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**The Dominican Republic:  
New Economic Programme  
and Financial Report  
September 1982**



**BANCO CENTRAL DE LA REPUBLICA DOMINICANA**

SANTO DOMINGO. R. D.

# The Dominican Republic: New Economic Programme and Financial Report September 1982

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# The Dominican Republic: New Economic Programme September 1982

## Introduction

1. In the last few years, the worldwide economic recession combined with the underlying increase in oil prices has given rise to imbalances in the external sector of the Dominican economy. These imbalances have reached a point at which they are likely to have a serious adverse impact on the country's prospects for economic growth.

2. It is against this background that, following his inauguration on 16 August 1982, Dr. Salvador Jorge Blanco, the new President of the Republic, has announced a series of economic measures within a coherent Government programme, which is intended to restore equilibrium over a period of time.

## Summary

3. The new economic programme announced by the President involves the introduction of measures to control wages and reduce them in the public sector; to encourage domestically generated activity in the economy, especially in the construction sector, so as to increase employment; to reduce the public sector deficit by means of controlling recurrent expenditure and increasing revenue; to reduce imports and promote exports; to regulate the parallel market; and to control the money supply.

## Fiscal policy

4. Civil service salaries above \$375 per month are to be reduced on a sliding scale rising from 25% to 45%. An extra hour has been added to the working day, and public servants have been forbidden to receive more than one salary. In the private sector, wages are to be frozen for a one-year period. Prices of basic necessities will be controlled.

5. The level of domestically generated activity in the economy is to be encouraged through the allocation in the next six months of \$90m through the savings and loan associations and the mortgage bank to a national construction programme with the objective of building 5,000 houses for the low income group. Other incentives are being given to the private sector to employ more people for productive purposes.

6. The public sector deficit is to be reduced by controlling recurrent public expenditure, increasing the efficiency of state enterprises (particularly Consejo Estatal del Azucar, Corporacion Dominicana de Empresas Estatales and Corporacion Dominicana de Electricidad), and through measures to increase taxation and improve revenue collection. Besides new taxes on imports and the reductions proposed in civil servants' salaries, a new capital gains tax has been presented by the President to Congress on the appreciation of urban and rural property, and maximum levels have been set for deductions on income tax.

7. In future, submissions to the Monetary Board by state enterprises and autonomous institutions requesting permission locally to borrow in foreign currency will not be considered unless they have previously been approved by the President of the Republic.

## **Foreign trade policy**

8. The level of imports is to be reduced in two complementary ways. First, a temporary ban has been imposed on the import of selected agricultural and other products which can be domestically produced. In addition, a ban has been imposed on the import of motor vehicles except buses, and a new internal tax is now under consideration by Congress. Secondly, a tax of 10% has been presented to Congress on most imports.

9. Emphasis in the export sector is being given to the development of non-traditional agricultural exports, mining, tourism and the free zones.

## **Exchange policy**

10. The Government takes the view that, in current circumstances, the official exchange rate for the Dominican peso should be maintained. A devaluation in the official exchange rate would tend to increase the underlying rate of inflation in the Dominican economy rather than improve its external trading competitiveness. The economic measures that have been introduced are intended to reduce the premium on the US dollar in the parallel market.

11. The Monetary Board has announced that the commercial banks will be permitted in future to buy and sell foreign exchange in the parallel market in addition to the exchange houses, so long as sales are restricted to covering legitimate imports. The organisation of the parallel market through the commercial banks is intended to increase the degree of

regulation that the Banco Central can exercise over the parallel market and to reduce speculation. Any increase in the foreign currency balances of the commercial banks that results will be reflected in an increase in the gross foreign reserves of the Banco Central.

12. In tandem with the measures to organise the parallel market through the commercial banks, a new scheme has been announced to attract back to the Dominican Republic US dollars held by Dominicans resident abroad by offering US dollar denominated deposit accounts at competitive interest rates with savings and loan banks in the Dominican Republic. These foreign currency deposits will also increase the gross foreign reserves of the Banco Central.

## **Monetary policy**

13. A rise in the interest rate structure in the Dominican Republic is under consideration by the Monetary Board. Any rise in Dominican interest rates would be designed to increase domestic savings in Dominican pesos and to help the Banco Central to maintain control over the money supply.

14. The Monetary Board has decided to recommend to the President that negotiations should take place with the IMF with the objective of reaching an agreement which will provide substantial new foreign currency funds to the Dominican Republic in balance of payments support.

## **Conclusion**

15. The economic measures that have been announced by the new Dominican Government constitute a 'morality and austerity' programme. They will be kept under continuous review, and further measures will be introduced, if necessary.

# **The Dominican Republic: Financial Report September 1982**

## **Introduction**

16. The purpose of this report is to provide information to commercial banks which are not familiar with the Dominican Republic about its geography, history, Government, economy, fiscal and monetary policy, financial system, exchange control, balance of payments, foreign reserves, foreign debt and foreign investment. There are explanatory notes about special financial arrangements available to the Dominican Republic. These are followed by a statistical section. The emphasis in the report is on financial information likely to be of interest to commercial banks. This is the second edition of the report, which was originally produced in June.

## **Geography**

17. The Dominican Republic is situated in the Caribbean to the south east of the United States between Cuba and Jamaica to the west and Puerto Rico to the east. It forms the greater part of the island of Hispaniola on its eastern side. The lesser part of the island on the western side belongs to Haiti. The area of the Dominican Republic is 48,464 square kilometres, which is approximately half the size of Portugal. After Cuba, the Dominican Republic is the largest country in the Caribbean in terms of geographical size and population. There are 5.6 million inhabitants, mainly of mixed descent, of whom 1.2 million live in Santo Domingo, the capital, on the south coast. Population growth is estimated at 2.7% per annum. The terrain of the country is mountainous and the climate is tropical.

## **History**

18. Hispaniola was discovered by Christopher Columbus in 1492 and colonised by Spain. Santo Domingo was founded in 1496 by Bartholomew Columbus. It became the capital of Hispaniola and the administrative centre for the Spanish Caribbean. The western part of Hispaniola was occupied by French buccaneers around 1605 and formally ceded to France in 1697. The Dominican

Republic gained independence in 1844. The population is still Spanish speaking, and 95% is Roman Catholic.

## **Government**

19. The Dominican Republic is a representative democracy under the constitution of 28 November 1966, which has many similarities to the constitution of the United States. The Head of State is an Executive President elected by universal suffrage every four years. The election on 16 May this year was won by Salvador Jorge Blanco of the PRD, the centre party. The legislative is a bicameral Congress consisting of a Senate and a Chamber of Deputies. The judiciary is headed by a Supreme Court. The local administration of the country is divided into 26 provinces and the National District, 69 communities and 16 municipal districts. Each province has a civil Governor.

## **Economy**

20. The gross national product of the Dominican Republic is provisionally estimated at \$7.7b in 1981, giving per capita income of around \$1,275. The Dominican economy has performed very well during the last decade, with a real average growth rate of 6.9% per annum, which is one of the highest in the region. Real growth is estimated at 5.6% in 1980 and 3.4% in 1981. This level of real growth has been achieved, despite the disruptive effect on the Dominican economy of the hurricanes and the increase in oil prices, which raised the Dominican Republic's oil import bill from \$199m in 1978 to \$500m in 1981. There has been a cost in terms of inflation and a deterioration in the balance of trade, and unemployment remains high. But the authorities have taken measures which have succeeded in reducing the annual rate of inflation from 16.8% in 1980 to 7.5% in 1981, and the trade deficit from \$533m in 1980 to \$264m in 1981.

### **Agriculture**

21. Over half of the Dominican labour force is dependent on the agricultural sector of the economy and, traditionally, two-thirds of Dominican exports are of agricultural origin. The largest contribution to exports is made by the sugar industry, which comprises the Consejo Estatal del Azucar (responsible for 65% of production), and two private sector consortia. Exports of

sugar and its derivatives amounted to \$331m in 1980 (34.4% of total exports) and \$560m (47.2%) in 1981. Most Dominican sugar is sold in the United States. The Government is negotiating an agreement for its preferential sale there. Apart from sugar, the other important agricultural exports are coffee, cocoa and tobacco. Together with their derivatives and manufactures, exports of coffee, cocoa and tobacco amounted to \$168m in 1980 (8.0%, 5.8% and 3.7% of total exports respectively), and \$193m (6.4%, 4.2% and 5.7% respectively) in 1981.

### **Mining**

22. The Dominican Republic possesses significant deposits of gold, silver, ferronickel, bauxite, coal, copper, tin, marble, salt and gypsum. The main contribution to mining exports is made by doré, a gold and silver alloy that has been mined in the Dominican Republic by Rosario Dominicana S.A. since 1975. Exports of doré amounted to \$260m in 1980 (27.0% of total Dominican exports), and \$208m in 1981 (17.5%). Ferronickel and bauxite are also mined for export. In 1980, exports of ferronickel and bauxite amounted to \$120m (10.5% and 1.9% of total exports respectively), and to \$126m (9.3% and 1.3%) in 1981.

### **Manufacturing**

23. Most manufacturing exports are based on agricultural commodities. But the diversification that has taken place in manufacturing production in the Dominican Republic over the past few years has provided an element of import substitution. A broad range of products are manufactured locally, including footwear, clothing, cement, plastic items, metallic articles for construction, tobacco, beverages and food products. The Government encourages local manufacture through the provision of tax incentives, specialised credit facilities and technical assistance, particularly in industries aimed at export markets and agro-industry. Three industrial free zones have been established.

### **Tourism**

24. The number of foreign visitors to the Dominican Republic increased from 233,000 in 1975 to 484,000 in 1980. Income from tourism is estimated at \$173m in 1980 and \$201m in 1981. Although the number of hotel rooms available is limited to 3,500 at present, the Gov-

ernment plans to expand the facilities available in the Dominican Republic for tourism. Particular attention is being paid to the development of a new tourist resort at Puerto Plata, which is being financed by the World Bank in collaboration with the Banco Central.

### **Energy**

25. Oil and its derivatives constitute 30% of Dominican imports. The Government has attempted to limit the cost of imported energy in three principal ways. First, the price of electricity, which provides most of the country's power supply, has been raised so as to conserve energy. Secondly, the development of hydro-electric resources has been accelerated with a view to providing a domestic substitute for imported energy. Thirdly, following the discovery of significant coal reserves in the Dominican Republic in 1980, the process of converting power plants from oil to coal has begun.

### **Infrastructure**

26. The damage to the physical infrastructure of the country by the hurricanes in 1979 has largely been repaired. In 1981, the Government embarked on a three year public investment programme totalling \$1.7b, a substantial proportion of which is being financed by international development agencies, particularly the World Bank and the Inter-American Development Bank. Besides the development of hydro-electric power, the emphasis in the programme is on promoting agricultural self-sufficiency and communications (roads, airports and telecommunications).

## **Fiscal and Monetary Policy**

27. The Government has controlled the size of its budget deficit, which fell from \$345m in 1979 to \$197m in 1980 and \$190m in 1981, on a wide measure of the deficit to be financed. Monetary policy has been designed to help arrest the deterioration in the current account of the balance of payments. In May 1980, the Banco Central, following a traditionally moderate policy, limited the level of its lending to the commercial banks to the level outstanding at the end of 1979, and a series of measures have been announced since then to absorb the surplus liquidity in the financial system. The money supply is estimated to have grown by 2.3% in 1980 and 4.1% in 1981.

## **Financial System**

28. The Banco Central is responsible for the management of domestic monetary policy, foreign exchange resources and foreign debt. There are thirteen commercial banks, with assets of \$2.7b at June 1981. Of these, one is Government-owned: Banco de Reservas de la Republica Dominicana. One has mixed Government and private ownership: Banco de los Trabajadores. Six are privately domestically owned: Banco Popular Dominicano, Banco Metropolitano S.A., Banco del Comercio Dominicano S.A., Banco de Santander Dominicano S.A., Banco de Boston Dominicano S.A. and Banco Nacional de Credito S.A. The rest are owned by foreign banks or have substantial foreign participation: Bank of America, Chase Manhattan Bank, Citibank N.A., Royal Bank of Canada and Bank of Nova Scotia. In addition, there are a number of financial institutions in the public and private sectors specialising in development finance. The Banco Central manages two funds which specialise in development finance: FIDE, which supplies funds for the development of agriculture and industry on preferential terms; and INFRATUR, which is used to promote tourist projects.

## **Exchange Control**

29. The official exchange rate of the Dominican peso is RD\$1 = US\$1. Since 1967, the authorities have allowed a parallel foreign exchange market to develop which is fed primarily by foreign remittances, tourist receipts and the proceeds of selected non-traditional export items. The exchange rate in the parallel market fluctuated around RD\$1.40 = US\$1 in the first half of 1982. The existence of the parallel market enables the authorities to relieve pressure on official supplies of foreign exchange when these are scarce, by transferring non-essential imports for financing into the parallel market. Official foreign exchange is channelled through the banking system to the Banco Central.

## **Balance of Payments**

30. The current account of the Dominican Republic's balance of payments deteriorated from a deficit of \$537m in 1979 to \$858m in 1980, but improved to \$599m in 1981. The main influence on the current account of the balance of payments is the change in the terms of trade of sugar, gold and oil. The recent weakness in the inter-

national price for sugar and gold has reduced export receipts, but the recent weakness in the international oil price has also reduced import payments. Oil supplies are financed under the San José agreement with Venezuela and Mexico, who have agreed to provide credit on concessionary terms for 30% of their sales of crude to the Dominican Republic.

## **Foreign Reserves**

31. The gross foreign reserves of the Banco Central amounted to \$149m at the end of the first half of 1982, equivalent to 1–2 months of Dominican imports. There has been a decline in the net foreign reserves of the Banco Central over the past few years, as borrowing by the Banco Central has increased. The level of net reserves at the end of the first half of 1982 was negative by \$389m. However, the Banco Central is required under the Central Bank law to keep a positive reserve ratio, defined as gross foreign reserve assets less a proportion of foreign liabilities which increases, depending on how close they are to maturity. The reserve ratio gives an indication of the foreign liquidity position of the Banco Central, and in normal conditions the Banco Central has succeeded in keeping the reserve ratio positive.

32. The foreign currency facilities available to the Banco Central include multilateral credit lines from other central banks in the Latin American region under the Santo Domingo agreement. Unlike many of the other countries in the region, the Dominican Republic has not until now borrowed extensively from the International Monetary Fund. At the end of 1981, the total amount of Fund credit in use by the Dominican Republic amounted to the equivalent of \$23m, of which \$16m represented ordinary credit tranche drawings and \$7m represented drawings under the compensatory financing facility for export shortfalls. The Dominican Republic's quota in the Fund is equivalent to \$96m. Consequently, a substantial source of concessionary credit potentially available for balance of payments support remains untapped.

33. The net foreign liabilities of the commercial banks at the end of 1981 amounted to \$270m. Including the net foreign liabilities of the Banco Central at the same date of \$389m, the foreign liabilities of the banking system as a whole amounted to \$658m. In February 1982, an agreement was reached between the Banco Central and the

foreign commercial banks represented in the country which is designed to ensure that delays do not arise in the disbursement of foreign exchange payments by the Banco Central to the foreign commercial banks in connection with bills of exchange negotiated under commercial letters of credit already approved by the Banco Central. A similar agreement has been made between the Dominican commercial banks and their foreign correspondents.

## Foreign Debt

34. The issue of foreign debt by private sector and public sector entities in the Dominican Republic requires the prior approval of the Monetary Board, the chief decision-making body of the Banco Central, and the issue of public foreign debt with a final maturity longer than one year requires the prior approval of Congress. The total amount of disbursed foreign debt outstanding at the end of 1981 was \$1,887m, of which \$1,450m was contracted by the public sector and \$437m by the private sector. The maturity structure of the foreign debt at the end of 1981 shows that 14.7% had a final maturity under one year, 23.9% between one year and eight years and 61.4% over eight years. On the World Bank's definition of public foreign debt, debt interest payments amounted to 7.5% of exports of goods and services in 1980, and total foreign debt service payments amounted to 12.2% of exports of goods and services.

35. The greater part of foreign debt contracted by the Government, the Banco Central and other public sector bodies in the Dominican Republic has been obtained on concessionary terms, and a considerable proportion of commitments remain to be disbursed. The Dominican Republic is also one of the main countries likely to benefit from President Reagan's Caribbean Basin initiative. Multi-lateral and bilateral development agencies that have loans outstanding to the Republic and public sector bodies in the Republic include the International Monetary Fund, the World Bank, the Inter-American Development Bank, US AID, Eximbank, Commodity Credit Corporation, France, Spain, Kreditanstalt für Wiederaufbau, the Fondo de Inversiones de Venezuela and the OPEC Fund for International Development. Loans by foreign banks to the Republic in the period between 1979 and 1981 averaged a margin of around 1¼% over LIBOR, and ranged from 1⅜% to 7⁄8%.

## **Foreign Investment**

36. The official policy of the Dominican Republic is to promote and encourage foreign investment there, particularly in tourism, industrial free zones and agro-industry. The total value of foreign investment registered with the Banco Central at the end of 1981 amounted to \$242m. The largest investor is Gulf and Western. Foreign investment is subject to the Foreign Investment Law of 1978. The Directorate of Foreign Investment is responsible for implementing it. The US Overseas Private Investment Corporation offers political risk insurance and some financial facilities to investors in the Dominican Republic from the United States. When the Dominican Government recently increased its stake in Rosario Dominicana S.A. from 46% to 100%, payment was made in cash and the buying price was regarded by the foreign companies making the sale as fair.

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## Explanatory Notes

### **San José agreement**

37. Under the San José agreement, signed in August 1980, the Dominican Republic receives favourable terms for the import of crude oil from Venezuela and Mexico. 30% of oil supplies from Venezuela amounting to an average of 14,000 barrels per day and 30% of oil supplies from Mexico also amounting to an average of 14,000 barrels per day are financed by the Fondo de Inversiones de Venezuela and the Banco de Mexico respectively in the form of 5 year US dollar denominated certificates of deposit yielding 4%. These deposits can be converted into 20 year concessionary loans at 2% in respect of energy-saving projects in the Dominican Republic approved by Venezuela and Mexico. The agreements with Venezuela and Mexico are renewed on an annual basis.

### **Caribbean Basin initiative**

38. The Caribbean Basin initiative launched by the President of the United States in February 1982 supplements measures to provide economic support to the Dominican Republic that have been taken by Canada, Venezuela and Mexico. Once it has been approved by the US Congress, the initiative will help the Dominican Republic in three main ways. First, it will provide one-way free trade for Dominican exports (with the exception of clothes and textiles) to the US for a period of twelve years, provided that there is a 25% minimum Dominican content. In particular, there will be a duty-free quota for Dominican sugar exports. Secondly, it will provide a tax incentive in the form of a 10% tax credit to US businesses making equity investments in the Dominican Republic. Thirdly, it will provide an additional US\$40m in economic assistance to the Dominican Republic.

39. Apart from the measures that require congressional approval in the US, there are a number of additional measures that could benefit the Dominican Republic which do not require Congressional approval. First, the US will be prepared to negotiate new bilateral investment treaties with countries in the Caribbean Basin covering

private direct investment by US companies. Secondly, the US will be prepared to extend the range of its insurance facilities, in collaboration with multilateral development banks and the private sector, so as to supplement the political risk insurance already provided for investors from the US by OPIC. Thirdly, the Eximbank will be prepared to expand the protection it provides for short term credit from US banks to the private sector in the Caribbean Basin for imports that are critical to the countries concerned.

### **Concessionary financing**

40. The US is the largest source of bilateral assistance to the Dominican Republic on concessionary terms at present. Apart from the benefits from the Caribbean Basin initiative, the Dominican Republic receives US assistance through the Agency for International Development (AID), food aid (PL480), Eximbank and the Commodity Credit Corporation (CCC). The largest sources of multilateral assistance at present come from the Inter-American Development Bank (IDB) and the World Bank (IBRD). Most concessionary assistance is made available to finance specific development projects.

41. In the Dominican Republic, a substantial proportion of the financial commitments made by bilateral and multilateral development agencies remain to be disbursed. Of total foreign loans committed to the Dominican Republic on concessionary terms of \$1,419.8m, \$771.2m was disbursed at the end of 1980.

### **International Monetary Fund**

42. Negotiations have recently been taking place with the IMF to ensure that the Dominican Republic can make further drawings on the IMF's compensatory financing facility for export shortfalls and imports of cereals. The Monetary Board has recently decided to recommend to the President that negotiations should take place with the IMF with the objective of reaching an agreement which will provide substantial new foreign currency funds to the Dominican Republic in balance of payments support.

### **Net reserve ratio**

43. Under Article 45 of the Central Bank Law, the Banco Central has to maintain its gross foreign reserves, including foreign currency contributions to international institutions, at a level in excess of a proportion of its foreign currency liabilities which varies depending on their residual maturity. The proportions are as follows: 100% of foreign currency liabilities maturing within 30 days; 75% of foreign currency liabilities maturing between 30 days and one year; 50% of foreign currency liabilities maturing between one year and three years; and 25% of foreign currency liabilities maturing in more than three years.

### **Commercial banks' agreement**

44. An agreement signed in February 1982 between the Banco Central and the foreign banks represented in the Dominican Republic is designed to eliminate delays previously arising on foreign exchange payments due by the Banco Central on maturing letters of credit issued by the banks and approved by the Banco Central. Under the agreement, the banks have opened lines of credit from their head offices to finance letters of credit issued by their branch offices in the Dominican Republic and approved by the Banco Central. At the same time, the Banco Central has confirmed that it will supply foreign exchange to meet letters of credit falling due for payment and that the overall volume of letters of credit outstanding will not be increased. Provision is made in the agreement for Dominican importers to pay interest overdue on payments that were delayed prior to the agreement. The agreement runs till the end of 1982 and will then be subject to review prior to renewal.

### **Commercial credit rating**

45. The level of the Dominican Republic's disbursed foreign public debt and debt service as a proportion of GNP and of exports of goods and services has, over the past five years, consistently been lower than the average for the Latin American and Caribbean region as a whole, according to World Bank figures. In its 1981 report on the Dominican Republic, the World Bank stated that the level of foreign public debt as a proportion of GNP in 1980 (18.3%) and the level of foreign public debt service as a proportion of exports of goods and services (7.5%) were not high by international standards, and a significant increase was not expected in either of these two figures.

46. Public sector foreign debt in the Dominican Republic has generally been serviced on schedule. But the World Bank implied in its 1981 report that the credit rating of the Dominican Republic was less favourable than was justified by the underlying economic conditions in the country because of a lack of efficiency in the past in meeting current payments. Since the report was published, the Banco Central has taken steps to improve the situation by reaching the agreement with the foreign commercial banks (described above) designed to prevent arrears on current payments arising in future. A similar agreement has been reached between the Dominican commercial banks and their foreign correspondents.

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# Production

## Dominican Republic: composition of GDP by sector of origin

Current prices	1977		1978		1979		1980	
	RD\$m	%	RD\$m	%	RD\$m	%	RD\$m	%
Agriculture	687.3	15.0	621.4	13.1	680.0	12.3	927.3	14.1
Livestock	215.1	4.7	244.1	5.2	339.9	6.1	420.4	6.4
Forestry and fishing	18.1	0.4	20.8	0.4	35.0	0.6	42.3	0.6
Mining	144.0	3.1	118.0	2.5	227.8	4.1	291.7	4.4
Manufacturing	870.7	19.0	873.7	18.5	920.0	16.6	1,006.6	15.1
Construction	305.9	6.7	349.0	7.4	419.0	7.6	509.7	7.7
Commerce	787.1	17.2	732.8	15.5	861.0	15.6	1,048.7	17.8
Transport	248.9	5.4	280.5	6.0	305.5	5.5	310.4	4.7
Communications	34.0	0.7	41.8	0.9	49.5	0.9	51.9	0.8
Electricity	32.9	0.7	42.6	0.9	31.3	0.6	30.0	0.5
Finance	138.0	3.0	154.9	3.3	191.0	3.5	237.7	3.6
Private property	368.2	8.0	402.7	8.5	456.3	8.3	557.2	8.4
Government	273.5	6.0	326.5	6.9	469.1	8.5	553.2	8.3
Other services	463.5	10.1	519.8	11.0	540.0	9.8	661.9	9.9
<b>Total</b>	<b>4,587.1</b>	<b>100.0</b>	<b>4,728.4</b>	<b>100.0</b>	<b>5,525.4</b>	<b>100.0</b>	<b>6,649.0</b>	<b>100.0</b>

Source: Ministry of Finance.

## Dominican Republic: consumer price index

% increase	1978	1979	1980	1981	1H1982
Consumer prices	7.1	9.2	16.8	7.5	7.2

Notes: 1H1982 = first half 1982.

Source: Banco Central.

# Foreign Trade

## Dominican Republic: principal exports by quantity

	1978	1979	1980	1981	1H1982
Sugar ('000 metric tons)	904.7	992.4	802.0	847.5	544.8
Coffee ('000 metric tons)	24.3	38.8	19.7	26.8	17.1
Cocoa ('000 metric tons)	27.8	25.1	23.5	27.2	25.5
Tobacco ('000 metric tons)	37.3	42.5	21.8	39.2	3.1
Bauxite ('000 metric tons)	756.7	634.7	605.8	457.2	98.6
Ferronickel ('000 metric tons)	50.0	65.4	46.6	49.1	5.6
Gold ('000 troy ounces)	336.1	353.7	369.6	407.8	181.3
Silver ('000 troy ounces)	1,843.6	2,258.5	1,662.5	2,033.6	1,367.5

Notes: 1H1982 = first half of 1982.

Source: Ministry of Finance.

## Dominican Republic: composition of exports

RD\$m	1978	1979	1980	1981	1H1982
Sugar	211.2	233.4	330.7	560.4	184.8
Coffee	96.9	157.7	76.8	75.9	52.2
Cocoa	87.7	78.4	55.8	50.1	41.1
Tobacco	46.4	55.4	35.4	67.3	7.4
Bauxite	23.1	20.9	18.5	15.7	3.6
Ferronickel	72.7	123.4	101.2	110.5	12.4
Gold and silver	72.8	127.8	259.5	207.8	73.1
Other products	64.7	71.6	84.2	100.3	48.2
Total exports	675.5	868.6	962.1	1,188.0	422.8

Notes: Figures for sugar include raw sugar and derivatives. Figures for coffee, cocoa and tobacco include manufactures. Figures have been compiled on an f.o.b. basis. 1H1982 = first half of 1982.

Source: Banco Central.

## Dominican Republic: export indices

1972 = 100	1978	1979	1980	1981	1H1982
Volume of exports	96.4	110.1	84.4	95.4	90.0
Price of exports	195.9	209.4	278.6	342.9	240.6
Value of exports	194.3	149.9	276.7	341.7	297.0

Notes: 1H1982 = first half of 1982.

Source: Banco Central.

**Dominican Republic: direction of trade**

RD\$m	1978	1979	1980	1981
<b>Exports</b>				
United States	363.4	459.1	444.6	741.3
Venezuela	54.5	49.0	87.1	71.4
European Community	78.6	86.4	79.8	73.4
Japan	8.3	28.8	8.7	15.1
Other countries	170.7	245.3	341.9	286.8
Total exports	675.5	868.6	962.1	1,188.0
<b>Imports</b>				
United States	366.2	443.2	607.0	583.7
Venezuela	132.1	191.0	301.5	256.5
European Community	92.7	87.1	126.0	103.2
Japan	67.4	70.2	113.7	82.4
Other countries	201.3	263.1	347.1	424.4
Total imports	859.7	1,054.6	1,495.3	1,450.2
<b>Trade balance</b>				
United States	-2.8	15.9	-162.4	157.6
Venezuela	-77.6	-142.0	-214.4	-185.1
European Community	-14.1	-0.7	-46.2	-29.8
Japan	-59.1	-41.4	-105.0	-67.3
Other countries	-30.6	-17.8	-5.2	-137.6
Net balance	-184.2	-186.0	-533.2	-262.2

Source: Ministry of Finance.

# Balance of Payments

## Dominican Republic: balance of payments

RD\$m	1977	1978	1979	1980	1981
Balance of trade	-68.8	-186.9	-268.9	-557.8	-263.7
Services	-199.4	-274.8	-268.2	-299.8	-335.2
Current account balance	-268.4	-461.7	-537.1	-857.6	-598.9
Transfers	139.6	149.8	205.8	187.8	193.0
Capital inflows	191.6	272.4	374.8	723.9	434.4
Use of reserves	-63.0	39.5	-43.5	-54.1	-28.5

Notes: Balance of trade figures recorded on f.o.b. basis in previous tables have been adjusted. An increase in reserves is shown by a negative sign.

Source: Banco Central.

## Dominican Republic: foreign exchange balance

RD\$m 1981	Inflows	Outflows	Balance	Reserves
January	107.8	166.4	-58.6	244.3
February	121.1	123.6	-2.5	241.8
March	196.3	188.1	8.2	250.0
April	162.3	146.4	15.9	265.9
May	214.9	205.7	9.2	275.1
June	221.2	218.5	2.7	277.8
July	188.8	184.2	4.6	282.4
August	155.2	152.2	3.0	285.4
September	203.9	232.5	-28.6	256.8
October	163.1	132.1	31.0	287.8
November	121.9	135.8	-13.9	273.9
December	220.3	183.7	36.6	310.5
Total	2,076.8	2,069.2	7.6	

Notes: Figures for reserves show short term reserves at the end of each month.

Source: Banco Central.

# Public Finance

## Dominican Republic: public finance

RD\$m	1978	1979	1980	1981	5M1982
Government current revenue	578.4	673.6	868.9	908.3	272.4
Government current expenditure	447.6	614.9	719.7	756.3	309.9
Government capital expenditure	242.1	403.9	345.8	341.8	119.0
Government financial deficit	111.3	345.2	196.6	189.8	156.5

Notes: Budget estimates. 5M1982 = first five months of 1982.

Source: ONAPRES.

## Dominican Republic: Government budget and financing

RD\$m	1981	5M1982
<b>Current revenue</b>		
Taxes	749.2	250.8
Other revenue	159.1	21.6
<b>Total (a)</b>	<b>908.3</b>	<b>272.4</b>
<b>Current expenditure</b>		
Operational expenditure	514.6	204.8
Interest on public debt	62.5	29.6
Current transfers	157.7	63.2
Other expenditure	41.3	13.7
<b>Total (b)</b>	<b>776.1</b>	<b>311.3</b>
<b>Surplus available for investment</b>		
Current savings (a) – (b)	132.2	–38.9
Sale of assets	10.2	3.0
Other receipts	6.6	0.9
<b>Total (c)</b>	<b>149.0</b>	<b>–35.0</b>
<b>Capital expenditure</b>		
Real investment	120.8	42.3
Capital transfers	159.6	48.1
Financial investment	1.2	0.8
Acquisition of assets	2.1	1.0
Other expenditure	8.7	7.6
<b>Total (d)</b>	<b>292.4</b>	<b>99.8</b>
<b>Balance for financing (c) – (d)</b>	<b>143.4</b>	<b>134.8</b>

<b>External financing</b>		
Disbursements	69.2	44.2
<i>less: amortisation</i>	17.1	21.2
<hr/>		
Total	52.1	23.0
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<b>Internal financing</b>		
Issue of public debt	85.0	60.0
Other financing	1.6	0.4
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Total	86.6	60.4
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<b>Stock adjustment</b>	4.7	51.4
<b>Total financing</b>	143.4	134.8
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Notes: Budget outturn. 5M1982 = first five months of 1982.  
Source: Ministry of Finance.

# Financial System

## Dominican Republic: net foreign reserves

RD\$m	End 1977	End 1978	End 1979	End 1980	End 1981	End 1H1982
<b>Banco Central</b>						
Foreign reserves	201.5	192.1	300.5	302.9	310.5	149.2
Foreign liabilities	146.4	219.0	360.9	423.4	474.7	537.8
Net foreign reserves	55.1	-26.9	-60.4	-120.5	-164.2	-388.6
<b>Commercial banks</b>						
Foreign assets	40.4	25.3	35.9	25.2	18.8	44.1
Foreign liabilities	76.1	78.9	73.9	154.8	341.3	313.9
Net foreign reserves	-35.7	-53.6	-38.0	-129.6	-322.5	-269.8
<b>Banking system</b>						
Foreign reserves	241.9	217.4	336.4	328.1	329.3	193.3
Foreign liabilities	222.5	297.9	434.8	578.2	816.0	851.7
Net foreign reserves	19.4	-80.5	-98.4	-250.1	-486.7	-658.4

Notes: Foreign liabilities include all foreign debt plus foreign liabilities other than foreign debt (overdrafts and liabilities not subject to repayment terms stated in contracts in advance). Foreign debt of the Banco Central and the Banco de Reservas is included in the figures for foreign debt of the public sector. Foreign debt of the commercial banks other than the Banco de Reservas is included in the foreign debt of the private sector.

End 1H1982 = end of the first half of 1982.

Source: Banco Central.

## Dominican Republic: position at the International Monetary Fund

RD\$m end-year	1977	1978	1979	1980	1981
IMF quota	52.2	71.7	72.5	105.2	96.0
Use of IMF credit	44.3	47.6	124.3	48.5	23.0
Use of IMF credit/quota (%)	84.9	66.4	171.4	46.1	24.0

Notes: The figures for the use of IMF credit exclude the drawing of the reserve tranche.

Source: International Monetary Fund.

## Dominican Republic: consolidated balance sheet of the commercial banks

RD\$m	End 1977	End 1978	End 1979	End 1980	End 1981	End 1H1982
<b>National commercial banks</b>						
Banco de Reservas de la Republica Dominicana	606.2	672.4	768.4	880.7	1,081.4	1,086.9
Banco Popular Dominicano	165.6	194.7	210.6	253.7	303.8	304.9
Banco de Santander Dominicano	53.5	54.2	67.5	97.6	125.9	140.1
Banco Santo Domingo	41.5	47.7	35.2	29.9	n.a.	n.a.
Banco Metropolitano	32.1	33.0	42.6	56.0	60.9	68.3
Banco de Boston Dominicano	27.6	35.4	34.4	43.4	53.2	63.9
Banco del Comercio Dominicano	—	—	—	15.9	29.4	35.8
Banco de los Trabajadores	5.9	7.4	9.7	13.8	17.0	19.7
Banco Nacional del Credito	—	—	—	—	6.3	14.8
<b>Total (a)</b>	<b>932.4</b>	<b>1,044.8</b>	<b>1,168.4</b>	<b>1,391.0</b>	<b>1,677.9</b>	<b>1,734.4</b>
<b>Foreign commercial banks</b>						
Royal Bank of Canada	253.8	269.4	329.6	356.2	425.8	406.1
Bank of Nova Scotia	86.6	87.9	106.6	122.7	147.6	140.2
Citibank	149.4	116.8	109.5	104.7	104.6	115.7
Chase Manhattan Bank	117.9	128.5	155.6	174.6	210.0	218.2
Bank of America	29.8	35.1	41.8	36.6	54.4	65.4
<b>Total (b)</b>	<b>637.5</b>	<b>637.7</b>	<b>743.1</b>	<b>794.8</b>	<b>942.4</b>	<b>945.6</b>
<b>All commercial banks (a) + (b)</b>	<b>1,569.9</b>	<b>1,682.5</b>	<b>1,911.5</b>	<b>2,185.8</b>	<b>2,620.3</b>	<b>2,680.0</b>

Notes: n.a. = not available. End 1H1982 = end of the first half of 1982.

Source: Ministry of Finance.

# Foreign Debt

## Dominican Republic: foreign debt by maturity

RD\$m	End 1977	End 1978	End 1979	End 1980	End 1981
Short term (0–1 year)	50.4	236.4	209.9	284.8	277.0
Medium term (1–8 years)	476.7	473.8	677.9	533.7	450.1
Long term (over 8 years)	557.2	617.1	689.1	1,033.9	1,160.2
<b>Total foreign debt</b>	<b>1,084.3</b>	<b>1,327.3</b>	<b>1,576.9</b>	<b>1,852.4</b>	<b>1,887.3</b>

Notes: Disbursed debt only. Figures exclude foreign liabilities of the Banco Central and commercial bank liabilities other than foreign debt.

Source: Banco Central.

## Dominican Republic: foreign debt by borrower

RD\$m end 1981	Short term	Medium term	Long term	Total
<b>Public sector</b>				
Central government	—	—	770.4	770.4
Banco Central	84.5	87.8	70.3	242.6
Banco Agricola	—	—	8.3	8.3
Banco de Reservas	48.0	5.0	—	53.0
Banco Nacional de la Vivienda	—	2.6	14.0	16.6
Consejo Estatal del Azucar	101.0	—	—	101.0
Corporacion de Fomento Industrial	—	0.1	—	0.1
Corporacion del Acueducto y del A/c de Santo Domingo	—	—	18.5	18.5
Corporacion Dominicana de Electricidad	—	40.0	106.1	146.1
Corporacion Dominicana de Empresas Estatales	—	9.1	—	9.1
Instituto de Auxilios y Viviendas	—	8.5	—	8.6
Instituto de Estabilizacion de Precios	—	69.1	—	69.1
Instituto Nacional de Aguas Potables y Alcantarillados	—	—	5.5	5.5
Instituto Nacional de la Vivienda	—	—	1.5	1.5
Universidad Autonoma de Santo Domingo	—	—	0.2	0.2
<b>Total public sector</b>	<b>233.5</b>	<b>222.2</b>	<b>994.8</b>	<b>1,450.6</b>
<b>Private sector</b>	<b>43.4</b>	<b>227.9</b>	<b>165.4</b>	<b>436.7</b>
<b>Total</b>	<b>276.9</b>	<b>450.1</b>	<b>1,160.2</b>	<b>1,887.3</b>

Notes: Disbursed debt only. Short term (0–1 year). Medium term (1–8 years). Long term (over 8 years).

Source: Banco Central.

## Dominican Republic: foreign debt by lender

RD\$m end 1980	Commitments	Disbursements
<b>Public sector</b>		
Agencia Canadiense	1.8	—
AID	233.2	161.1
AIF	22.1	17.7
Biape	2.0	1.3
BID	485.9	239.2
BIRF	176.0	57.0
Bladex	3.0	0.3
Commodity Credit Corporation	101.3	52.0
Eximbank	64.7	33.2
Federal Home Loan Bank	4.9	4.3
Fondo de Inversiones de Venezuela	60.0	60.0
Fondo Especial de la OPEP	7.9	5.0
Fondo Internacional de Desarrollo Agricola	10.7	0.7
Fondo Monetario Internacional	107.3	63.3
Gobierno de EUA (PL480)	104.0	57.8
Gobierno Espanol	23.0	20.3
Gobierno Frances	3.9	2.4
Kreditanstalt für Wiederaufbau	8.1	6.5
Other lenders	1,031.9	584.4
<b>Total</b>	<b>2,451.7</b>	<b>1,366.5</b>
<b>Private sector</b>	<b>737.6</b>	<b>482.8</b>
<b>Total</b>	<b>3,189.3</b>	<b>1,849.3</b>

Source: Banco Central.

## Dominican Republic: selected foreign debt ratios

	1977	1978	1979	1980
Disbursed foreign debt/exports (%)	66.3	88.9	76.5	92.0
Disbursed foreign debt/GNP (%)	13.8	15.9	16.2	18.3
Foreign debt service/exports (%)	7.5	10.8	21.6	12.2
Foreign debt service/GNP (%)	1.6	1.9	4.6	2.4
Foreign debt interest/exports (%)	2.6	4.8	4.9	7.5
Foreign debt interest/GNP (%)	0.5	0.9	1.0	1.5

Notes: Foreign debt is defined as all public, publicly guaranteed and private (non-guaranteed) foreign debt. Exports include both goods and services.

Source: World Bank.

### Latin America and Caribbean: selected foreign debt ratios

	1977	1978	1979	1980
Disbursed foreign debt/exports (%)	118.0	136.2	120.4	104.3
Disbursed foreign debt/GNP (%)	17.7	20.0	20.3	18.8
Foreign debt service/exports (%)	18.5	26.3	26.8	22.2
Foreign debt service/GNP (%)	2.8	3.9	4.5	4.0
Foreign debt interest/exports (%)	6.7	8.7	9.7	10.8
Foreign debt interest/GNP (%)	1.0	1.3	1.6	1.9

Notes: Foreign debt is defined as all public, publicly guaranteed and private (non-guaranteed) foreign debt.  
Exports include both goods and services.  
Source: World Bank.

## Footnotes

47. This report has been prepared by Samuel Montagu & Co. Limited, financial advisers to the Banco Central de la Republica Dominicana. The statistics quoted in the report are based on information provided by the Banco Central. While every effort has been made to ensure the accuracy of the report, no responsibility is taken for errors or omissions.

48. Statistics used in the report are quoted for the latest month for which they are publicly available. Figures quoted in \$ are based on the official exchange rate of 1 Dominican peso equals 1 United States dollar (RD\$1 = US\$1). The fiscal year in the Dominican Republic is the same as the calendar year.