-monitoring DR economy**

The mission of the International Monetary Fund (IMF) that came to analyze the Dominican economy from November 5<sup>th</sup> -16<sup>th</sup> recommended that the country enter into a monitoring program following the expiration of its Standby agreement with the institution in March 2012. According to the mission, macroeconomic policies in the Dominican Republic should aim to reduce fiscal and external vulnerabilities.

The fund highlighted the significant increase in the consolidated fiscal deficit, which reached 8.5% of gross domestic product (GDP) – almost double that of 2011 – the low tax collection (excluding exceptional factors) and the increase in primary public spending of nearly 40%, mostly exceeding the corresponding budgetary appropriations.

The bank said that total public debt is projected to reach 44% of GDP at end of 2012, compared to 35% in 2007-2008.

*Posted by: The Hoy newspaper, 23 November 2012.*

**11 – Tax Amnesty Bill Passed**

The Senate declared urgent and approved two consecutive readings of the Amnesty Bill to Strengthen State's Revenue Capacity, Fiscal Sustainability and Sustainable Development.

The legislative piece submitted by the Executive branch aims for existing taxpayers to regularize their tax situation and new taxpayers to enter the system, greatly increasing the taxpayer base, a situation that would yield the state greater financial resources.

The bill also includes a fiscal pact in accordance with the guidelines of Law No.01-12 on the 2030 National Development Strategy.

*Posted by: El Caribe newspaper, November 21, 2012.*

## >Political Aspects<

### **12- Danilo appeals to facts to win people's trust**

President Danilo Medina highlighted major achievements in the first 100 days of his administration, among these the greater contribution to agriculture, SMEs and transparency in the management of State assets. Medina announced on Tuesday, November 27, that in January next year, he will launch the National Citizen Security Plan. He will also begin implementing the National 911 Emergency System, in order to respond to the public needs in the realm of public safety.

To address the housing shortage for the working class, he said one of his priorities in the first 100 days was the application of Law 189-11 for the Development of the Mortgage Market and Real Estate Trust. He said that this law will allow pension funds to invest in housing priced at no more than two million pesos, besides establishing tax incentives for the construction and purchase of these homes.

He said that despite the difficulties, in his first 100 days in office, "we have a lot to show and I can assure you that the big change has already started and will not stop.

*Posted by: El Caribe newspaper, November 28, 2012.*

### **13 - Former President Fernández refers to the deficit**

In a televised speech on Tuesday November 13, former President Leonel Fernández explained to the public the reasons for this year's fiscal deficit, projected at RD\$187,000 million, which he claimed was due to a severe drop in revenues and a sharp increase in the electric subsidy.

He said the country ended with revenues of less than the RD\$320,000 million that had been budgeted for 2012.

He explained that the fiscal deficit was not caused by wasteful, irresponsible and reckless money management and accused "a certain sector of public opinion" of "twisting" the issue of tax reform. He added that out of the RD\$187,000 million pesos "\$141 billion were not under the control of the Central Government."

*Posted by: The Listín Diario newspaper, November 14, 2012.*

### **14- Attorney General dismisses charges against Fernández**

The Attorney General, Francisco Domínguez Brito, dismissed on Tuesday 13 November, the complaint filed against former President Leonel Fernández by the Alianza País party president, Guillermo Moreno, in connection with the nation's RD\$187 billion fiscal deficit.

Domínguez Brito said the complaint contains no evidence of criminal responsibility by former President Fernández, because the action filed against him by the Alianza País party president has no legal foundation. According to a document he sent to the media: "The existence of a public sector fiscal deficit does not imply in itself, the commission of a crime in the exercise of public functions".

*Posted by: The Listín Diario newspaper, November 14, 2012.*

### **15- "Dissidents" group returns to PRSC**

Over fifty leaders of the Social Christian Reformist Party who had been separated from that organization for different reasons formalized their return to the PRSC. Carlos Morales, president of the organization, welcomed the group at an event held at the Hotel Santo Domingo. He said that this is a very important and significant step to achieve the "monolithic unity" the organization requires, with a view to strengthening and restoring credibility and confidence in the Dominican society.

*Posted by: El Caribe newspaper, November 3, 2012.*

**>Legislative Aspects<****16- New Committee to grant titles on State land**

President Danilo Medina created on Tuesday November 14 the Permanent Commission on Public Lands, which aims to work in mass titling of land and homes belonging to the State in order to enable the beneficiaries to formalize ownership of their property.

The provision is contained in Decree 624-12, which reads that the commission will be responsible for formulating, arranging, supporting and promoting policies and strategies to foster and realize the ultimate solution of the problems of lack of title or updated real estate registration in Dominican Republic

He said that the country has 1.8 million urban lots without titles and 1.6 million parcels in agricultural farms under the same conditions.

*Posted by: The Listín Diario newspaper , November 14, 2012*

**17- Bill eliminating tax on Internet purchases is approved**

The Senate declared urgent and approved on Wednesday, November 14, two consecutive readings of the bill that repeals Article 49 of the Tax Reform Act, which provided for the taxation of purchases via the Internet in amounts not exceeding \$200.

The Senate president Reinaldo Pared Perez said that Article 49 was amended by President Danilo Medina in response to requests made by different sectors, especially the middle class.

*Posted by: The Hoy newspaper, 15 November 2012*

**18- President submits bill that creates Mercadom**

President Danilo Medina submitted to the Senate a bill that seeks to create the decentralized public entity Dominican Agricultural Supply Markets (MERCADOM), which will be responsible for helping to ensure the quality of foodstuffs, greater profitability for the farmers and more reasonable prices for consumers.

In his submission letter the president explains that Mercadom's overall objective is to effectively achieve the integration of the National Food Network (RENA) and administer it with modern management systems, to ensure its proper functioning and guarantee the quality of food products which they collect, handle and dispense.

*Posted by: The Hoy newspaper, 15 November 2012*

**19-Children of illegal aliens to receive temporary residence**

Adults born in the Dominican Republic whose parents are foreigners living illegally will be entitled only to a temporary residence, if they prove they have resided in the country continuously.

This is established in the proposed "National Migration Regularization Plan" submitted by the National Migration Institute, headed by José Ricardo Taveras, to the National Immigration Council.

*Posted by: The Hoy newspaper, 27 November 2012*

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