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Situation and Perspective

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POINTS OF INTEREST

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>Investment Climate<

1 – Tax Reform bill on the path to approval

On October 24, President Danilo Medina submitted to the Senate a Fiscal Consolidation and Sustainability Bill, with a reduction of RD$7,826 million compared to the original version amounting to RD$53 billion. A joint bicameral commission was formed to study the bill. During two days, representatives of some 30 sectors visited this commission to discuss the project jointly with the legislators.

On November 2 The Tax Reform Bill was approved by the Senate and on November 8 it was approved by the Chamber of Deputies.

Posted by: The Listín Diario newspaper , October 31.

2 - The Government speaks out on the electricity problem

President Danilo Medina said in a speech to the Economic and Social Council that the power sector's problem is not solved only by increasing revenues, reducing technical losses and electricity theft. He also criticized the International Monetary Fund (IMF) because that body's technical people have always sustained that the energy problem is solved by charging more, lowering technical losses and reducing fraud.

The model to which President Medina objects is based on the Madrid agreement, a renegotiation which took place in 2002 and extended through 2016 several contracts that expired in 2004.

President Medina summoned the power generators to the presidential office on Wednesday October 31 to discuss the issue. He pledged to regularize the payment of the $600 million that would accrue for the delays starting January next year.

Posted by: The Hoy newspaper, October 12, 2012.

3 - Government injects $500 million to Promipyme

The National Council for Advancement and Support of Small and Medium Enterprises (Promipyme) received an allocation of RD$500 million. President Danilo Medina also pledged to inject additional funds in January 2013.

The information was provided by Promipyme's director, Mayra Jiménez, who noted that the allocation of these resources is a sign that the President has "a strong desire" to promote the sector of micro, small and medium enterprises (MSME) in the country as a means to achieve development.

He said Promipyme has a loan portfolio of RD$2,500 billion, which is generating a payback of around RD$145 million, helping to capitalize the institution.

Posted by: The Hoy newspaper, October 22

4 – DR ranked among the economies with the best business climate

A new report by the International Finance Corporation (IFC) and the World Bank shows that the Dominican Republic is among the six economies in the region recognized for having improved its business environment since 2005. The report points out that the Dominican Republic ranks 45th out of the 50 economies that have most improved the regulation of commercial activities since 2005.

Some reforms implemented by the country include the provision for starting a business, reducing the cost of registering property, improved electronic portal intended for documentation and customs payments, a new business incorporation law and a reduction in the corporate income tax rate, among others.

"The Dominican Republic has made remarkable progress in improving the business environment within a relatively short period of almost a decade, especially between 2005 and 2009," said Augusto Lopez-Claros, director of the Department of Global Indicators and Analysis, Group World Bank.

Posted by: The Hoy newspaper, October 24, 2012.

5 - State opens up hydroelectric generation to private sector

The state, which thus far has owned and managed all hydraulic energy in the country – representing about 15% of total installed electrical generation capacity -- has just opened the doors of this industry to the private sector. On October 30, the National Energy Commission (CNE) signed a concession agreement with the Italian company EVYP Caribbean for the construction of a commercial mini-hydroelectric plant in the community of Paso Bajito in Jarabacoa, which will cost approximately US$10 million and will generate 4 megawatts, contributing its production to the public power grid.

The president of the CNE, Enrique Ramirez, said it is the first time the President gives special powers to the institution to grant a concession to a commercial mini-hydro plant in the Dominican Republic.

Posted by: The Hoy newspaper, October 31

>Economics Aspects<

6 - CB: Economy grew 3.9% in nine months

In the period from January to September, the Dominican economy achieved a growth of 3.9 percent, a performance that could well be considered satisfactory, given the slowdown in domestic demand associated with the uncertainty generated by the pre-and post-election.

Those were the words of Central Bank governor Hector Valdez Albizu, during his speech at the 65th institution's 65th anniversary ceremony, in which he also announced that next November 5th a mission of the International Monetary Fund (IMF) will arrive in the country to complete the periodic bilateral consultations which that agency carries out with its member countries.

The governor also said it is projected for the Dominican economy to close the year 2012 with a 4.0% growth in gross domestic product (GDP), despite the economic difficulties the country is undergoing.

Posted by: The Hoy newspaper, October 24, 2012.

7 - Public sector deficit doubled in the last three months: from 3.3 to 6.7% of

The public sector deficit more than doubled in the last three months, compared to that of the first half of the year.

By August 30, the consolidated public sector deficit rose to 6.7% of GDP, more than twice the deficit in the first half of the year, which was 3.3% according to the report issued by the International Monetary Fund (IMF) mission that visited the country recently. For the IMF mission that level of 3.3% in June represented a deterioration of the fiscal situation that prevailed in the first half of the year.

But what happened in the following three months was serious because the deficit more than doubled in that period by adding 3.4% to the deficit of 3.3% registered in the first half.

Posted by: Hoy, October 3, 2012.

8– Exchange Rates

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

During the course of the month of October the Dollar of the United States has remained between RD$ 39.33 and RD$39.75, while the euro has remained between RD$ 50.55 and RD$51.83 . While fuel prices where between RD$242.70 for a gallon of premium and RD$223.50. 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 September was 0.65, with a base index of 110.31 and a 12-month average 4.91.

Monetary and banking indicators:
Central Bank:

Gross international assets: US$ 4004.5
Gross international reserves: US$ 3390.6
Net International Reserves IMF: US$ 3025.7

Global Market – October 2012

Products	Prices
Sugar (US$ x Pound)	19.35
Cocoa (US$ x Tons)	2.383
Coffee (US$ x Pound)	157.75
Petroleum (US$ x Barrel)	85,54
Gold (US$ x Troy Ounce)	1719.90
Silver (US$ x Ounce)	3219.6

9 - Leonel: deficit is due to electricity and 2003 banking crisis

Former President Leonel Fernandez said last night that since 2008 there has been a deficit in the country and the only year in which there was a surplus in 2007, which justified the reform being proposed by the current government, as being necessary. Fernandez said he managed the economy responsibly, with all indicators remaining stable during his administration. The evidence, he said, is that the exchange rate has not changed neither has there been a rise in inflation.

Fernandez said that the current deficit, RD$96 billion went to electrical subsidies, fuel and the Central Bank. He said that RD$40 billion of the total were absorbed by the electricity sector, thus preventing an increase of up to 40% in the electric bills, as required by the International Monetary Fund (IMF), which recommended that only $270 million be allotted to this sector. The Dominican government now has to pay annually the central bank recapitalization. That amounts to RD$25 billion, but the Central Bank must also provide the same amount for operating expenses and to solve the problem of the quasi-fiscal deficit. That deficit originated from the PRD crisis of 2003 ".

Posted by: The Hoy newspaper, October 12, 2012.

10- Government meets savings target in 2012

The Government has set out to achieve monthly economies of approximately RD$1,400 million for the remainder of 2012, which amounts to over RD$6,450 million – through measures that include cuts in public investment, payroll control, fuel and expendable supplies as well as travel and other variables.

All predictions on the Dominican economy, at least for 2012 and 2013, point to stable scenarios in the price levels, rate of exchange and interest rates, as well as gross domestic product (GDP) growth. In its first two months the estimated saving was RD$2,800 billion.

The control that the authorities have kept on the consumer price index (CPI) is among the variables that underpin the forecasts for the remainder of the year. In fact, the annualized inflation rate, measured from September 2011 to September 2012, was 2.60%, which means conditions are favorable to continue adopting a flexible monetary policy.

In that respect, the Central Bank reported that inflation was 0.65% in September compared to August of this year, which put the accumulated inflation from January to September at 2.37%.

Posted by: The Listín Diario newspaper , October 31, 2012.

11 - Government expects a drop in revenues of RD$25,203 MM

The government revised down its revenue estimate for the current year, expecting a decrease in revenues of RD$25,203 million. Figures from the Ministry of Finance which were delivered by the Ministry of Economy, Planning and Development to the Economic and Social Committee (ESC) report that the Government re-estimated its revenues at RD$319,692.3 million, representing a fall of 7.2% of the total budget, originally (RD$344,496 million).

In the new revenue projections, the General Customs Agency (DGA) contributes RD$61,679.3 million, with an expected decline of 13.7%; the Internal Taxes Agency (DGII) contributes RD$250.037 million, a fall of 2.8%, while the National Treasury would end the year with a revenues of RD$7,976 million – a drastic drop of 55.7%.

Based on this reassessment, the Ministry of Finance projected for 2013 revenues amounting to RD$329,677.4 million, which comes after a review of some extraordinary and transitional items originated in 2012 and which will not be present in 2013 revenues. Among them revenues was the collection of RD$10,500 million in capital gains taxes on the sale of stock of the Dominican National Brewery.

The estimated amount of revenue for next year is, in a global sense, an increase of just 3.1%, RD$9,985.1 million, compared to the amount of revenues recalculated for 2012.

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

>Political Aspects<

12 - Senior leaders of the PRD demand an end to the internal crisis

The dispute between Miguel Vargas and Hipólito Mejia, which has lead the Dominican Revolutionary Party (PRD) to a dead end, has unified prominent leaders of the party and has lead to the birth of a new trend whose priority is to end the crisis. Luis Abinader, Eligio Jáquez, Orlando Jorge Mera, Alfredo Pacheco, Guido Gómez Mazara, Tony Peña Guaba, Neney Lovatón Cabrera and Eduardo Sanz appeared together yesterday at a press conference to demand the unity of the PRD and reject the tax reform presented by the Government.

Notably, Miguel Vargas Maldonado and Hipólito Mejia agree in one respect: in separate speeches, they both rejected the content of the tax reform bill sent by President Danilo Medina to the National Congress.

Posted by: The Hoy newspaper, October 17, 2012.

>Legislative Aspects<

13 - American Chamber discusses FATCA challenges for the country

The American Chamber of Commerce (AMCHAMDR) said yesterday that the Foreign Account Tax Compliance Act (FATCA), which goes into effect on January 2013, applies to payments made by both foreign financial institutions and non-financial institutions as well.

Speaking at a seminar, the president of the Legal Committee of the American Chamber, Mary Fernández, said the FATCA obligations may affect local laws pertaining to privacy, bank secrecy and discrimination.

FATCA is a law passed in 2010 by the government of Barack Obama. It is contemplated as part of an effort to combat tax evasion by Americans with investments overseas.

Posted by: The Hoy newspaper, October 24, 2012.

14 – Critical legislative proposals stuck in Congress

The presidents of both chambers of Congress take every closing opportunity to report the large number of law projects approved during their legislature.

But they remain silent about the long standoff which is affecting certain proposals deemed critical for Dominican society, such as the amendment of the Criminal Code, the Codes of Criminal Procedure and Civil Procedure, and those that would change the regulations of the Armed Forces, National Police, and the political party system.

Also showing a slow progress are proposals meant to materialize important aspects of the new constitution, in force since January 2010. Such is the case of the shortlist of three candidates that the Chamber of Deputies must submit to the Senate for the election of the Ombudsman (instituted in Article 190 of the Constitution).

Other proposals stuck in Congress include the Popular Legislative Initiative Act, the Economic and Social Council Act, the initiative that changes the Chamber of Accounts law, and the bill on Public Sector Wages which, according to constitutional article 144 describes the system of compensation for all State bodies.

Posted by: The Hoy newspaper, October 1, 2012.

15 - President Medina suspends state contributions to pension plans

President Danilo Medina ordered the immediate suspension of all public money contributions to supplementary pension funds in State institutions and all municipalities, arguing that it is the realm of Law 87-01, which regulates the Dominican Social Security System (SDSS).

The decision is contained in Decree 616-12 which instructs the Comptroller General of the Republic to apply the new rule and places in the hands of the Ministry of the Presidency the coordination of actions to monitor its enforcement.

The decree clarifies in Article 2 that public institutions can create supplementary pension funds, "as long as these are sustained contributions made solely by the members and based on individual capitalization, thus ensuring its financial solvency and economic balance.

Posted by: The Hoy newspaper, October 22, 2012.

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