



DOMINICAN REPUBLIC

November 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR DOMINICAN REPUBLIC

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with the Dominican Republic, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its November 12, 2025 consideration of the staff report that concluded the Article IV consultation with the Dominican Republic.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 12, 2025, following discussions that ended on September 12, 2025, with the officials of the Dominican Republic on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on October 27, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for the Dominican Republic.

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IMF Executive Board Concludes 2025 Article IV Consultation with the Dominican Republic

FOR IMMEDIATE RELEASE

- *Growth in the Dominican Republic is projected to pick up in the period ahead, underpinned by the authorities' supportive policies. This follows a slowdown in late 2024 and the first half of 2025 due to increased uncertainty and tighter financial conditions.*
- *The Dominican Republic has strong economic fundamentals and policy space to respond should risks materialize, leaving it well-positioned to weather continued global uncertainty.*
- *Fiscal and structural reform efforts, especially for the electricity sector, are key to boosting medium-term growth prospects and further bolstering resilience, including to natural disasters.*

Washington, DC – November 18, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for the Dominican Republic¹ on November 12, 2025. The authorities need more time to consider the publication of the Staff Report prepared for this consultation.²

The Dominican Republic's (DR) growth slowed in late 2024 and the first half of 2025 largely due to increased uncertainty and tighter financial conditions. There are preliminary signs that economic activity is reviving, with credit, exports, and tourism growth all picking up in recent months, underpinned by supportive monetary and fiscal policies. Inflation remains close to target and is expected to average 3.7 percent in 2025. External balances are in line with fundamentals and desirable policies. The current account deficit is expected to narrow further this year to 2.5 percent of GDP, on the back of robust exports and remittances, and is fully financed by foreign direct investment (FDI).

Growth is expected to accelerate to 4.5 percent in 2026 then converge to its long-term trend of 5 percent, while inflation is forecast to remain around the 4 percent \pm 1p.p target. The current account deficit is expected to remain around 2½ percent and continue to be fully financed by FDI. The government's deficit and debt are projected to gradually decline, in part due to the expected reduction of electricity sector losses and improved targeting of energy subsidies. This will also help to create space for planned increases in public investment.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

² Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The authorities have not yet communicated their decision on the publication of the staff report.

The balance of risks is tilted to the downside, but the DR is well-positioned to weather them. External risks from global financial conditions and heightened uncertainty remain, as does the DR's vulnerability to natural disasters. But the DR has strong economic fundamentals and policy space to respond should these risks materialize. On the upside, the DR could benefit from trade diversion and FDI inflows stemming from changes in global trade policies. Domestically, delays in implementing the authorities' reform and public investment plans could pose a downside risk to growth, while robust implementation would create upside "risks" to growth.

Executive Board Assessment³

Executive Directors commended the Dominican Republic's sustained efforts to strengthen policies and institutions and advance business-friendly reforms, driving the strong macroeconomic performance over the past two decades. Directors welcomed that growth is expected to accelerate and inflation remain well-anchored. They agreed that while downside risks persist, the country is well positioned to absorb shocks, given its strong fundamentals and policy space. Notwithstanding the strong fundamentals, Directors encouraged the authorities to continue with their prudent policies and steadfast implementation of the reform agenda to accelerate growth and enhance resilience.

Directors encouraged the authorities to maintain prudent fiscal policies and support increased public investment, in line with the medium-term fiscal framework and Fiscal Responsibility Law. They welcomed the planned consolidation, focused on revenue mobilization and improving spending efficiency, including by removing generalized subsidies while safeguarding necessary social spending. A well-communicated medium-term revenue strategy could help lay the groundwork for broader fiscal reform. Directors noted that full implementation of the Electricity Pact is essential to limit fiscal risks and ensure resilience.

Directors concurred that the monetary policy stance is broadly appropriate. They underscored that strengthening the monetary transmission mechanism would help to reinforce the effectiveness of the inflation targeting framework. Accordingly, Directors encouraged efforts to advance a comprehensive and clearly communicated strategy to gradually wind down exceptional liquidity measures. Furthering domestic financial markets development would also support policy transmission. Directors highlighted the need for continued exchange rate flexibility, with interventions focused on smoothing large shocks and rebuilding buffers to bolster external stability.

Directors noted that the banking system remains healthy and systemic risks are limited. They commended the progress on enhancing the financial sector supervisory and regulatory framework. The adoption of Basel II and III standards, development of a macroprudential policy toolkit, and strengthening of the AML/CFT framework remain key priorities.

³ At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Directors welcomed the ambitious structural reform agenda, aimed at boosting the country's potential growth and achieving high-income status as envisioned in the Meta2036 Plan. They noted that efforts to further improve governance, advance labor and social security reforms, and efficiently invest in infrastructure, education, and health are essential to achieve these goals. Noting the progress made, Directors concurred that the Dominican Republic's high vulnerability to natural disasters requires a comprehensive approach to mitigating risks and building resilience. Important measures include enhancing the disaster risk management frameworks and deepening natural disaster considerations in fiscal policy.

^{3/} Excluding reserves.



DOMINICAN REPUBLIC

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

October 27, 2025

KEY ISSUES

Context. The Dominican Republic's (DR) remarkable economic performance over the past two decades has been driven by strengthening policies and institutions, social and political stability, and business-friendly reforms. This has enabled the fastest rate of income convergence in Latin America and the Caribbean over this period.

Recent Developments. After slowing in late 2024 and early 2025, driven by higher uncertainty and tighter financial conditions, activity appears to be starting to pick up. This has been underpinned by supportive monetary and fiscal policies, including exceptional liquidity measures and increased public investment, with the latter leading to a slightly higher fiscal deficit this year. Inflation remains well anchored around the target. Banks remain well capitalized and highly profitable, notwithstanding a slight uptick in non-performing loans. The current account deficit, fully covered by FDI, has narrowed further owing to strong exports and higher remittances and gold prices; the external position remains in line with fundamentals and desirable policies.

Outlook and Risk. Growth is expected to accelerate from 3 percent this year to 4.5 percent in 2026 and converge to its potential over the medium term. Inflation is projected to remain around target. The authorities are committed to the Fiscal Responsibility Law (FRL) and both the fiscal deficit and debt are expected to decline gradually going forward. Downside risks persist, predominately stemming from the external environment. But the DR is well-positioned to weather them, with policy space to respond should risks materialize. On the upside, the DR could benefit from trade diversion and greater FDI flows stemming from changes in global trade policies.

Key Policy Advice. Strong policies continue to sustain the DR's robust economic performance. Strengthening monetary policy transmission would help normalize policy and support growth. Exchange rate flexibility in line with fundamentals should be maintained, with FX interventions focused on smoothing large shocks along with further developing the hedge market. Continued fiscal prudence should be accompanied by measures to create space to scale up investment and maintain debt on a downward path. Reforms and investments to bolster the electricity sector remain key to easing fiscal pressures. Complementary reforms to bolster human capital, competitiveness, and resilience to natural disasters will be crucial to boost potential growth in line with the country's *Meta2036* objectives.

Approved By
Dora Iakova (WHD)
and Koshy Mathai (SPR)

Discussions took place in Santo Domingo during September 1-12, 2025, with a staff team comprised of Ricardo Llaudes (head), Pamela Madrid Angers, Manuel Rosales Torres, Nathaniel Arnold, Ilya Stepanov, Gerardo Peraza, Manuel Escobar Pacheco (all WHD). André Roncaglia (OED) participated in the closing meetings and Frank Fuentes (OED) participated in the discussions. The team met with Central Bank Governor Hector Valdez, Minister of Finance and Economy Magin Diaz, Superintendent of Banks Alejandro Fernandez, other senior officials and representatives of the civil society and private sector.

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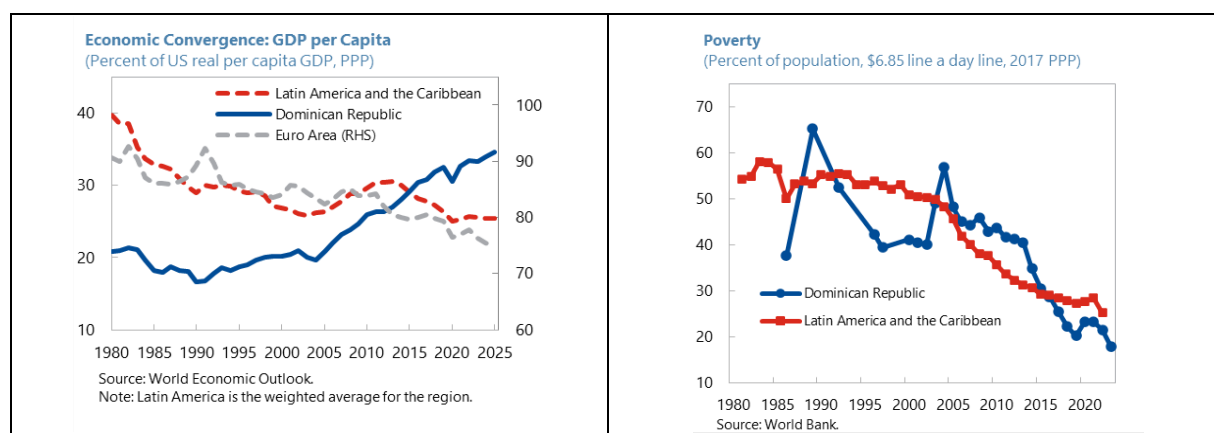
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RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

1. The Dominican Republic (DR) remarkable economic track record in the last 20 years has been underpinned by strong fundamentals and policies. Robust institutions and policy frameworks, including adoption of a fiscal rule in 2024, social and political stability enabling policy continuity, and an investor-friendly business climate, have enabled the DR to achieve the fastest convergence rate in Latin America and the Caribbean (LAC). The inflation targeting (IT) regime has delivered low inflation and anchored expectations, while external stability has been safeguarded by strong FDI flows, a testament to DR's stability.



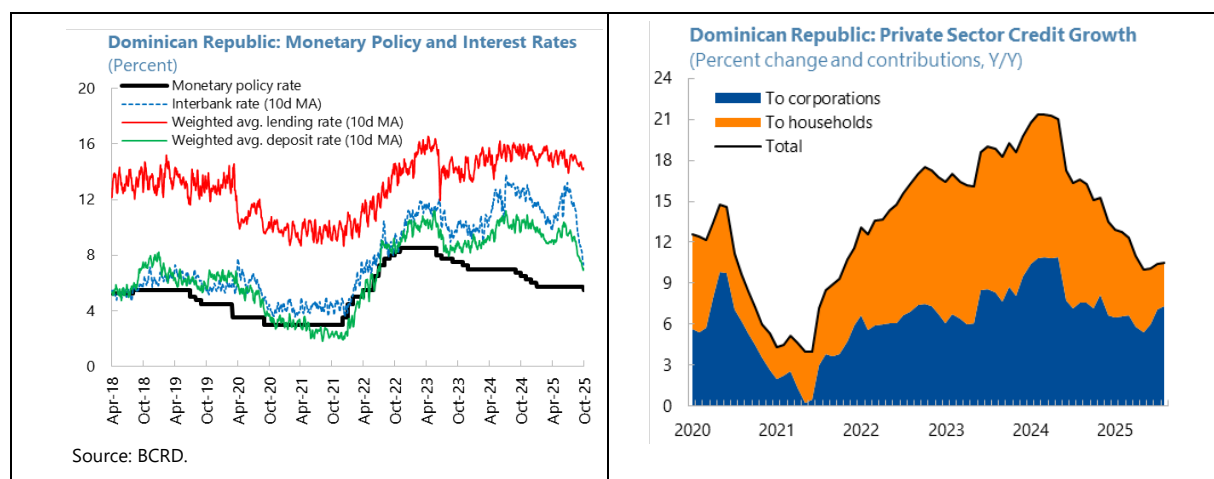
2. Growth in 2024 was around potential at 5 percent but higher uncertainty and tighter financial conditions have weighed on growth in 2025. Economic activity in early 2024 was relatively broad based, reflecting supportive monetary conditions, strong credit growth, and robust external demand (especially tourism). However, activity cooled in the second half of 2024 and first half of 2025 due to increased uncertainty, tighter financial conditions, and lower tourist arrivals growth. Recent high-frequency indicators suggest that growth may be picking up—it averaged 2.2 percent y/y through August—especially for manufacturing and mining. Despite the growth slowdown, the labor market has remained robust, with unemployment steady, labor force participation at a historic high, and informality declining.

3. Headline inflation has remained within the BCRD's target (4 percent \pm 1p.p.) since mid-2023. Inflation averaged 3.6 percent in 2025 (through September), with higher food prices offset by low energy price inflation (as the freeze on retail fuel prices and electricity tariffs has been largely maintained). Core inflation has been close to the target since 2024. Inflation expectations (24-months ahead) remain well-anchored at 4 percent.

4. The BCRD has reduced the monetary policy rate (MPR) and introduced liquidity measures to strengthen the transmission mechanism.

- After the latest cut in September 2025, the BCRD has cut the MPR by 300 bps (to 5.50 percent) since the easing cycle began in May 2023. However, a less-than-full transmission to market rates has led to relatively elevated lending and deposit rates.

- The BCRD has also remained proactive in managing liquidity to guide economic activity and support the IT regime. More recently, in June 2025, the BCRD announced new liquidity measures to support policy transmission and spur lending (Box 1).



5. Since early 2025, the BCRD has allowed greater exchange rate (ER) flexibility and has tightened FX regulations to safeguard financial and external stability. The BCRD deployed Foreign Exchange Interventions (FXIs) in 2024 to smooth exchange rate volatility, including during the election cycle and around the fiscal reform period. However, the BCRD has largely refrained from intervening in the spot-FX market in 2025, allowing greater exchange rate flexibility. In April, the BCRD revised some FX regulations to strengthen prudential risk management of un-hedged FX borrowers and to stem the increase in banks' net foreign currency positions (see Box 2). Recent amendments to the FX regulation are expected to enhance transparency and price formation in the FX market.¹

6. The banking sector remains healthy and credit growth has started to pick up. Capital (18.4 percent) and profitability (18.3 percent return on equity) remained robust as of June. NPLs and stressed credit ticked up slightly (to 1.9 percent and 7.6 percent, respectively, in June) but remain manageable with ample provisioning. Overall FX credit growth has decelerated, especially mortgage lending, owing to revised FX prudential rules. But local currency lending growth is picking up after having slowed in the first part of the year (from very high levels in early 2024)—particularly for the construction and manufacturing sectors—supported by the BCRD liquidity measures. Given robust capital buffers, ample provisioning, and slower FX credit growth, systemic risks in the financial sector appear to remain limited.²

¹ The amendments require FX operators to conduct FX transaction US\$10,000 and above through the BCRD platform and establish a code of conduct as well as sanctions.

² This is in line with last year's assessment; see 2024 Article IV Staff Report.

Box 1. Dominican Republic: Liquidity Measures Since 2020

In the first half of 2020, in addition to the 100-bps emergency cut to the Monetary Policy Rate (MPR), the BCRD adopted exceptional liquidity measures, amounting to 5¾ percent of GDP, to mitigate the negative toll from the pandemic. These included (i) a reduction in the reserve requirements (RR) in domestic and foreign currency; (ii) the provision of a collateralized liquidity window for on-lending to productive sectors at favorable rates; (iii) the creation of the Rapid Liquidity Facility for on-lending and refinancing of existing loans; and (iv) short-term repo operations of up to 90 days.

The BCRD started to mop up the injected liquidity in 2021H2, accelerating it in 2022 with the increase in the RR, which led to an economic deceleration in 2023. In response, further to a gradual reduction of the MPR, the BCRD resorted again to temporary liquidity measures to boost credit (rose to 20 percent by end-2023) and accelerate the MPTM, helping to offset the effects of the expiring COVID-19 measures. However, given strong credit growth and activity in H1:2024, the BCRD tightened liquidity (via increased securities issuance and roll-off of the expiring 2023 liquidity measures).

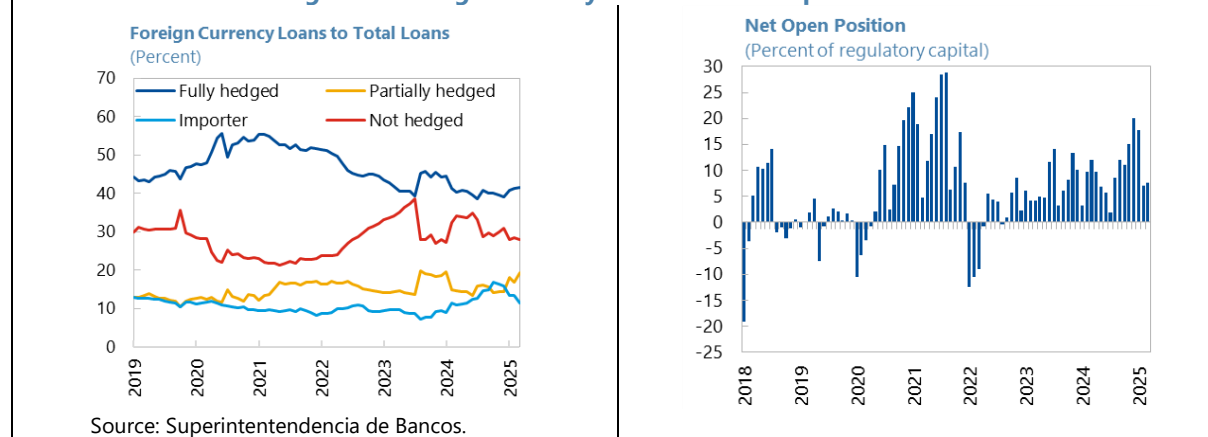
Since H2:2024, and to counter the drainage of liquidity, in part due to the extensive use of FXIs in 2024, the BCRD has deployed again liquidity measures to assist the transmission of the MPR to domestic market rates, similar to those introduced in 2020 (Table 1).

Liquidity Measures During Normalization Cycle, May 2023-June 2025	
Instrument	Measure
1	<p>Reserve Requirements (released) 2023: RD\$205bb (3.1 percent of GDP). Banks access funds at 3% for onlending at 9%.</p> <p>1.2% RR (0.3% of GDP), purchase/construction low-cost housing, 2-5 year programs (Jan. 2023); 2% RR (0.5% of GDP) for housing and rest of productive sectors (May 2023).</p> <p>Rapid Liquidity Facility (RLF) RLF created with RD\$150bb (2.2% of GDP) to finance productive sectors and MIPYMES.</p>
2	<p>Reserve Requirements (released) 2024: RD\$103bb (1.5 percent of GDP). Banks access funds at 3% for onlending at 9%.</p> <p>1.75% RR (0.6% of GDP) released in Nov. 2024 for housing and MIPYMES.</p> <p>Rapid Liquidity Facility (RLF) RD\$68bb (0.9% of GDP) extended in Nov. 2024 (for MIPYMES, housing, and productive sectors).</p>
3	<p>Repo Lending Facility Since July 2024: Extended maturity from 1-day (6.25%) to: 7-day (6.75%); 14d (7.25%); 21d (7.75%); 28d (8.25%).</p>
4	<p>Central Bank Securities - Reverse REPO of Central Bank securities for RD\$17bb (0.2% of GDP) (July-Aug. 2024). - RD\$166 billion, (2.2% GDP), not rolled over to increase liquidity and lending (2024Q4).</p>
5	<p>Reserve Requirements (released) - 2025: RD\$81bb (1.0 percent of GDP). Banks access funds at 3% for onlending at 9%. - 2% RR (0.6% of GDP), (approved in June 2025); - 0.6% RR (0.2% of GDP) released in 2024 and extended by six months (June 2025).</p> <p>Rapid Liquidity Facility (RLF) - RD\$17 bb (0.2% of GDP) from the 2024 RLF extended under same terms (June 2025).</p>
Source: National authorities and IMF staff calculations.	

Box 2. Dominican Republic: Macroprudential Foreign Currency Measures

Against a rising trend in foreign currency (FC) lending with a growing share of unhedged loans and larger net FC open position (NFCOP) by financial intermediaries (FI) since mid-2022, last April the Central Bank (BCRD) adopted changes to a set of foreign currency macroprudential regulations (FCMP).

Figure 1. Foreign Currency Loans and Net Open Position



The amended FCMP regulations, which seek to reduce FC mismatch risks by strengthening the operational behavior of FIs, are part of a broader reform agenda to strengthen the regulatory framework and enhance the soundness and stability of the financial system (e.g., operational risks, market risks, loan-to-value).

Importantly, these amendments are not residency based, nor do they target the volume or the composition of capital flows.

The first regulation targets FI's FC lending practices: (i) tightens the definition of FC and non-FC generators; (ii) sets limits on FC lending; (iii), curbs mortgage and consumer lending; (iv) sets documentation requirements; (v) sets specific risk-weights; and (vi) sets penalties and provisioning requirements for exceeding the limits. While the limit on FC lending has been raised from 15 percent to 25 for non-FC generators, a more comprehensive due diligence now requires FIs to ensure non-FC generators are sufficiently solvent to service FC debts and absorb potential FC risk.

The second regulation tightens (i) the limits on the FIs' net FC open position (NFCOP) as a share of the paid-in capital and legal reserves and (ii) the daily average increase in the NFCOP.

Foreign Currency Macrofinancial Policy

Lending in Foreign Currency Policy: 2004 vs 2025

Issue/Topic	2004 Regulation	2025 Regulations
1 Lending limit to non-FC generators	Max. 15% of FC funds	Max. 25% of deposits and FC financing, priority to FC generators
2 FC generators definition	Exporters, tourism, remittances	Inflows in FC \geq 50% on a regular basis
3 Mortgages and Consumers Lending	Allowed under certain conditions	Credit cards only. Others will be phased out.
4 Documents requirement	Not specified	Required (remittances, financial statements, etc.)
5 Risk weight	Credit type specific	8%, 30%, 60%, 150% depending on collateral
6 Supervision and penalties	Standard revision	Monthly monitoring, penalties and provisions for excess

Limits on Net Foreign Currency Position Policy: 2019 vs 2025

Issue/Topic	2019 Regulation	2025 Regulations
1 Banks' NFC limit relative to paid-in-capital and legal reserves	Long NFC position: 50% Short NFC position: 40%	Long NFC position: 25% Short NFC position: 25%
2 Limits on daily average increase in NFC, whichever is lower over 5 consecutive days	\leq 25% of capital and reserves or \leq US\$10 million,	\leq 25% of capital and reserves or \leq US\$5 million,
3 Implementation dates:	2019	Daily increase limits: April 1, 2025 Long/Short position: Aug. 1, 2025

Source: National authorities.

7. The 2025 reformulated budget aims to bolster activity while remaining in line with the Fiscal Responsibility Law (FRL).³ The 2024 Budgetary Central Government (BCG) deficit declined to

3.1 percent of GDP—from 3.3 percent in 2023—with one-off revenues offsetting an increase in energy subsidies. The reformulated 2025 budget (Text Table) envisages a 3.5 percent deficit with real primary expenditure increasing by 0.9 percent of GDP (+2.3 percent y/y), remaining within the FR limit. Capital spending increases to 2.7 percent of GDP, with investments focused on road transport and water infrastructure for quick execution. Current spending is also increased, primarily for electricity subsidies (+0.3 percent of GDP). This follows higher-than-expected distribution losses and expected (temporary) higher cost generation (as new lower cost supply has lagged demand growth). The additional expenditures are financed by one-off revenues (0.5 percent of GDP from transferred unexecuted funds),⁴ BCG use of deposits (0.3 percent of GDP) and net increase in debt financing (0.1 percent of GDP).⁵

Budgetary Central Government: 2023-2024 Actual and 2024-2025 Budgets (In percent of GDP, unless otherwise specified)					
	2023	2024		2025	
	Actual	Reformulated budget) 1/	Actual	2025 1/ Budget	Reformulated budget) 1/
Revenue	15.8	16.4	16.4	15.3	16.0
o/w one-off revenues 2/	0.8	0.6	1.1	0.0	0.5
Tax revenues	14.3	14.3	14.5	14.2	14.4
Expenditure	19.1	19.5	19.5	18.3	19.5
Employee compensation	4.5	4.6	4.6	4.4	4.5
Goods and services	1.9	2.1	2.0	2.0	2.1
Interest	3.2	3.5	3.4	3.7	3.7
Subsidies	1.5	1.7	1.9	1.4	1.7
Grants	3.1	2.8	2.9	2.6	2.8
Social benefits	1.8	1.8	1.8	1.8	1.8
Other transfers	1.1	1.3	1.1	1.1	1.3
Investment	2.2	1.7	1.8	1.4	1.7
Overall balance	-3.3	-3.1	-3.1	-3.0	-3.5
Primary balance	-0.1	0.4	0.3	0.7	0.2
<i>Memo:</i>					
NGDP (in RD\$ bln.)	6765	7447	7403	8113	7968
Nominal GDP growth forecast	8.1	10.1	9.4	8.9	7.6
Fiscal impulse 3/	-0.2	n.a.	-0.3	n.a.	n.a.
Real primary spending growth (in percent)	5.1	6.1	6.7	-4.1	2.3
Reformulated expenditure increase	n.a.	0.5	n.a.	n.a.	0.9
Capital spending 4/	2.9	2.7	2.5	2.2	2.7

Source: Ministry of Finance and staff calculations.

1/ As percent of respective budget projections of NGDP and CPI (for real primary spending growth).

2/ Included in the budgets: 2023, 0.4% tax advances; and 2024, 0.6% non-tax concession advances. Any remainder are other non-recurrent revenues.

3/ BCG (-) change in cyclically-adjusted primary balance: (+) = loosening and (-) = tightening

4/ Comprised of BCG investment, capital grants to rest of GG and capital transfers to rest of NFPS.

8. The current account deficit narrowed to 3.3 percent of GDP in 2024 and the external position remained broadly in line with fundamentals and desirable policies (Annex IV).

Favorable terms of trade, recovery in gold and free-trade zone (FTZ) output, and strong travel receipts and remittances more than exceeded the increase in primary income outflows. Notably, FDI continued to fully finance the CA deficit. International reserves stood at 114.4 percent of the ARA metric at end-2024 and remained adequate also under alternative metrics (Figure 4).⁶ A large debt-management operation and Peso-linked issuance in early 2025 helped reduce rollover and exchange

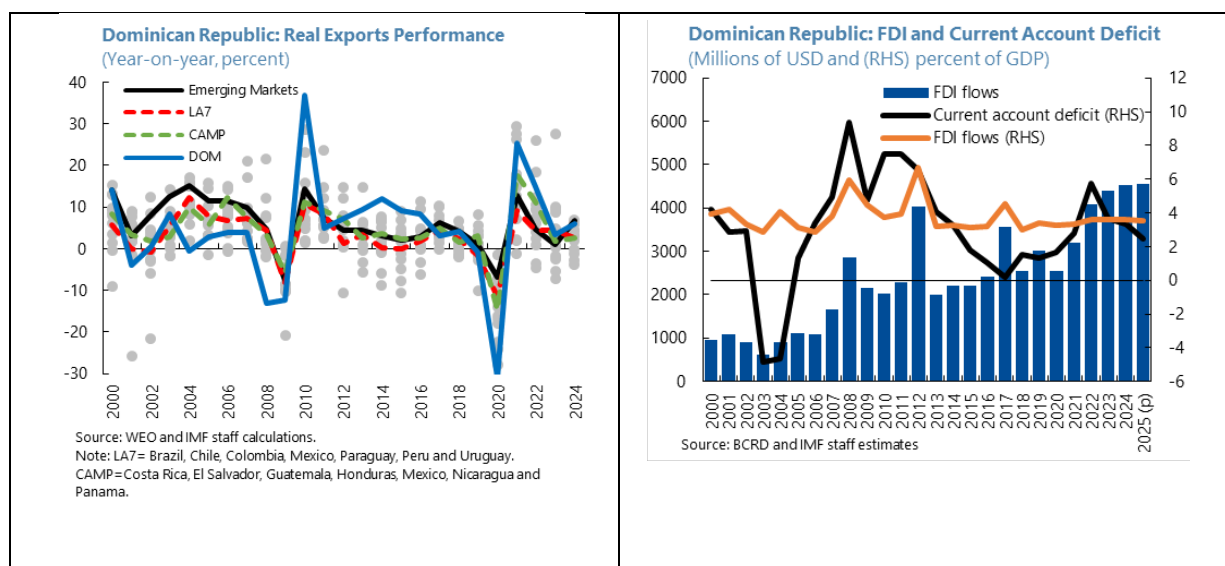
³ The FRL establishes an operational rule limiting annual real primary spending growth to 3 percent until the general government debt anchor limit of 40 percent is reached (by at least 2035); thereafter the primary balance should be debt-stabilizing (i.e., to main GG debt below 40 percent). See 2024 Staff Report for further details.

⁴ These revenues are above-the-line given that the funds (in the form of deposits) are held outside of the BCG, but are below-the-line for the Non-Financial Public Sector (NFPS), which along with the other financing raise the NFPS deficit to 3.9 percent of GDP (Table 2).

⁵ Includes the 10-year bond issued by the government on October 22, for US\$1.6 billion.

⁶ DR's *de jure* exchange rate arrangement classification is "managed floating" while the *de facto* arrangement was reclassified to "floating" in 2025 from "crawl like." This reflects greater exchange rate flexibility, with the BCRD's participation in the FX market largely focusing on limiting excessive volatility during most of 2025.

rate risks,⁷ and sovereign spreads have come down.⁸ The trade balance has continued to improve (exports up 10.2 percent through September), helped by high gold prices, and strong remittances growth (up 11.4 percent y/y cumulative through September) is helping to narrow the CA deficit.



9. The near-term outlook is subject to high uncertainty, but overall macroeconomic fundamentals remain strong, supporting medium-term prospects.

- *Growth*: While external conditions are expected to weigh on activity, the new liquidity measures and the associated expected stronger MPR pass-through, increased public investment, and robust FDI,⁹ should support growth. Real GDP growth in 2025 is projected at 3.0 percent, accelerating to 4.5 percent in 2026, and expected to return to potential (5 percent growth) in the medium term. Medium-term growth is expected to be driven by gains in labor force participation and the growth of investment and productivity in line with historical trends.¹⁰
- *Inflation* is expected to remain slightly below target this year, before returning to target in 2026—as the output gap should weigh on core inflation while higher imported prices impact headline inflation. In the medium term, inflation is expected to remain around the target, supported by the authorities' track record and well-anchored expectations.

⁷ The authorities repurchased securities \$2.4 billion (including \$0.6 million of dollar-denominated domestic debt) due in 2026 and issued \$5 billion (including \$2 billion of peso-linked bonds) with a weighted maturity of 15.6 years.

⁸ In August 2025, Moody's upgraded the DR's long-term credit rating to Ba2 from Ba3 with a stable outlook.

⁹ Ongoing and new FDI-related projects include: the Port and Free Trade Zone expansion by DP World, the Punta Cana FTZ expansion, the Manzanillo industrial and logistics project, Pedernales development project, the Manzanillo power gas and the transmission investment projects.

¹⁰ See 2024 Article IV Annex XIII for details of the policies supporting female labor force participation, which has been the main driver of increasing labor force participation.

- The *BCG deficit* is expected to increase to 3.4 percent of GDP in 2025 and then decline to 3.2 percent in 2026. Over the medium-term, a further gradual consolidation is expected, with the deficit declining to 2 percent of GDP and primary balance increasing to 1.5 percent of GDP by 2030. This is in line with the FRL and latest budget, which include slower employee compensation and current transfers growth.¹¹ Alongside lower central bank quasi-fiscal deficits, the consolidated public sector (CPS) debt is projected to gradually decline to around 52 percent of GDP by 2030 and is assessed as sustainable (DSA Annex).
- *Current account*: The CA deficit is expected to remain at around 2½ percent of GDP driven by a lower energy bill (given increased renewable generation), stable terms-of-trade, and improvements in the primary income account supported by the expected fiscal consolidation. Reserves are projected to remain stable at around 115 percent of the ARA metric by 2030.

Medium-Term Macroeconomic Framework (Selected indicators, in percent of GDP unless otherwise specified)												
	2019	2020	2021	2022	2023	2024	Projection					
							2025	2026	2027	2028	2029	2030
Growth and Prices												
GDP growth (percent)	4.9	-7.9	14.0	5.2	2.2	5.0	3.0	4.5	4.9	5.0	5.0	5.0
Consumer price inflation (e.o.p., percent)	3.7	5.6	8.5	7.8	3.6	3.3	3.7	4.0	4.0	4.0	4.0	4.0
Government Finances												
Central government revenue	14.4	14.2	15.5	15.3	15.8	16.4	16.0	15.5	15.5	15.5	15.5	15.5
Central government expenditure	17.8	22.2	18.4	18.5	19.1	19.5	19.4	18.7	18.4	18.1	17.8	17.4
Central government balance ^{1/}	-3.5	-7.9	-2.9	-3.2	-3.3	-3.1	-3.4	-3.2	-3.0	-2.6	-2.3	-2.0
Consolidated public sector overall balance	-3.3	-9.0	-3.7	-3.6	-4.1	-3.9	-4.5	-3.8	-3.5	-3.0	-2.6	-2.2
Consolidated public sector debt	53.1	71.4	61.8	58.8	59.7	58.1	59.2	58.2	56.6	55.1	53.3	51.5
Balance of Payments												
Current account	-1.3	-1.7	-2.8	-5.8	-3.7	-3.3	-2.5	-2.5	-2.6	-2.6	-2.6	-2.5
Foreign direct investment	-3.4	-3.3	-3.4	-3.6	-3.6	-3.6	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5
Gross international reserves (US\$ million)	8,782	10,752	13,033	14,408	15,464	13,388	14,448	14,973	15,825	16,725	17,675	18,679

Sources: National authorities and IMF staff calculations.

^{1/}Central government balance refers to Budgetary Central Government (BCG).

10. Risks to the outlook are tilted to the downside stemming from a highly uncertain external environment, and agile policy making remains essential (RAM, Annex II).

- While the direct impact of changing trade and immigration policies is expected to be moderate (Annex V), external risks remain elevated. Continued high uncertainty, tighter global financial conditions, and a resumption of commodity price volatility could increase precautionary savings, increase domestic interest rates, and lower disposable incomes, putting pressure on the fiscal and external accounts and ultimately reducing domestic activity. The DR also remains vulnerable to natural disasters posing macroeconomic costs through damages to infrastructure and sectorial impacts. Moreover, further reform delays (including reducing electricity losses) could weaken external and fiscal positions.

¹¹ The budget includes electricity sector subsidies under current transfers. Declining electricity subsidies (as percent of GDP) reflect lower generation prices from new gas and renewable supply and also a commitment to the Electricity Pact that supposes a gradual tariff adjustment (to bring in line with cost recovery) along with increased investments and enhanced management measures to reduce distribution losses (see ¶23-25).

- There are also important upside risks to the outlook. The DR could benefit from trade diversion and greater FDI flows as investors seek to regionalize production. A faster-than-anticipated recovery in tourism from the U.S. would support incomes and the external accounts. A fiscal reform that strengthens the revenue base and allows for greater capital and social spending and a faster recapitalization of the BCRD could reduce sovereign risk premia. Structural reforms to enhance competitiveness could bolster long-term growth and strengthen debt sustainability.

Authorities' Views

11. The authorities agreed with staff's assessment of the recent economic developments, the outlook, and the balance of risks. They noted the DR has remained resilient but that increased uncertainty and tighter financial conditions contributed to a growth slowdown through 2025H1. The authorities expect that the recent measures to bolster liquidity and increase public investment, with enhanced monetary-fiscal coordination, will provide an impetus to growth. They concurred with staff's risk assessment, adding that rare earth mining and semiconductors are promising sources of growth. The authorities underscored that the DR is well-positioned to confront potential risks given strong fundamentals and available policy space.

POLICY DISCUSSIONS

Near-term policies should aim to close the output gap while safeguarding economic stability. These should include (i) strengthening monetary policy transmission; (ii) steady implementation of the FRL, with enhanced transparency and efficiency of public spending and revenue administration; and (iii) maintaining strong financial supervision. Further enhancing the coordination of monetary and fiscal policies is critical to boost their effectiveness and impact. Measures to create fiscal space to scale up public investment—including implementation of the Electricity Pact—reforms to strengthen financial regulation and the macroprudential framework, and progress with the structural reform agenda are critical to build resilience, boost long-term growth, and achieve high-income status.

A. Near-Term Policies to Support Growth and Navigate Elevated Uncertainty

12. The current monetary policy stance is broadly appropriate. Staff estimates that the *ex ante* real MPR (about 1.7 percent) is within the neutral rate range (1-2 percent). Moreover, given that (i) recent policy rate easing and liquidity measures are still feeding through to market rates; (ii) monetary policy transmission is still being strengthened; and (iii) uncertainty, including around global inflation trends, remains elevated, there is space for the BCRD to remain data driven with future policy decisions guided by the impact of new data on the inflation and economic outlooks.

13. Strengthening monetary policy transmission remains a priority to further bolster the effectiveness of the IT framework. While the BCRD has been successful in keeping inflation around the target, monetary policy transmission has weakened since the pandemic (Annex VI), including due to heightened uncertainty. In this respect, the BCRD's recent liquidity measures

(Box 1) are supporting the realignment of market rates with the policy rate. However, durably restoring policy transmission will require a gradual unwinding of these exceptional measures and a greater emphasis on more conventional instruments to ensure adequate market liquidity. Measures to strengthen monetary policy transmission should include:

- i. *Continuing to calibrate liquidity management based on forecasts of relevant factors.* The BCRD's liquidity management adequately considers key market variables, including flows from the unwinding of exceptional liquidity measures, the rollover of BCRD securities and weekly auctions, and government debt issuance, as well as estimates of liquidity demand. In this context, the excessive concentration of liquidity in the largest banks at times can present challenges in liquidity management. Bolstering the effective functioning of the interbank market would help ensure an adequate distribution of liquidity across the system and better alignment of market rates with the policy rate.
- ii. *Advancing a comprehensive and well-communicated strategy to gradually wind down the existing exceptional liquidity measures, including how the BCRD will smooth the impact on liquidity in the system. This is critical to help banks plan their liquidity management and operations.*
- iii. *Continuing to develop the domestic interbank repo market. This would provide an indicative benchmark of money market conditions and allow banks to manage liquidity more flexibly. In this context, the authorities could consider systematically collecting and sharing data on the collateralized interbank repo market (volumes, rates, maturities) to support these efforts.*
- iv. *Revisiting the reserve requirements framework as banks are currently required to meet their reserve requirements daily. Options include lengthening the reserve maintenance period and the averaging of reserves, which would provide banks with greater flexibility in the management of liquidity.*
- v. *Enhancing monetary-fiscal coordination to help deepen domestic capital markets, including on the rollover and issuance of new BCRD securities and central government debt.*

14. The BCRD's continued improvement of its communication will further strengthen the IT regime. Welcome steps include the publication of informative scenarios in the monetary policy report and plans to increase the frequency of monetary policy reports (from 2 to 4) and expand the data provision. The BCRD is also active in attending Fund-sponsored regional workshops on central bank communication, which will further bolster the effectiveness of the IT regime.

15. Maintaining FX flexibility and building external buffers are essential to safeguarding external stability. Consistent with the inflation-targeting regime, the BCRD has appropriately allowed greater exchange rate flexibility in 2025. Going forward, the exchange rate should continue to be allowed to act as a shock absorber and FXIs should be focused on smoothing excessive volatility. This will also help buttress the efficiency of the IT regime as the policy anchor. Further, expanding the use of FX hedging mechanisms, including by ensuring an enabling regulatory

environment and reducing the BCRD's role in the provision of FX hedges,¹² would further support external stability and reserve accumulation.¹³ In the context of heightened global uncertainty, a steady build-up of buffers will help to further strengthen external stability.

Authorities' Views

16. The authorities emphasized their commitment to strengthening the transmission mechanism to support the ongoing normalization of monetary policy. They stressed that heightened uncertainty has weighed on the effectiveness of the transmission mechanism, which was reflected in tighter financial conditions. The authorities highlighted the role of liquidity measures to support economic activity, stressing that their active liquidity management is starting to transmit to market rates. Going forward, they are advancing a strategy to wind down the existing exceptional liquidity measures while ensuring adequate liquidity. With inflation firmly around the target, they stressed their readiness to safeguard macroeconomic stability if shocks materialize.

17. The authorities concurred that the exchange rate should continue to act as shock absorber and that expanding the use of hedging instruments will bolster external stability. They agreed that the Peso remains broadly in line with fundamentals and desirable policies and that FX interventions should focus on smoothing large shocks. They noted the ongoing market outreach aimed at deepening the use of FX derivatives. They expect that recently approved regulations to enhance the monitoring of FX operators will further strengthen the FX market. They agreed on the need to continue rebuilding external buffers but caveated that reserves adequacy should be calibrated with the sterilization costs and impact on the quasi-fiscal deficit taken into account.

Fiscal Policy

18. The 2026 budget adequately tightens the policy stance while prioritizing investment and social spending. Following the counter-cyclical spending increase in 2025, the BCG deficit target for 2026 is 3.2 percent of GDP, with flat real primary spending growth (well within the FR limit). Revenues remain conservative at 15.5 percent of GDP, 0.5pp lower than in 2025 given no additional one-off revenues. Expenditures are targeted to decline 0.7pp of GDP: while social benefits are protected (remaining at 1.8 percent of GDP), subsidies decline about 0.3 percent of GDP and the wage bill and capital spending each decline about 0.2 percent of GDP. Continuing with consolidation in line with the budget's medium-term fiscal framework (and FRL) will appropriately support fiscal sustainability. Strengthening the financial position of public electricity distribution companies, including by lowering the high level of subsidized electricity consumption (see footnote

¹² A platform for FX spot and non-deliverable forward (NDFs) markets was adopted in 2019—with international investor participation as of 2020—to increase transparency and enhance information. However, the BCRD has increased participation in the hedge market, becoming the primary market maker.

¹³ Moreover, and similar to the use of commodity prices futures, the information derived from the FX derivatives markets could be used as an independent input for the exchange rate assumption informing the preparation of the budget instead of the current practice based on the past exchange rate average.

14 and 125) and moving away from price freezes (while using more targeted transfers to the lower quintiles) would help ensure subsidies can be contained.

19. The authorities' plans to scale up public investment are welcome but further efforts are needed to meet the DR's development needs and growth ambitions. Capital spending of around 2.5 percent of GDP would still fall short of estimated infrastructure needs to meet sustainable development goals,¹⁴ including to increase resilience to natural disasters (see Section D).¹⁵ This, and past use of one-off revenues to finance investments, highlights the need to continue reducing inefficient spending (untargeted subsidies),¹⁶ as well as to raise revenue more durably to support needed investment (see 122) while also abiding by the FRL.

20. In case of shocks, the fiscal authorities have some room to increase spending. If risks to growth materialize, temporary stimulus measures could be deployed to help ease the macroeconomic adjustment. There is scope under the FRL to increase spending and there is an escape clause in case of a recession or natural disaster.¹⁷ However, while there is some fiscal space, close attention must be paid to the financing implications (more expensive financing may be required) and risks in reaching the 40 percent debt anchor by 2035.

Authorities' Views

21. The authorities remain committed to prudent fiscal policies anchored by the fiscal rule while scaling up public investment. They noted the 0.5 p.p. of GDP increase in the deficit in 2025 remains in line with limits set in the FRL. Given the cyclical slowdown and infrastructure needs, they stressed the importance of higher public investment, which they are confident can be executed and should help bring the economy back to potential. They are seeking to create fiscal space in the near-term by combating tax evasion and increasing spending efficiency, including reducing untargeted subsidies. They noted that they have some more spending flexibility under the FRL, good access to external markets, and contingent financing in the case of shocks, including natural disasters.

B. Implementing Reforms to Strengthen Fundamentals

Fiscal

22. The authorities continue to advance fiscal structural reforms, essential to create fiscal space and preserve sustainability. Developing a medium-term revenue strategy (MTRS) could

¹⁴ According to the IDB (Brichetti et al, 2021), the DR's investment needs to meet sustainable development goals (SDG) between 2019-2030 was estimated at \$32 billion (averaging 3.2 percent of GDP annually). The authorities estimate they may need closer to 4 percent of GDP in capital spending.

¹⁵ Annex IX notes that adaptation costs until 2030 could average at least 0.6 percent of GDP per year (and more likely 1.2 percent of GDP), although most of this would be borne by the private sector.

¹⁶ For electricity subsidies, consumption subsidies for households consuming up to 700kWh per month account for about 1/2 of electricity subsidies, while technical and non-technical losses account for most of the rest. The consumption level that is subsidized is higher than the region (averaging about 200kWh per month).

¹⁷ The government has contingent credit lines from the World Bank and IDB in case of natural disasters.

provide a unifying structure for a comprehensive fiscal reform (integrating both spending and tax policy considerations) and help build consensus on the use of additional revenues for needed development spending.

- *Revenues.* Further strengthening of tax administration should continue (Annex I), with potentially sizable gains from reducing compliance gaps.¹⁸ Improving the cost-benefit analysis and administration of fiscal incentives could also help prevent further erosion of the tax base.¹⁹
- *Spending efficiency.* Public administration rationalization,²⁰ and elimination of non-productive spending is underway. Efficiency gains are expected from increased digitalization, interoperability and enhanced data compilation.²¹ Public investment management is also being strengthened in line with best practices, including recommendations from the IMF's Public Investment Management Assessment (PIMA). Longer-term strategic investment plans are being developed²² and climate tagging and climate change resilience criteria are being incorporated (Annex IX). Further gains are possible, including from the recently adopted procurement law. The authorities could further enhance planning by incorporating energy, and in particular electricity, infrastructure needs into the public infrastructure plan and making further prudent use of PPPs (including concessions).
- *Risk management and transparency.* Fiscal risk assessments have been expanded, including quantification of risks from public enterprises, pensions as well as natural disasters and climate change. More structured and quantified monitoring of long-term contracts (specifically electricity sector power-purchase agreements) as well as establishing a contingency reserve within the budget, would help further strengthen fiscal risk management. Transparency would be further supported by integrating public trusts into fiscal reporting and budget documentation, publishing NFPS statistics, expanding debt coverage in line with IMF standards, and publishing reports to monitor the FR.²³

¹⁸ IMF TA on the VAT-Gap recommended as high priority updating the estimate for 2024; deepening the comparison of sectoral gaps with control and audit experience; and integrating the gap process into operations and reviewing consistency with the DGII's risk classifications.

¹⁹ IMF TA recommendations included requiring all exemptions to have a net social benefit and strengthening the regulatory framework, with specific criteria on cost-benefit analysis and good history of tax compliance of all investors. A deeper reform of the framework could seek to require a higher legislative bar for any new incentives.

²⁰ The 2024 fiscal reform projected savings of about 0.3 percent of projected average 2025-2027 GDP from the consolidation. Currently, the Ministry of Finance and Ministry of Economy, Planning and Development and two education ministries are being merged. Further, the main social assistance program (Supérate) was merged with the social subsidy administrator (Adess) to form the Supérate Social Development Directorate.

²¹ For example, SIUBEN is strengthening the universal social registry, integrating multiple data sources to enable more efficient and targeted delivery of assistance through better identification of vulnerable households.

²² The national water plan 2025-2045 was recently released. Importantly, with support from the IDB, work is being finalized on a national public infrastructure plan for 2025-2036, which will include an estimate of investment gaps for key social priorities (including climate change resilience) and specific plans to close the gaps.

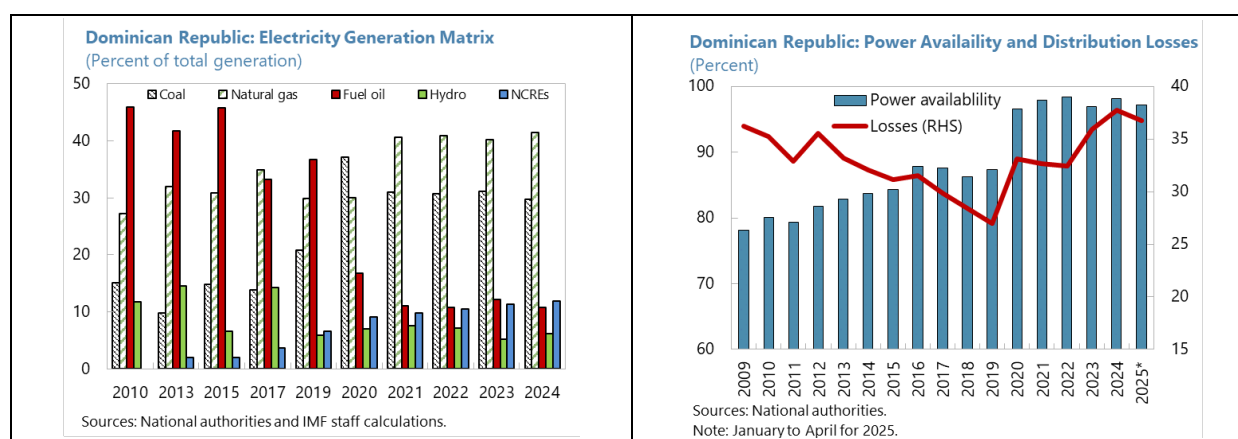
²³ Finalizing the sectorization of all public units and improving disclosure (including revising metadata and presentations in line with IMF standards) are recommended.

Electricity Sector

23. The 2021 Electricity Pact (EP) has served as blueprint for notable reforms in the sector.

Key achievements include: (i) strengthened sector's governance by separating regulation and operational functions; (ii) increased share of non-conventional renewable energy sources (NCREs) in the generation matrix (from less than 5 percent in 2018 to around 12 percent in 2024); (iii) increased electricity tariffs (by 25 percent between October 2021 and June 2022);²⁴ and (iv) increased power supply availability (from less than 90 percent in 2019 to over 98 percent since 2020). More recently, the authorities published (August 2024) an integrated plan to reduce technical and non-technical losses and, effective August 2025, open competitive bidding for new NCREs projects, which explicitly requires battery storage. On the other hand, the envisaged electricity tariff adjustments were suspended in 2022, contributing to the ongoing challenges in the sector.

24. Notwithstanding these important advances, resolute efforts are needed to address long-standing weaknesses to reduce the burden on the budget. Renewable energy generation has made remarkable progress, reaching 18.1 percent (including hydro) at end-2024 and around 23 percent through July 2025, slightly short of the authorities' 25 percent target by 2025. Distribution losses²⁵ remain elevated, greatly exceeding the LAC region average, reflecting obsolete infrastructure and widespread theft and fraud. To tackle these challenges, significant investments in transmission and distribution—including new transformers and additional deployment of smart meters—are planned through 2027 with financial support from bilateral and multilateral donors. This could also help reduce greenhouse gas emissions.²⁶ Likewise, despite the tariff increase in 2021-22, average tariffs remain around 30 percent below cost-recovery. The budgetary cost of the sector was 1.4 percent of GDP in 2024. In this context, upcoming discussions in the Economic and Social Council (CES) are planned to build consensus to restart tariff adjustments under the EP.



²⁴ Tariff adjustments were suspended to help absorb the 2022 commodity shock, which pushed domestic inflation to nearly double digits in 2022.

²⁵ Distribution losses have risen since 2020 driven by the government's decision to increase power availability even though the Electricity Pact envisaged a 16p.p. loss reduction by 2027.

²⁶ Estimates show that a one-percentage-point reduction in electricity transmission and distribution losses is associated with a 1.07 percent decrease in sector greenhouse gas emissions.

25. Addressing these issues could have significant macroeconomic benefits. Staff analytical work on the electricity sector finds that gradually adjusting electricity prices to full cost-recovery over a five-year period, broadly in line with the original plan under the 2021 EP, could save the budget, on average 0.3 percent of GDP per year and up to 0.5 percent of GDP starting in 2030. Some of the savings could be used to increase transfers to vulnerable and low-income households. Using savings to fund investments in the sector would help boost GDP growth, offsetting potential losses from higher electricity prices. Furthermore, upgrading the transmission and distribution infrastructure could boost GDP level by 0.6 percent reduce the imports of volatile priced fossil fuels, and strengthen the current account balance (Annex VII).

Authorities' Views

26. The authorities see it as a priority to strengthen public finances to meet development objectives while preserving sustainability. They highlighted on-going work to tackle tax-fraud, in particular related to illicit trade; enhanced digitalization and data analytics to both improve collections and public services; and strengthened planning for public investment (including developing a long-term national infrastructure plan). They agreed that an eventual tax reform, in the context of a medium-term revenue strategy, is needed to reduce development gaps (in transport, water, health, education and housing) and to further support central bank recapitalization, as well as continue to reduce the debt burden and ensure fiscal sustainability.

27. The authorities remain committed to electricity sector reform, noting its criticality for fiscal and macro resilience. The authorities are confident that increased investment in the grid, upgrades to the billing system, and additional lower-cost generation will help reduce losses. They pointed to the planned discussion at the CES of resuming implementation of the Electricity Pact and the envisaged gradual tariff adjustments. This would be accompanied by targeted social support programs for vulnerable parts of the population.

Monetary and Financial Sectors

28. Renewed efforts are needed to advance a comprehensive recapitalization of the BCRD. The government continues making annual transfers to the BCRD (0.6 percent of GDP), but the withdrawal of the 2024 fiscal reform eliminated the planned additional resources to accelerate the BCRD recapitalization. The BCRD and the Ministry of Finance and Economy should continue to work together to design and implement a comprehensive plan to strengthen BCRD's financial position in line with past Fund advice, while taking into consideration the potential impact on the monetary and fiscal position.

29. The monetary and financial authorities' continued efforts to upgrade financial sector supervision and regulation are laudable. These include enhanced consumer protection requirements, FC macroprudential measures to safeguard financial stability, and implementation of mark-to-market/IFRS9 standards (a past Fund recommendation) effective January 2026. Going forward, the authorities are encouraged to press ahead with their regulatory and supervisory reform agenda, including to:

- *Bring their domestic framework more in line with Basel II and III standards.* This requires approving and implementing strengthened operational, liquidity, and market risks regulatory frameworks and enhancing resolution tools. This should be complemented by adopting Basel II capital requirements and Basel III capital and liquidity buffers.
- *Adopt a new Cooperatives Law to strengthen regulation and supervision of credit cooperatives, including by transferring supervisory role of the largest cooperatives (many of which are the size of small banks) to the Superintendency of Banks (SB).*
- *Consider developing a more comprehensive macroprudential framework and toolkit with additional levers to address systemic stability risks alongside a strengthened microprudential framework.* This could include countercyclical capital buffers and borrower-based tools (e.g., loan-to-value, debt-to-income), which may be better targeted than broad liquidity measures.

30. The authorities are also taking steps to bolster the AML/CFT framework. The new Cooperatives Law and supervision of the largest cooperatives by the SB will help to strengthen the AML/CFT oversight of these institutions. AML/CFT efforts will also be reinforced by the SB enhancing its supervision of FX trading houses alongside the new Exchange regulation's inclusion of a broader range of transactions.²⁷ Finally, the Financial Intelligence Unit is working on amending the AML/CFT law to improve the reporting of ultimate beneficiaries to help tackle money laundering.

Authorities' Views

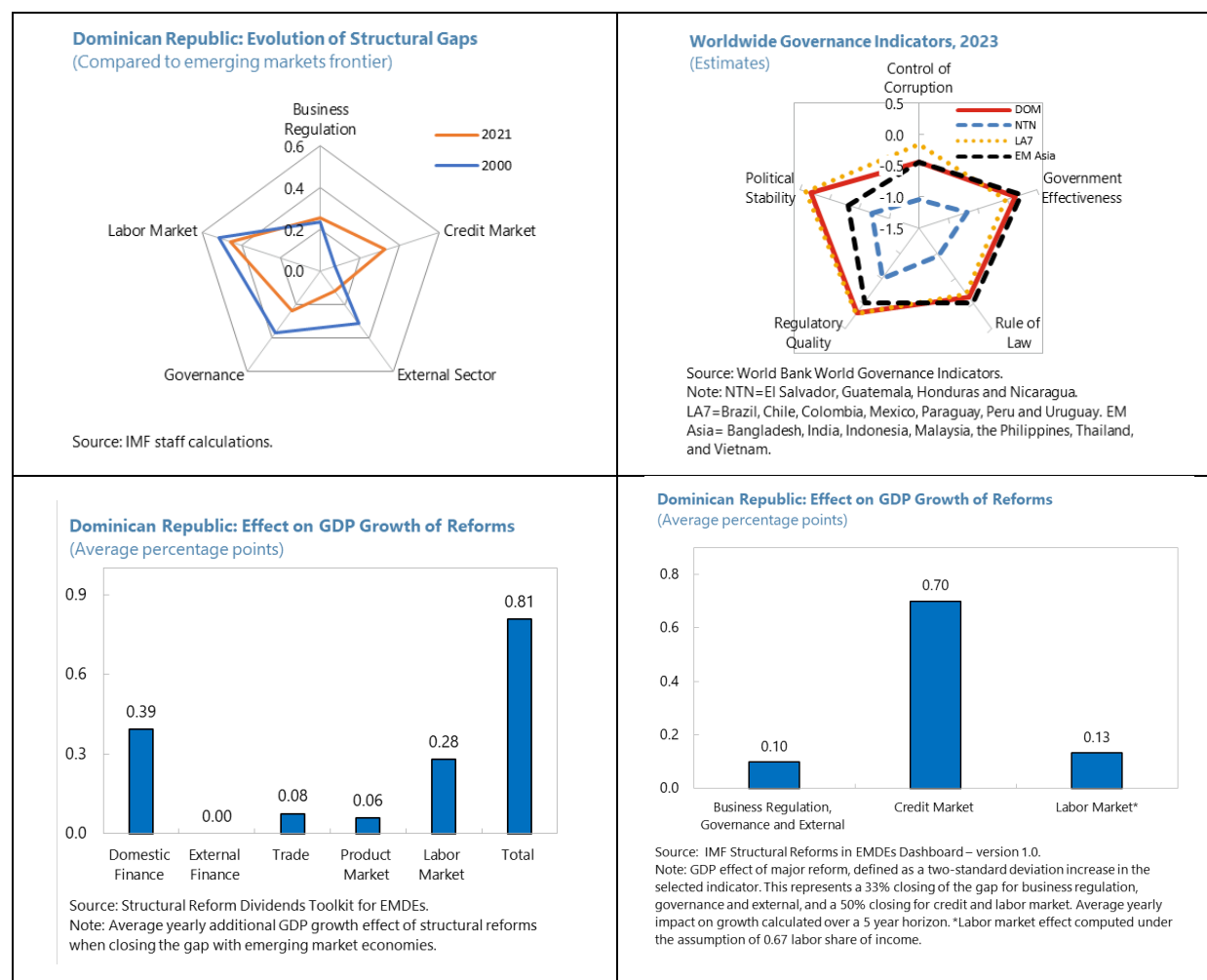
31. The authorities emphasized their intent to press ahead with further financial sector reforms. They noted the importance of the upcoming mark-to-market rules for banks as a key initial step towards bringing the framework in line with Basel II and III, while acknowledging that this would take time to fully phase in. The authorities considered recapitalization of the BCRD a priority, noting they would work closely together on developing a comprehensive plan. They expressed an interest in further developing the macroprudential policy framework, which would also support the implementation of the inflation targeting regime. The authorities highlighted recent efforts to enhance the AML/CFT framework and reiterated their commitment to further strengthening it.

C. Avoiding the Middle-Income Trap and Boosting Resilience

32. Further structural reforms could help accelerate growth and boost resilience. The authorities continue to work on their goal of doubling the size of the economy (*Meta2036*) with sectoral and a transversal working groups developing recommendations and identifying quick wins. The *Zero Bureaucracy* initiative (established in 2020) continues to reduce regulatory burdens while also improving regulatory quality and reducing discretion (important also for anti-corruption), as well as improving government efficiency (including from increased digitalization). Authorities continue to promote female and youth labor inclusion, including through labor market programs,

²⁷ Recent Article IVs (2024 and 2022) noted the authorities' efforts both in the financial sector as well as with Designated Non-Financial Businesses and Professions (DNFBPs), which includes strengthening the sanctions regime and ensuring banks engage only with licensed foreign exchange entities.

expanded scholarships, and support for female entrepreneurs. Staff analysis points to potential material economic gains from further structural reforms (Annex VIII).

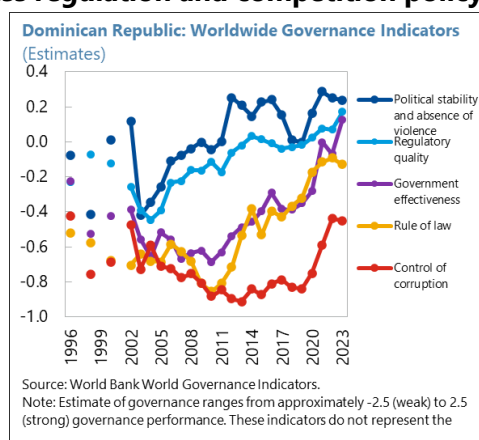


33. Further financial sector development would also help. The DR has relatively low credit and financial markets depth and breadth. *Meta2036* contains plans to further develop the financial sector. This includes improving access by leveraging technology and digitalization (e.g., creating simple financial accounts for micro and small firms) and reducing informality,²⁸ and expanding product offering (e.g., factoring). While there is already a financial access strategy in place, there is scope to further develop money, derivatives and government securities markets that are key to underpinning robust pricing and liquidity.

²⁸ The authorities support formalization of firms through technical assistance (e.g., through training by the Ministry of Industry as well as Banco Agrícola).

34. Continued enhancement of governance, business regulation and competition policy enforcement are important.

The DR continued to make progress in governance, most recently with the adoption in August 2024 of a constitutional amendment to increase the attorney general's independence, as well as a new procurement law (with enhanced sanctioning) and modern penal code to support the fight against corruption and fraud. Prosecution of high-level corruptions cases are on-going. There is also progress on competition enforcement. Finally, the DR has announced its intention to join the OECD.



35. Efforts to further diversify exports, especially

in higher value-added products and services, would support productivity growth and

resilience. The DR has made gains in diversification of markets and products, including by exporting more complex, higher value-added goods. Better educational outcomes and governance, as well as more trade agreements could deepen these gains.²⁹ Spillovers to the domestic economy from higher value-added sectors located in FTZs could help boost productivity more broadly. Increasing infrastructure investment is important to developing the DR as a logistics hub for the region.

36. Labor and social security reforms could help reduce informality and strengthen the

social safety net. A bill to modernize the 1992 Labor Code, currently with Congress, seeks to align it with international standards, improve labor market flexibility, and reduce informality, including by introducing updates such as teleworking, conciliation judges, and formalization of domestic work. Relatedly, DR's social security system faces important challenges, including low pension replacement rates due to high informality and low contribution density, and low-quality healthcare services. Besides addressing these issues, a social security reform should seek to strengthen governance and oversight and adhere with key principles of the 2001 law, including a gradual coverage increase, improving coordination in the provision of benefits, and ensuring its financial equilibrium.

Authorities' Views

37. The authorities highlighted work on a roadmap to double the size of the economy and reaching high-income status (Meta2036).

Together with the private sector, working groups have developed sectoral and transversal (e.g., for labor, human capital, territorial equity) recommendations to increase innovation and productivity. They see important potential to further increase exports, value-added, and FDI. They agreed on the need to deepen credit and financial markets, which in part requires increasing formalization of firms and tackling the central bank's quasi-fiscal debt that fragments the government securities market. Continued institutional and governance strengthening is also important—they noted the progress with adopting ISO standards, intellectual property protection (fight against illicit trade), and intention to join the OECD.

²⁹ See 2023 Article IV, Annex.

38. The authorities reiterated their commitment to boost labor force participation. They emphasized progress on the Labor Code reform, highlighting efforts to strike a balance that enhances labor market flexibility while protecting the interests of both workers and firms. They also noted the implementation of measures to promote women's participation, youth employment, and temporary jobs. In addition, the authorities underscored the importance of strengthening social safety nets and further advancing social security reforms, including of the pension system.

D. Building Macroeconomic Resilience to Natural Disasters

39. Natural disasters constitute a macro-critical challenge for the DR given their recurrent impact on growth, fiscal accounts, and external stability (Annex IX). The country's geographic location exposes it to frequent hurricanes, floods, and tropical storms, which on average reduce quarterly GDP by 0.2–0.5 percent. These shocks negatively affect infrastructure and weaken agricultural production and tourism—sectors that together represent about one quarter of GDP, nearly half of export receipts, and a significant share of employment. Climate change further amplifies risks through rising temperatures, sea levels, and extreme weather, intensifying pressure on water availability, public health, and overall productivity.³⁰

40. Given the DR's vulnerabilities, reforms to build resilience to natural disasters and climate change are critical. The DR has shown progress in implementing climate policies (Annex IX). Nevertheless, further efforts are needed to improve the institutional framework as well as develop a coherent long-term policy vision. In recent years, efforts were made to address institutional gaps, including by working towards a climate change framework law intended to clarify institutional mandates and establish a clearer hierarchy of strategies and plans. This is key for effective use of public funds and catalyzing private investment. However, this has not delivered yet, with multiple versions of the law still under discussion. The updated and more ambitious NDC 3.0 is expected to be presented at COP30 in November, though details have not yet been made public.

41. Disaster risk management has improved in recent years, but there is scope for more forward-looking planning and preparedness for climate shocks. Streamlining coordination between agencies and levels of government, as well as ensuring sufficient funding, is needed (Annex IX). The organic budget law allows for the reallocation of 1 percent of revenues for public calamities and the government has secured contingent credit lines for disaster response with the WB and IDB. Given the frequency and scale of natural disasters, expanding the set of instruments to better manage such shocks should be considered, building on the authorities' ongoing work with the WB and IDB on a disaster risk financing strategy.

42. More broadly, strengthening resilience to natural disasters and meeting climate goals requires financing strategies that blend public and private resources. DR's NDC of 2020 depicts climate investment needs at the level of annual average 1.2 percent of GDP by 2030. The authorities are in the process of updating those estimates. Opportunities remain to further strengthen climate

³⁰ WB, [Dominican Republic: Country Climate and Development Report](#) (CCDR), November 2023; IMF, [Dominican Republic: Technical Assistance Report-Climate Policy Diagnostic](#), January, 2025

integration in public investment planning building on the 2023 C-PIMA recommendations. Partial subsidy reallocation could help raise necessary financing (see Annex VII). Further reduction of barriers to private climate finance could build upon the establishment of the green bond market and national sustainable finance framework as well as recent green bond issuances (Annex IX).

Authorities' Views

43. The authorities concurred on the criticality of enhancing resilience to natural disasters.

In this context, they agreed on the need to further integrate climate and natural disaster considerations into PFM and PIM processes and enhance coordination across different levels of government. They emphasized the need to close the climate investment gap, with a role to be played by the private sector. The authorities also highlighted progress in disaster risk management, while recognizing the need to expand financing instruments. Looking ahead, they underscored that the planned update of the NDC will serve as blueprint for their ongoing efforts to enhance the economy's resilience.

STAFF APPRAISAL

44. The DR's strong policies and economic fundamentals today are a reflection of its remarkable performance over the past two decades. This economic success story has been enabled by continuous efforts to strengthen policies and institutions, social and political stability, and business-friendly reforms. This has resulted in the fastest rate of income convergence in Latin America and the Caribbean over this period.

45. Increased uncertainty and tighter financial conditions slowed growth in early 2025, but it is projected to pick up, underpinned by supportive policies. Real GDP growth should accelerate from 3 percent in 2025 to 4.5 percent next year and then converge to its potential around 5 percent. With inflation close to the 4 percent target (3.7 percent in 2025), monetary policy is broadly appropriate. Recent exceptional liquidity measures appear to be improving transmission and supporting credit growth. Higher public investment in the reformulated budget will help close the output gap. External balances are in line with fundamentals and desirable policies, with the CA deficit expected to narrow further this year.

46. While downside risks persist, especially from the external environment, the DR is well positioned to weather them. The DR remains exposed to external risks, including uncertainty weighing on investor sentiment or a tightening of global financial conditions. It is also vulnerable to natural disasters. But it has strong economic fundamentals and policy space to respond should such risks materialize. On the upside, the DR could benefit from trade diversion and greater FDI flows stemming from changes in global trade policies. Domestically, delays in implementing the authorities' reform and investment plans could pose a downside risk to growth. Steadfast implementation of their plans would create upside "risks" to growth.

47. Strengthening monetary policy transmission will reinforce the effectiveness of the IT framework—a cornerstone of macro-financial stability—and support credit growth. The BCRD should build on its efforts to strengthen transmission by advancing a comprehensive and clearly communicated strategy to gradually wind down the existing exceptional liquidity measures in conjunction with the rollover of maturing BCRD securities and government debt issuance. Further developing domestic financial markets would also support policy transmission. Continuing to allow ER flexibility, keeping interventions focused on smoothing large shocks, and further reserve accumulation will help bolster external stability. Renewed discussions between the BCRD and government on a plan to recapitalize the central bank is welcome.

48. The increase in public investment and on-going commitment to abide by the FRL is welcome but should be accompanied by fiscal reforms to create space for priority spending. The planned gradual consolidation focused on enhancing tax administration (further tackling evasion) and reducing non-productive spending is appropriate and should include removing generalized subsidies. Additional information on specific policies and a quantification of proposed measures as well as FR reports would increase the credibility of the consolidation plan and debt target. If reductions in energy subsidies are delayed it could pose a risk to the authorities' plans to create space for increasing investments in physical and human capital, which has so far relied on one-off revenues. Strengthened elaboration and management of fiscal risks would also support fiscal sustainability. Developing a MTRS could help lay the groundwork and build consensus for a broader fiscal reform.

49. Resuming the full implementation of the Electricity Pact will be essential to limit fiscal risks and ensure the sector becomes an engine of growth. Gradual adjustments to technical tariffs, better targeting of subsidies, and much-needed investments in the grid are key to strengthening the sector's financial sustainability. Improving the performance of the sector is critical to the growth of the economy, especially for higher value-added manufacturing and services.

50. Progress on financial sector reforms has been laudable and efforts to bring the framework in line with international standards should continue. Recent enhancements to consumer protection requirements, the planned approval of updated operational risks framework, and the implementation of mark-to-market for banks effective January 2026 all move in the right direction. The authorities' plans to continue moving towards Basel II and III standards, develop the macroprudential policy toolkit, and strengthen the AML/CFT framework are welcome.

51. Ambitious structural reforms are critical to deliver resilient growth and reach high-income status as envisioned in the Meta2036 plan. Making progress on labor and social security reforms should help reduce informality, bolster the social safety net, and support fiscal sustainability. Over the medium-term, further improving governance, developing financial markets, and efficiently investing in infrastructure, education and health will be essential to meet the government's goals.

52. The DR's vulnerability to natural disasters calls for a comprehensive approach to mitigating risks and building resilience. This includes enhancing the climate policy legal framework, improving disaster risk management, and deepening integration of climate

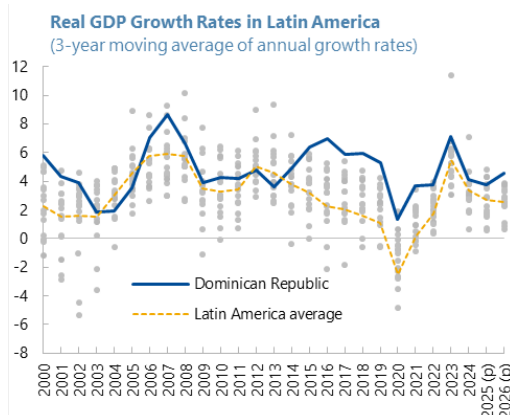
considerations into fiscal policy. The forthcoming NDC update could help to align priorities across sectors. Addressing longstanding shortcomings in the energy and water sectors and enhancing shock-responsive social protection would help reduce fiscal pressures and bolster resilience.

53. Significant progress has been achieved strengthening data quality and timeliness; data quality is broadly adequate for surveillance. The authorities' efforts have led to the successful publication of rebased national accounts (Annex XI). Ongoing efforts to further broaden coverage of government finance statistics to the Non-Financial Public Sector and improve the timeliness and coverage of external sector statistics should continue. The authorities have finalized, in consultation with STA, all the technical and preparatory work for the Special Data Dissemination Standard (SDDS) subscription, with its completion expected in the near future (Annex X).

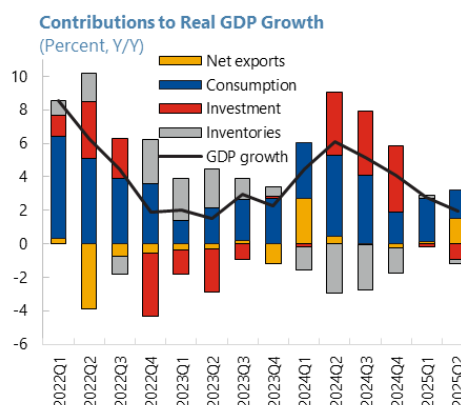
54. It is recommended that the next Article IV consultation take place on the standard 12-month cycle.

Figure 1. Dominican Republic: Real Sector Developments

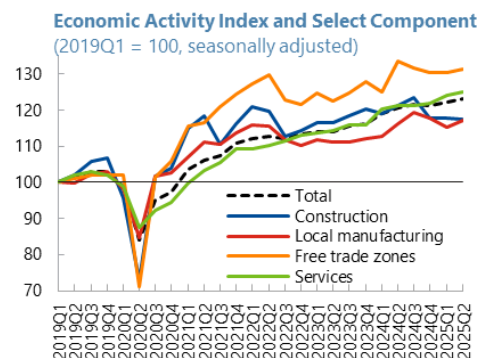
Growth in the Dominican Republic continues to outperform regional peers.



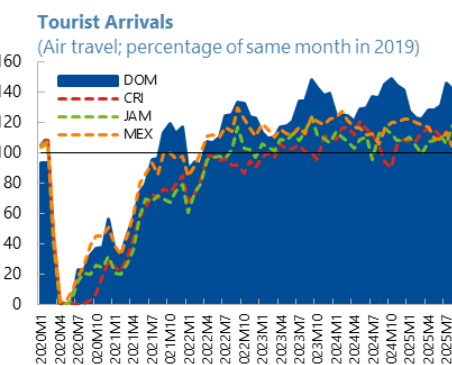
Growth has slowed in 2024H2 and 2025H1...



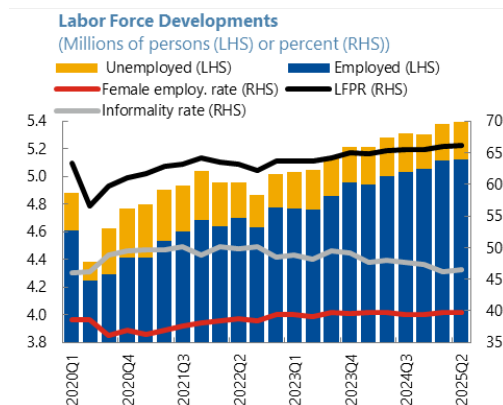
...with contractions in construction and manufacturing, while services expansion continued at a more moderate pace....



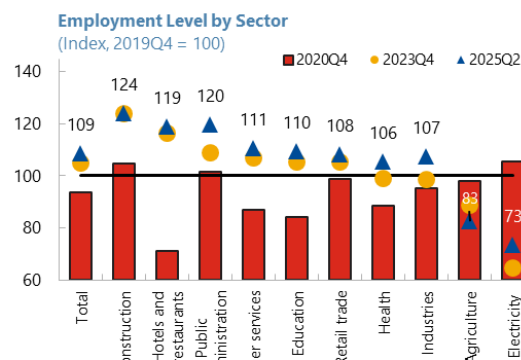
...and with tourism growth slowing but still outperforming key peers.



Employment and participation are at historic highs...



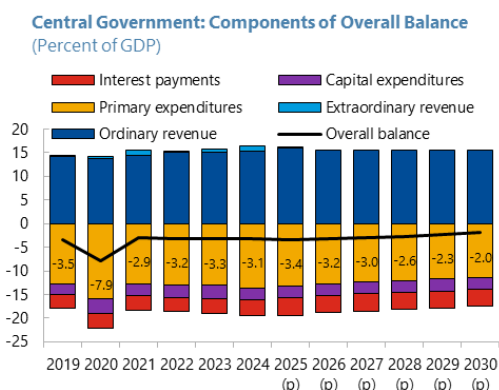
...with employment growth relatively broad based.



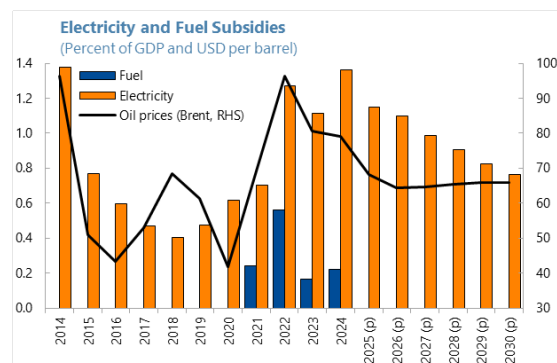
Sources: National authorities and IMF staff calculations.

Figure 2. Dominican Republic: Fiscal Developments and Outlook

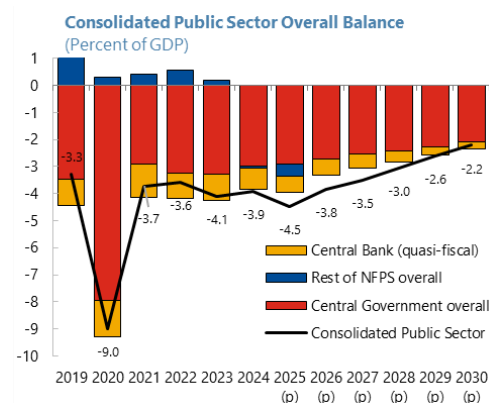
The 2024 budgetary central government deficit declined, aided by one-offs receipts but also lower capital spending...



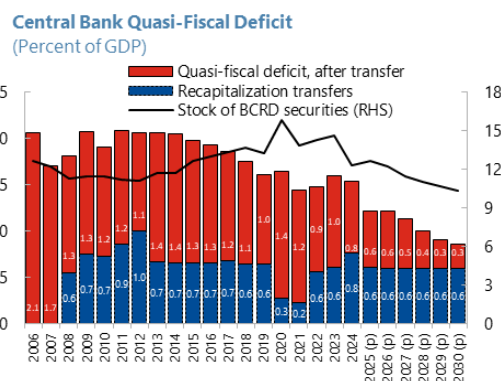
...while energy subsidies increased but are projected to decline with lower energy prices and distribution losses...



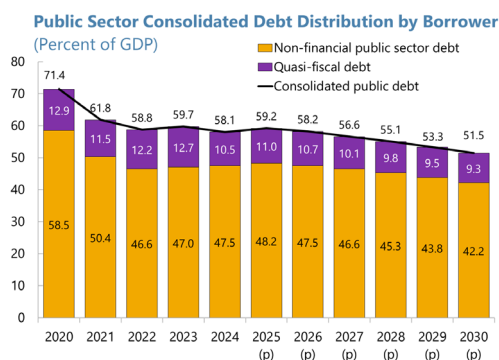
The 2024 public sector balance improved due in part to a lower central bank deficit.



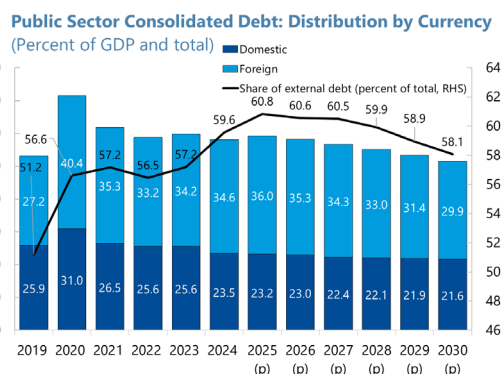
The stock of BCRD securities decreased given lower rollovers/repurchases to increase banks' liquidity...



...which helped reduce CPS debt in 2024. Continuing gradual consolidation should support the declining debt path...



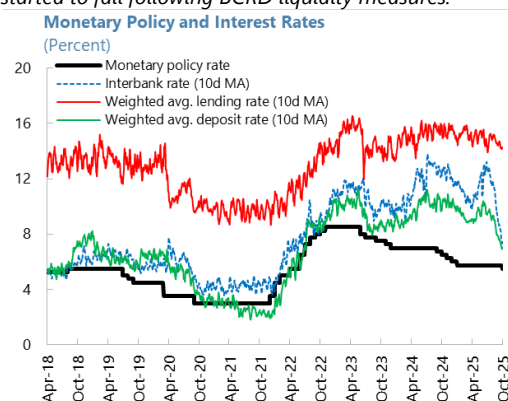
...and further domestic issuance reduce the FX/external debt risk.



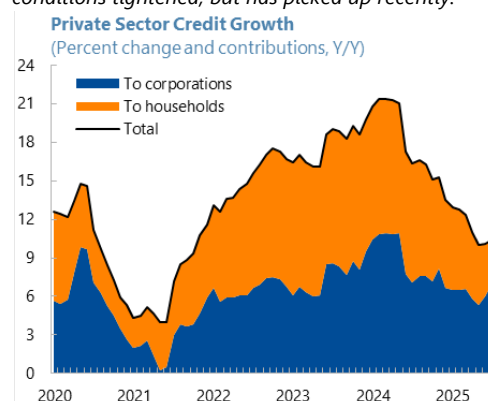
Sources: National authorities and IMF staff calculations.

Figure 3. Dominican Republic: Monetary Policy and Inflation Developments

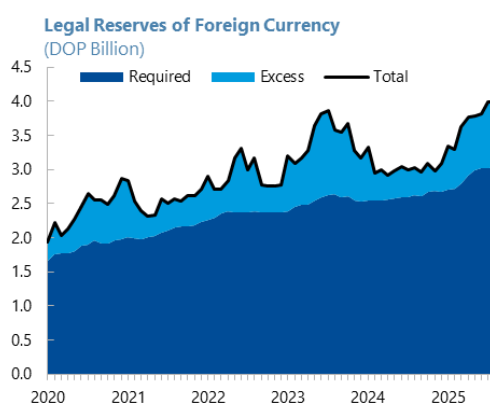
The BCRD began normalizing the MPR in May 2023; banks' rates, after initially falling, increased in 2024, but have started to fall following BCRD liquidity measures.



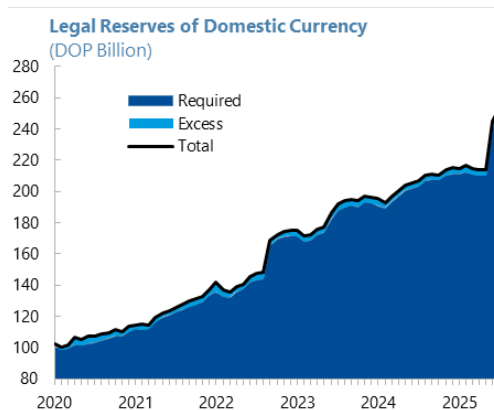
Private sector credit growth rose in response to the BCRD's liquidity measures in 2023-24, then slowed as financial conditions tightened, but has picked up recently.



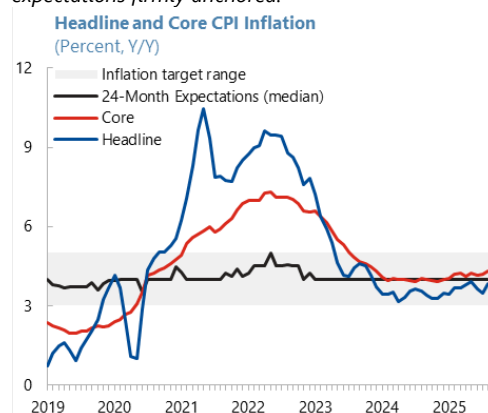
Excess banks' reserves at the BCRD in FX have increased...



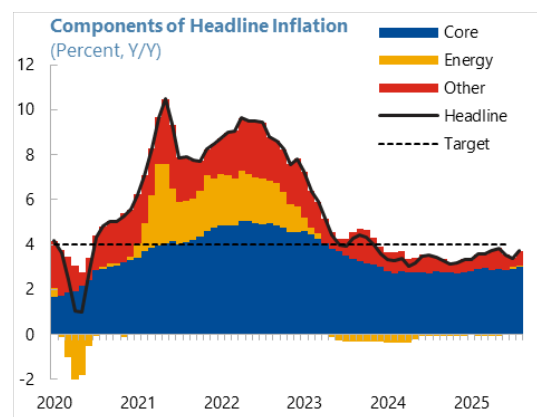
...and banks' legal reserves for deposits denominated in national currency slightly exceeds the required levels.



Headline and core inflation declined rapidly in 2023 and has since remained within the target range, with 24-month expectations firmly anchored.



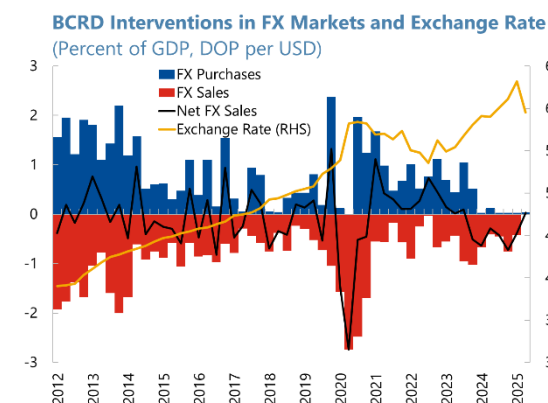
Core inflation's contribution has remained relatively stable.



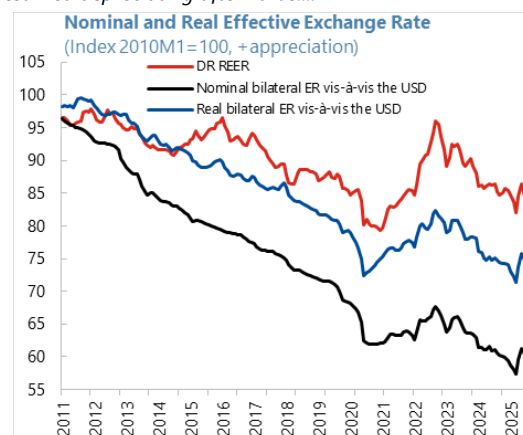
Sources: National authorities and IMF staff calculations

Figure 4. Dominican Republic: Exchange Rates and Sovereign Spreads Developments

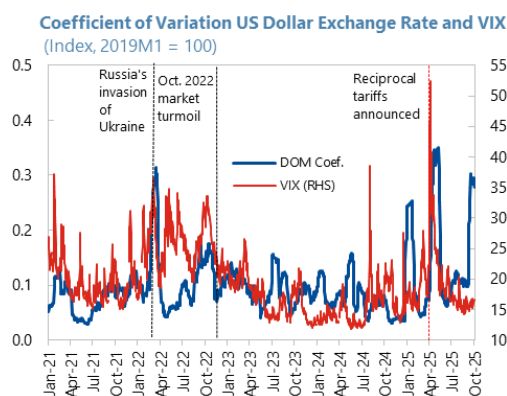
FX sales by the BCRD dominated in 2024 but interventions have been limited since February 2025...



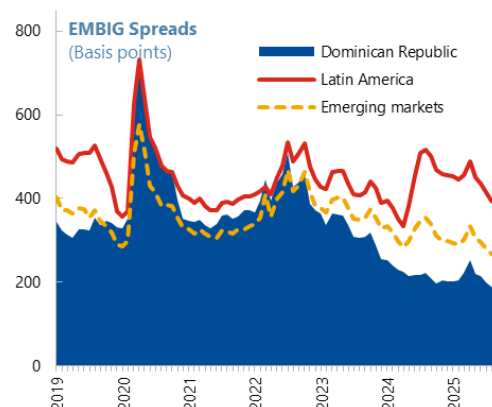
...and the DOP temporarily appreciated in April 2025 due to U.S. dollar weakness and FC macroprudential measures, but it resumed depreciating afterwards...



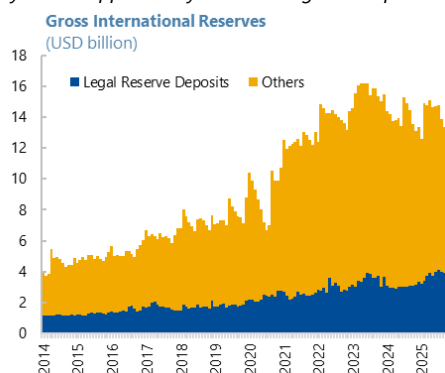
The BCRD has allowed greater exchange rate flexibility.



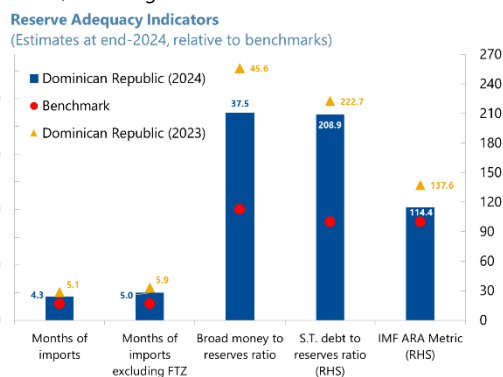
Sovereign spreads remain below Latin America and Emerging Market averages, but the difference has narrowed.



After falling in 2024, international reserves improved since early 2025 supported by the sovereign bond placement.



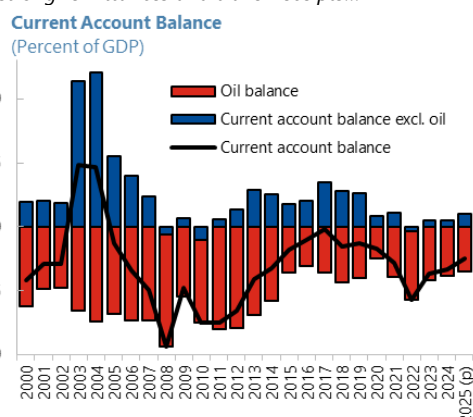
Reserves are above all traditional adequacy indicators benchmark, including the ARA metric.



Sources: National authorities, Bloomberg, and IMF staff calculations.

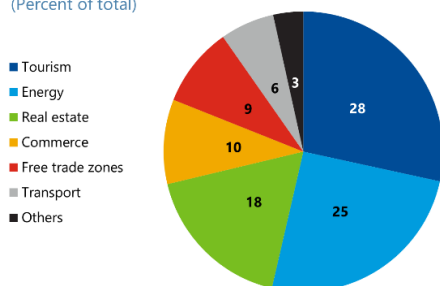
Figure 5. Dominican Republic: External Sector Developments and Outlook

Following the 2022 global price shock, the current account deficit continued narrowing due to favorable terms of trade and strong remittances and travel receipts...

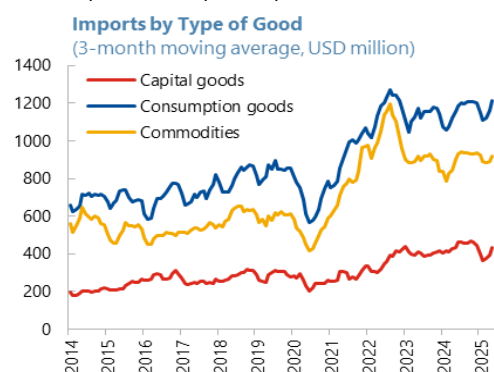


Tourism, energy, commerce, and real estate attract the most FDI...

FDI by Sector, 2024
(Percent of total)

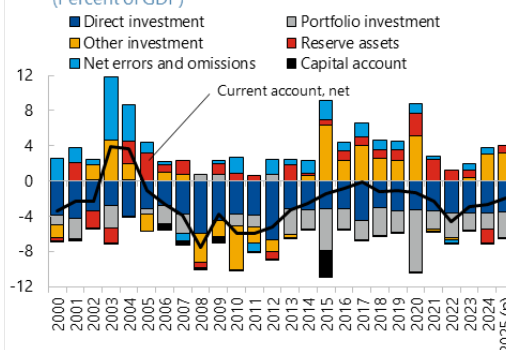


A lower energy bill has helped to compensate for the recent rise in consumption and capital imports.



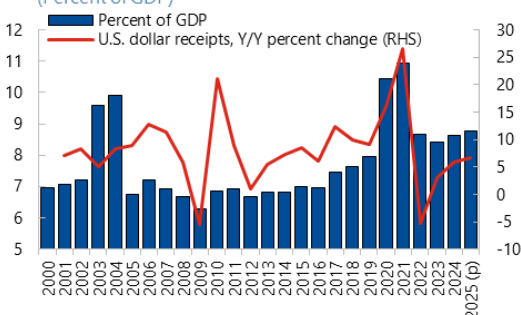
...and remains fully financed by FDI and supported by portfolio inflows associated with government securities.

Current Account by Source of Financing
(Percent of GDP)



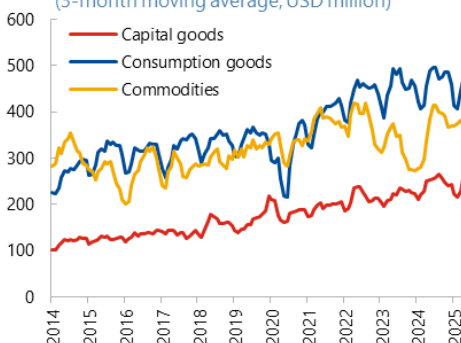
...and while remittances flows slowed from the peaks seen in 2020-21, they remain above pre-pandemic levels.

Remittance Receipts
(Percent of GDP)



The recent exports increase is being driven by external demand, improved mining capacity, and record-high gold prices.

Exports by Type of Good
(3-month moving average, USD million)

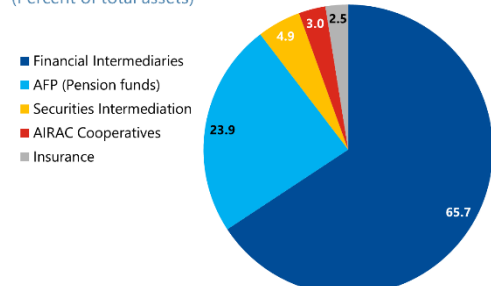


Sources: National authorities and IMF staff calculations.

Figure 6a. Dominican Republic: Financial Sector Developments

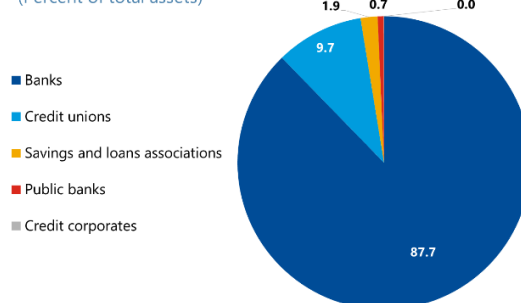
The financial sector remains dominated by Deposit Taking Institutions (DTIs), followed by securities intermediaries and cooperatives.

Financial Sector Composition, 2024^{1/}
(Percent of total assets)



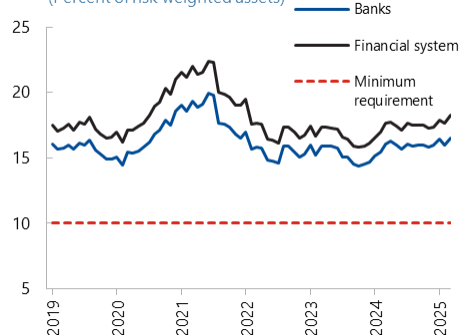
DTIs sector is dominated by Banks followed by credit unions. The top 5 banks account for nearly 80 percent of the sector's assets.

Deposit Taking Institutions Composition, 2024
(Percent of total assets)



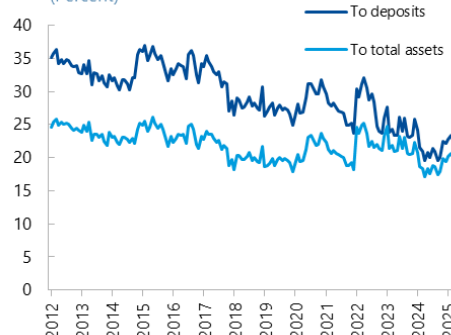
The financial system is well-capitalized and around pre-pandemic levels with recent stress tests indicating resilience to a set of shocks.

Solvency: Capital Adequacy Ratio (CAR)
(Percent of risk weighted assets)



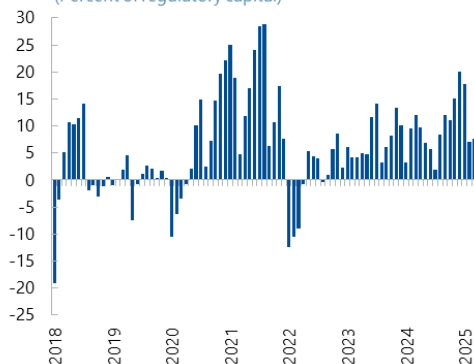
The share of liquid assets to deposits and total assets have stabilized following a decline that started in 2022.

Liquid Assets
(Percent)



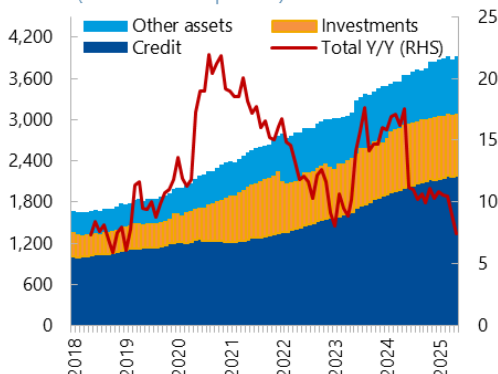
The BCRD's recent FX macroprudential measures seek to limit the Banks' net FX open position.

Net Open Position
(Percent of regulatory capital)



Total assets growth has slowed down due in part to recent credit trends.

Total Assets
(DOP billion and percent)

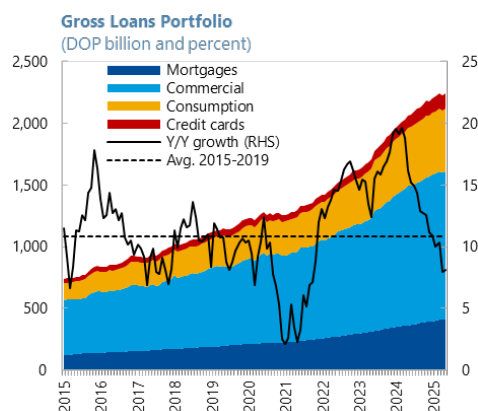


Sources: National authorities and IMF staff calculations

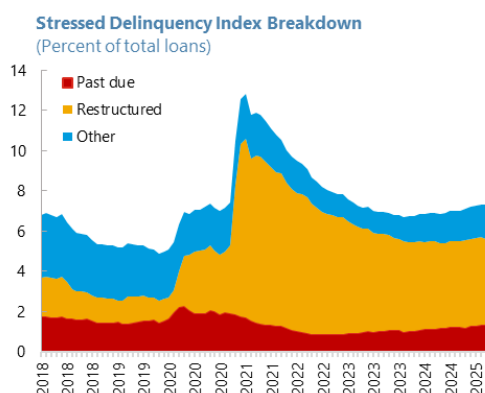
^{1/} For AFP, assets under management are considered instead of the organization's own assets.

Figure 6b. Dominican Republic: Financial Sector Credit Developments

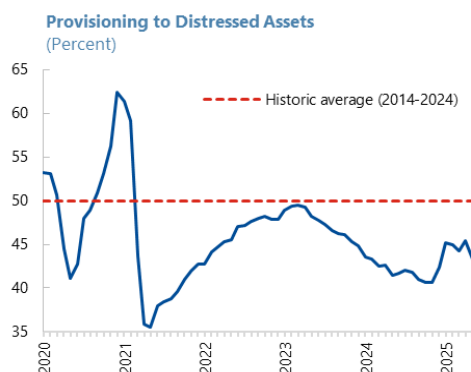
Credit growth has decelerated amid constrained systemic liquidity and high interest rates....



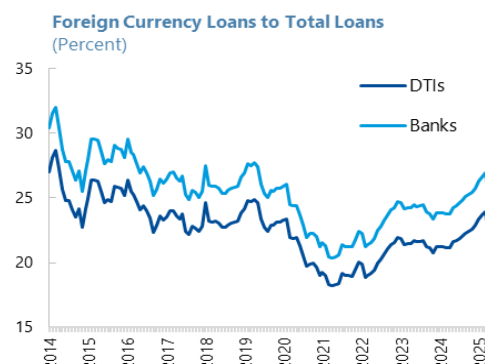
Non-performing loans and stressed credit metrics have ticked higher but remain well below 2020 levels...



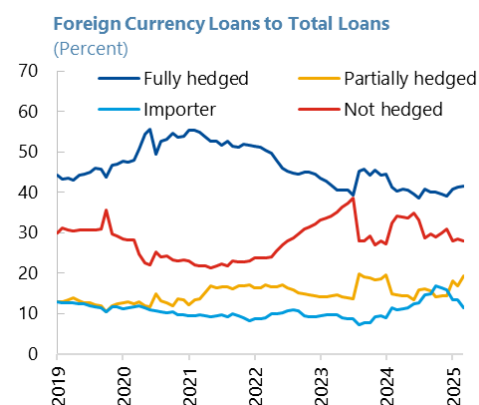
....with bank's provisions increasing (after a steady decline in 2023-24) to address potential losses.



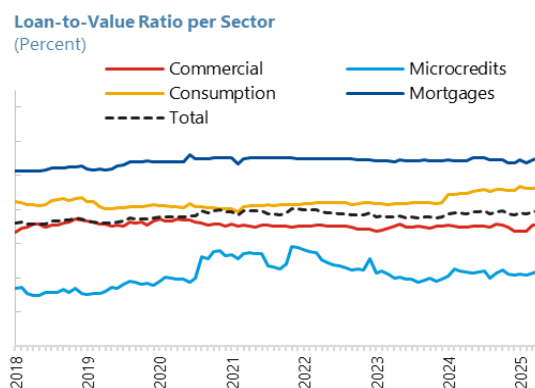
The share of FC loans has started to decline following recent measures to limit lending to non-FC generators...



...amid the increase in unhedged loans since 2022.



There has been a slight increase in total LTV driven by an uptick in the consumer section while the highly collateralized mortgage segment has stabilized around 54 percent.



Sources: National authorities and IMF staff calculations

Table 1. Dominican Republic: Selected Social and Economic Indicators, 2020-2030

Population (millions, 2024)	10.8					GDP per capita (2024, U.S. dollars)					11,542	
Quota	477.4 millions SDRs					Poverty (2023, share of population)					23.0	
Main exports	tourism, gold, medical devices					Extreme poverty (2023, share of population)					3.2	
Key export markets	U.S., Switzerland, Haiti					Adult literacy rate (2022, percent)					95.5	
	2020	2021	2022	2023	2024	Projection						
						2025	2026	2027	2028	2029	2030	
Output	(Annual percentage change, unless otherwise stated)											
Real GDP	-7.9	14.0	5.2	2.2	5.0	3.0	4.5	4.9	5.0	5.0	5.0	
Nominal GDP (RD\$ billion)	4,440	5,427	6,257	6,765	7,403	7,977	8,701	9,495	10,368	11,315	12,349	
Nominal GDP (US\$ billion)	78.6	95.1	113.8	120.8	124.6	...	...	...	...	...	...
Output gap (in percent of potential output)	-6.7	-1.9	-0.8	-1.8	-0.8	-1.7	-0.9	0.0	0.0	0.0	0.0	
Unemployment												
Unemployment rate (in percent; period average)	5.8	7.4	5.3	5.3	5.1	5.3	5.3	5.2	5.2	5.1	5.0	
Prices												
Consumer price inflation (end of period)	5.6	8.5	7.8	3.6	3.3	3.7	4.0	4.0	4.0	4.0	4.0	
Consumer price inflation (period average)	3.8	8.2	8.8	4.8	3.3	3.7	4.2	4.0	4.0	4.0	4.0	
Core consumer price inflation (end of period)	4.8	6.9	6.6	4.3	4.0	4.3	4.2	4.1	4.0	4.0	4.0	
Exchange Rate												
Exchange rate (RD\$/US\$ - period average) ^{1/}	56.5	57.1	55.0	56.0	59.4	...	...	...	...	...	...
Exchange rate (RD\$/US\$ - eop) ^{1/}	58.2	57.3	56.2	58.0	61.1	...	...	...	...	...	...
Real effective exchange rate (eop, - depreciation) ^{1/}	-8.1	6.5	6.3	-1.9	-0.4	-1.7	0.0	0.0	0.0	0.0	0.0	
Government Finances												
Consolidated public sector debt ^{2/}	71.4	61.8	58.8	59.7	58.1	59.2	58.2	56.6	55.1	53.3	51.5	
Consolidated public sector overall balance ^{2/}	-9.0	-3.7	-3.6	-4.1	-3.9	-4.5	-3.8	-3.5	-3.0	-2.6	-2.2	
Consolidated public sector primary balance	-4.3	0.7	0.6	0.8	1.1	0.5	1.0	1.2	1.5	1.8	2.1	
NFPS balance	-7.6	-2.5	-2.7	-3.1	-3.2	-3.9	-3.2	-3.0	-2.6	-2.3	-2.0	
Central government balance	-7.9	-2.9	-3.2	-3.3	-3.1	-3.4	-3.2	-3.0	-2.6	-2.3	-2.0	
Revenues and grants	14.2	15.5	15.3	15.8	16.4	16.0	15.5	15.5	15.5	15.5	15.5	
Primary spending	18.9	15.3	15.7	16.0	16.1	15.8	15.1	14.8	14.5	14.2	14.0	
Interest expenditure	3.3	3.1	2.8	3.2	3.4	3.6	3.7	3.6	3.6	3.5	3.5	
Rest of NFPS	0.3	0.4	0.6	0.2	-0.1	-0.5	0.0	0.0	0.0	0.0	0.0	
Financial Sector	(Annual percentage change; unless otherwise stated)											
Broad money (M3)	21.2	13.4	6.3	14.4	11.3	10.3	9.5	9.2	9.2	9.2	9.2	
Credit to the private sector	5.3	11.6	16.6	19.7	13.5	12.3	12.6	10.9	10.9	10.9	10.9	
Credit to the private sector (percent of GDP)	29.2	26.7	27.0	29.9	31.0	32.3	33.3	33.9	34.4	34.9	35.5	
Net domestic assets of the banking system	2.5	11.2	9.9	13.5	19.0	9.2	10.2	8.4	8.6	9.0	9.1	
Policy interest rate (in percent, eop) ^{1/}	3.0	3.5	8.5	7.0	6.0	...	...	...	...	...	...
Average bank deposit rate (1-year; in percent) ^{1/}	3.1	2.3	9.9	8.6	9.8	...	...	...	...	...	...
Average bank lending rate (1-year; in percent) ^{1/}	9.9	9.2	13.5	13.6	15.1	...	...	...	...	...	...
Balance of Payments	(In percent of GDP)											
Current account	-1.7	-2.8	-5.8	-3.7	-3.3	-2.5	-2.5	-2.6	-2.6	-2.6	-2.5	
Goods, net	-8.7	-12.4	-15.1	-13.1	-12.8	-12.0	-11.4	-11.2	-11.0	-10.9	-10.8	
Services, net	1.8	3.9	4.8	6.0	6.7	6.6	6.4	6.2	6.1	6.0	6.0	
Income, net	5.2	5.7	4.5	3.5	2.7	2.9	2.6	2.4	2.3	2.4	2.3	
Capital account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Financial account ^{3/}	5.3	5.7	6.7	5.2	2.4	3.3	2.8	3.1	3.2	3.1	3.0	
Foreign direct investment, net	3.3	3.4	3.6	3.6	3.6	3.5	3.5	3.5	3.5	3.5	3.5	
Portfolio investment, net	7.1	2.2	2.9	2.0	1.8	3.0	1.1	1.0	0.8	0.5	0.4	
Financial derivatives, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other investment, net	-5.1	0.1	0.2	-0.4	-3.1	-3.2	-1.8	-1.4	-1.1	-0.8	-0.9	
Change in reserves (-increase)	-2.5	-2.4	-1.3	-0.9	1.7	-0.8	-0.4	-0.6	-0.6	-0.6	-0.5	
GIR (in millions of US dollars)	10,752	13,033	14,408	15,464	13,388	14,448	14,973	15,825	16,725	17,675	18,679	
GIR in percent of ARA metric ^{4/}	124.5	140.7	146.2	137.6	114.4	114.2	111.7	111.8	112.3	113.6	114.9	
Total external debt (in percent of GDP)	56.6	47.8	39.9	43.2	43.7	45.7	45.2	44.2	43.1	41.5	40.0	
of which: Consolidated public sector	40.4	35.3	33.2	34.2	34.6	36.0	35.3	34.3	33.0	31.4	29.9	

Sources: National authorities; World Bank; and IMF staff calculations.

^{1/} Latest available.^{2/} The consolidated public sector includes the Budgetary Central Government (BCG), rest of NFPS and the quasi-fiscal central bank balances or debt. With the dissolution of the state electricity holding company (CDEEE) in 2022, the deficit of CDEEE from 2019 was transferred to the BCG.^{3/} Excluding reserves.^{4/} Calculations reflect the reclassification of the de facto exchange rate arrangement from "crawl-like" to "floating" in 2025.

Table 2a. Dominican Republic: Public Sector Accounts, 2020–2030
(Percent of GDP)

	2020	2021	2022	2023	2024	Projection					
						2025	2026	2027	2028	2029	2030
Central Government ^{1/}											
Revenue	14.2	15.5	15.3	15.8	16.4	16.0	15.5	15.5	15.5	15.5	15.5
Tax revenues	12.4	14.3	13.8	14.3	14.5	14.4	14.4	14.4	14.4	14.4	14.4
Taxes on income, profits, and capital gains	4.2	4.8	4.4	5.0	5.1	5.2	5.1	5.1	5.1	5.1	5.1
Tax on property	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Taxes on goods and services	7.3	8.3	8.2	8.2	8.2	8.1	8.1	8.1	8.1	8.1	8.1
Value-added tax	4.4	4.8	5.0	5.0	5.1	5.0	5.1	5.1	5.1	5.1	5.1
Excises	1.9	2.1	2.1	2.0	1.9	1.8	1.8	1.8	1.8	1.8	1.8
Taxes on international trade and transactions	0.7	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Social security contributions	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.3	0.1	0.0	0.1	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Other revenues	1.4	1.1	1.4	1.4	1.1	1.5	1.0	1.0	1.0	1.0	1.0
Expenditure	22.2	18.4	18.5	19.1	19.5	19.4	18.7	18.4	18.1	17.8	17.4
Expenses	20.9	16.7	17.0	17.1	17.6	17.7	17.1	16.8	16.5	16.2	15.8
Compensation of employees	4.9	4.4	4.4	4.5	4.6	4.5	4.3	4.3	4.2	4.2	4.2
Use of goods and services	2.3	2.1	1.8	1.9	2.0	2.0	1.9	1.9	1.9	1.8	1.8
Interest	3.3	3.1	2.8	3.2	3.4	3.6	3.7	3.6	3.6	3.5	3.5
Subsidies	0.9	1.2	2.1	1.5	1.9	1.7	1.4	1.2	1.1	1.0	0.9
Electricity	0.6	0.7	1.3	1.1	1.4	1.3	1.1	1.0	0.9	0.8	0.8
Other	0.3	0.5	0.8	0.4	0.5	0.4	0.3	0.2	0.2	0.2	0.2
Grants	3.4	3.3	3.0	3.1	2.9	2.8	2.7	2.7	2.6	2.5	2.4
Social benefits	4.2	1.7	1.6	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Other transfers	2.0	0.9	1.2	1.1	1.1	1.3	1.2	1.3	1.3	1.3	1.2
Net acquisition of nonfinancial assets	1.7	1.5	1.7	2.2	1.8	1.7	1.6	1.6	1.6	1.6	1.6
Primary Balance	-4.7	0.2	-0.4	-0.1	0.3	0.2	0.4	0.7	1.0	1.2	1.5
Overall Balance	-7.9	-2.9	-3.2	-3.3	-3.1	-3.4	-3.2	-3.0	-2.6	-2.3	-2.0
General Government ^{2/}											
Revenue	14.9	16.5	16.5	17.0	17.7	17.2	16.7	16.7	16.7	16.7	16.7
Expenditure	22.9	19.2	19.5	20.4	20.7	20.6	19.9	19.6	19.2	18.9	18.5
of which: Interest	3.3	3.1	2.9	3.2	3.4	3.6	3.7	3.7	3.6	3.6	3.5
of which: Capital spending	3.3	2.7	2.8	3.2	2.7	2.9	2.7	2.7	2.8	2.8	2.8
Primary Balance	-4.8	0.4	-0.2	-0.2	0.4	0.3	0.5	0.8	1.1	1.4	1.7
Overall Balance	-8.1	-2.7	-3.0	-3.4	-3.0	-3.4	-3.2	-2.9	-2.5	-2.2	-1.8
Overall Balance Rest of NFPS ^{3/}	0.3	0.4	0.6	0.2	-0.1	-0.5	0.0	0.0	0.0	0.0	0.0
Overall Balance NFPS	-7.6	-2.5	-2.7	-3.1	-3.2	-3.9	-3.2	-3.0	-2.6	-2.3	-2.0
Primary balance	-4.3	0.6	0.2	0.1	0.2	-0.2	0.4	0.7	1.0	1.2	1.5
Interest	3.3	3.1	2.9	3.2	3.4	3.6	3.7	3.6	3.6	3.5	3.5
Quasi-fiscal Balance of the Central Bank	-1.4	-1.2	-0.9	-1.0	-0.8	-0.6	-0.6	-0.5	-0.4	-0.3	-0.3
Primary balance	0.3	0.3	0.6	1.0	1.0	0.9	0.7	0.7	0.7	0.7	0.7
Interest	1.7	1.5	1.5	2.0	1.8	1.5	1.3	1.2	1.1	1.0	0.9
Overall Balance of the Consolidated Public Sector ^{4/}	-9.0	-3.7	-3.6	-4.1	-3.9	-4.5	-3.8	-3.5	-3.0	-2.6	-2.2
Primary balance	-4.3	0.7	0.6	0.8	1.1	0.5	1.0	1.2	1.5	1.8	2.1
Interest	4.7	4.4	4.2	4.9	5.0	5.0	4.8	4.7	4.6	4.4	4.3
Memorandum Items:											
Consolidated Public Sector (CPS) Debt ^{5/}	71.4	61.8	58.8	59.7	58.1	59.2	58.2	56.6	55.1	53.3	51.5
NFPS	58.5	50.4	46.6	47.0	47.5	48.2	47.5	46.6	45.3	43.8	42.2
Central Bank	16.7	13.9	14.3	14.7	12.3	12.6	12.3	11.5	11.0	10.7	10.4
CPS cyclically-adjusted overall balance ^{6/}	-8.0	-3.4	-3.5	-3.8	-4.6	-4.3	-3.7	-3.6	-3.1	-2.6	-2.3
CPS Fiscal impulse ^{7/}	4.8	-4.6	0.1	0.3	0.8	-0.4	-0.5	-0.2	-0.5	-0.4	-0.4
CPS underlying (structural) overall balance ^{8/}	-9.9	-4.8	-3.7	-5.0	-3.9	-4.5	-3.8	-3.5	-3.0	-2.6	-2.2
Real primary spending growth (GG)	12.7	-7.6	9.9	6.6	6.4	2.1	0.0	3.0	3.0	3.0	3.0
Nominal GDP (DR\$ billion)	4,440	5,427	6,257	6,765	7,403	7,977	8,701	9,495	10,368	11,315	12,349

Sources: National authorities and IMF staff calculations.

^{1/} Budgetary Central Government (BCG). Based on Government Finance Statistics Manual (GFSM) 2014.

^{2/} Includes the central government (CG)—comprising the BCG and the extra-budgetary (i.e., decentralized and autonomous) central government institutions—social security funds and local governments. Based on GFSM2014.

^{3/} The rest of the Non-Financial Public Sector includes the extra-budgetary (i.e., decentralized and autonomous) central government institutions, social security funds, local governments and non-financial public (state-owned) entities (SOEs). Based on below-the-line accounts.

^{4/} The consolidated public sector includes the BCG, rest of NFPS and the quasi-fiscal central bank debt. With the dissolution of the state electricity holding company (CDEEE) in 2022, the deficit of CDEEE from 2019 was transferred to the BCG.

^{5/} Consolidated public sector debt includes the NFPS and Central Bank's quasi-fiscal debt (net of recapitalization bonds issued to the central bank; excluding SRD allotment).

^{6/} Calculated based cyclically-adjusted BCG non-grant revenues, BCG grants, BCG expenditures and rest-NFPS and central bank quasi-fiscal balances.

^{7/} Equal to change in CPS cyclically-adjusted balance, i.e., (+) = surplus decline or deficit increase; (-) = surplus increase or deficit decrease.

^{8/} Calculated based on the CPS cyclically-adjusted overall balance net of one-off revenues.

Table 2b. Dominican Republic: Public Sector Accounts, 2020–2030
(Billions of Dominican Pesos, unless otherwise stated)

	2020	2021	2022	2023	2024	Projection					
						2025	2026	2027	2028	2029	2030
Central Government ^{1/}											
Revenue	632	841	956	1072	1212	1276	1349	1469	1604	1751	1911
Tax revenues	551	774	864	969	1074	1151	1254	1365	1491	1628	1776
Taxes on income, profits, and capital gains	187	263	276	340	380	411	445	483	528	576	629
Individuals	59	69	87	103	117	133	145	156	171	186	203
Corporations	90	151	141	180	193	208	225	244	267	291	318
Other	38	43	48	57	70	71	76	83	90	99	108
Tax on property	8	14	14	16	17	19	21	23	25	27	29
Taxes on goods and services	323	448	514	553	607	645	706	770	841	918	1001
Value-added tax	194	261	311	337	375	402	441	481	525	573	626
Excises	84	116	129	135	143	146	159	173	189	206	225
Taxes on international trade and transactions	33	49	59	61	71	75	82	90	98	107	117
Social security contributions	3	3	5	4	7	4	5	5	6	6	7
Grants	15	4	2	7	49	2	2	3	3	3	4
Other revenues	64	60	85	92	82	119	87	95	104	114	124
Expenditure	985	1000	1159	1294	1441	1548	1630	1751	1877	2011	2153
Current spending (expense)	928	905	1062	1154	1299	1411	1490	1598	1711	1830	1955
Compensation of employees	216	236	277	305	338	360	377	405	438	472	515
Use of goods and services	101	112	111	131	148	163	167	182	195	208	228
Interest	144	168	178	214	250	290	319	346	374	401	429
Subsidies	39	67	131	105	138	134	125	116	114	115	117
Electricity	27	38	80	75	101	103	96	94	94	94	94
Other	12	29	52	30	37	31	30	22	20	21	23
Grants	150	179	186	209	212	220	237	255	267	282	292
Social benefits	187	92	103	120	133	143	157	172	189	204	223
Other transfers	90	50	76	72	80	100	108	121	135	148	151
Net acquisition of nonfinancial assets	75	82	108	146	137	138	139	152	166	181	198
Primary Balance	-208	10	-25	-8	22	18	38	64	101	141	187
Overall Balance	-352	-159	-203	-222	-229	-272	-280	-282	-273	-260	-242
General Government ^{2/}											
Revenue	660	894	1033	1153	1307	1376	1455	1583	1730	1888	2060
Expenditure	1018	1042	1222	1380	1532	1645	1730	1858	1993	2135	2285
of which: Interest	145	169	179	214	251	291	320	347	375	402	430
of which: Capital spending	145	146	177	217	200	232	236	260	286	312	341
Primary Balance	-213	21	-11	-13	26	22	44	72	111	155	205
Overall Balance	-358	-148	-190	-227	-225	-269	-275	-275	-263	-247	-225
Overall Balance Rest of NFPS ^{3/}	14	23	36	12	-5	-36	0	0	0	0	0
Overall Balance NFPS	-338	-136	-167	-210	-233	-308	-281	-282	-273	-260	-242
Primary balance	-191	34	12	5	17	-18	38	64	100	141	187
Interest	147	170	179	214	251	290	319	346	374	401	429
Quasi-fiscal Balance of the Central Bank ^{4/}	-61	-66	-57	-67	-57	-49	-54	-51	-42	-35	-32
Primary balance	14	14	36	66	74	72	60	64	71	77	85
Interest	74	80	93	133	132	121	114	115	113	112	117
Overall Balance of the Consolidated Public Sector ^{5/}	-399	-202	-225	-277	-291	-357	-335	-333	-316	-296	-274
Primary balance	-189	36	36	57	78	40	85	115	160	208	257
Interest	210	238	261	334	369	397	420	448	476	503	531
Memorandum Items:											
Consolidated Public Sector Debt ^{6/}	3,171	3,356	3,678	4,042	4,299	4,725	5,068	5,375	5,708	6,037	6,356
NFPS	2,598	2,734	2,914	3,182	3,519	3,848	4,133	4,420	4,698	4,961	5,206
Central Bank	740	755	896	992	912	1,008	1,066	1,088	1,143	1,208	1,282
Nominal GDP	4,440	5,427	6,257	6,765	7,403	7,977	8,701	9,495	10,368	11,315	12,349

Sources: National authorities and IMF staff calculations.

^{1/} Budgetary Central Government (BCG). Based on Government Finance Statistics Manual (GFSM) 2014.

^{2/} Includes the central government (CG)—comprising the BCG and the extra-budgetary (i.e., decentralized and autonomous) central government institutions—social security funds and local governments. Based on GFSM2014.

^{3/} The rest of the Non-Financial Public Sector includes the extra-budgetary (i.e., decentralized and autonomous) central government institutions, social security funds, local governments and non-financial public (state-owned) entities (SOEs). Based on below-the-line accounts.

^{4/} The consolidated public sector includes the BCG, rest of NFPS and the quasi-fiscal central bank debt. With the dissolution of the state electricity holding company (CDEEE) in 2022, the deficit of CDEEE from 2019 was transferred to the BCG.

^{5/} Consolidated public sector debt includes the NFPS and Central Bank's quasi-fiscal debt (net of recapitalization bonds issued to the central bank; excluding SRD allotment).

^{6/} Calculated based cyclically-adjusted BCG non-grant revenues, BCG grants, BCG expenditures and rest-NFPS and central bank quasi-fiscal balances.

Table 3. Dominican Republic: Summary Accounts of the Banking System, 2020-2030
(Billions of Dominican Pesos, unless otherwise stated)

	2020	2021	2022	2023	2024	Projection					
						2025	2026	2027	2028	2029	2030
I. Central Bank											
Net Foreign Assets 1/	564	652	682	751	675	762	798	853	910	972	1,037
(In millions of USD)	9,689	11,377	12,141	12,946	11,039	...	...	...	...	...	...
Net Domestic Assets	-341	-407	-430	-469	-369	-431	-428	-443	-458	-477	-497
Nonfinancial public sector (net) 2/	-137	-79	-57	-80	-67	-73	-79	-87	-95	-103	-113
Financial institutions (net)	-816	-1,001	-1,080	-1,115	-1,054	-1,195	-1,368	-1,662	-2,056	-2,584	-3,303
Nonfinancial private sector (certificates)	-128	-124	-152	-166	-157	-179	-179	-171	-169	-169	-173
Other items (net)	740	797	860	892	910	1,016	1,199	1,477	1,861	2,379	3,092
Currency Issued	223	245	252	282	306	331	370	410	452	495	540
II. Other Depositary Money Corporations											
Net Foreign Assets 1/	60	13	-26	-26	-54	-63	-71	-78	-87	-96	-106
(In millions of USD)	1,028	219	-459	-449	-878	...	...	...	...	...	...
Net Domestic Assets	1,622	1,899	2,070	2,375	2,684	2,955	3,229	3,528	3,858	4,215	4,605
Net claims on central bank	501	711	776	803	678	756	825	902	986	1,078	1,177
Net credit to the nonfinancial public sector	221	184	130	149	425	456	498	544	594	649	708
Central government	199	183	131	152	427	460	501	547	597	652	712
Rest of NFPS	22	1	-1	-3	-2	-3	-3	-3	-3	-3	-3
Credit to the private sector	1,291	1,441	1,682	2,015	2,288	2,570	2,893	3,207	3,556	3,943	4,372
In pesos	1,065	1,181	1,348	1,628	1,802	2,060	2,325	2,581	2,861	3,178	3,526
In foreign currency	226	260	334	386	486	509	568	626	694	765	845
Capital and accumulated surplus	-294	-344	-404	-473	-546	-528	-526	-525	-525	-525	-525
Liabilities to the Private Sector	1,682	1,911	2,044	2,349	2,630	2,892	3,158	3,451	3,771	4,120	4,499
In pesos	1,144	1,321	1,444	1,706	1,899	2,139	2,335	2,550	2,786	3,042	3,322
In foreign currency	538	590	600	644	731	754	824	901	985	1,077	1,177
III. Depositary Corporations											
Net Foreign Assets 1/	624	665	656	725	621	700	727	775	823	876	931
(In millions of USD)	10,717	11,596	11,682	12,498	10,161	...	...	...	...	...	...
Net Domestic Assets	1,688	1,877	2,063	2,342	2,788	3,045	3,356	3,638	3,951	4,307	4,700
Net credit to non-financial public sector	84	105	73	69	357	384	419	457	499	545	596
Credit to the private sector	1,298	1,448	1,689	2,022	2,295	2,578	2,902	3,217	3,566	3,954	4,384
Other items (net)	306	323	301	251	135	84	35	-36	-115	-193	-279
M3	1,897	2,151	2,286	2,616	2,912	3,213	3,517	3,839	4,192	4,577	4,998
Currency in circulation	187	209	212	234	255	276	309	344	380	415	454
Deposits	1,355	1,581	2,030	2,340	2,626	2,888	3,154	3,446	3,766	4,113	4,493
Central bank certificates held outside commercial banks	22	21	26	30	27	27	27	27	27	27	27
Commercial bank certificates held by the public	327	330	14	9	4	4	5	5	6	6	7
Memorandum Items: (Annual percentage change; unless otherwise stated)											
Credit to the private sector	5.3	11.6	16.6	19.7	13.5	12.3	12.6	10.9	10.9	10.9	10.9
Credit to the private sector (percent of GDP)	29.2	26.7	27.0	29.9	31.0	32.3	33.3	33.9	34.4	34.9	35.5
Net domestic assets of the banking system	2.5	11.2	9.9	13.5	19.0	9.2	10.2	8.4	8.6	9.0	9.1
Currency issued	33.9	10.0	3.0	11.7	8.3	8.4	11.7	10.8	10.3	9.4	9.2
Deposits and commercial bank certificates	19.4	13.6	7.0	14.9	12.0	10.0	9.2	9.3	9.3	9.2	9.2
Broad money (M3)	21.2	13.4	6.3	14.4	11.3	10.3	9.5	9.2	9.2	9.2	9.2
M3 Velocity (ratio of GDP to M3)	2.3	2.5	2.7	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5

Sources: National authorities and IMF staff calculations.

^{1/}On a residency basis.^{2/}Excludes transfers related to central bank recapitalization.

Table 4. Dominican Republic: Balance of Payments, 2020-2030
(Millions of US Dollars, unless otherwise specified)

	2020	2021	2022	2023	2024	Projection					
						2025	2026	2027	2028	2029	2030
	(In millions of U.S. dollars)										
Current Account	-1,329	-2,685	-6,549	-4,418	-4,167	-3,235	-3,402	-3,797	-4,207	-4,380	-4,546
Goods and services, net	-5,413	-8,089	-11,669	-8,660	-7,581	-7,033	-6,947	-7,423	-7,854	-8,412	-8,770
Goods, net	-6,803	-11,796	-17,162	-15,863	-15,936	-15,594	-15,767	-16,598	-17,534	-18,650	-19,726
Exports, f.o.b.	10,302	12,486	13,750	12,950	13,872	14,976	16,072	17,346	18,531	19,738	21,109
Of which: Gold	1,676	1,610	1,329	1,148	1,500	2,111	2,578	2,925	3,017	3,108	3,291
Of which: Other	8,626	10,876	12,422	11,802	12,372	12,865	13,494	14,420	15,514	16,630	17,818
Imports, f.o.b.	17,105	24,282	30,913	28,813	29,808	30,570	31,839	33,944	36,065	38,388	40,833
Of which: Oil	1,954	3,754	6,146	5,047	4,794	4,522	4,435	4,419	4,381	4,382	4,430
Of which: Other	15,151	20,528	24,767	23,766	25,014	26,048	27,404	29,525	31,684	34,006	36,405
Services, net	1,391	3,707	5,494	7,204	8,355	8,561	8,820	9,174	9,680	10,238	10,956
Of which: Travel, net	2,464	5,002	7,375	8,525	9,831	10,160	10,572	11,153	11,849	12,628	13,572
Income, net	4,083	5,404	5,120	4,241	3,414	3,798	3,545	3,626	3,647	4,032	4,224
Primary income, net	-3,817	-4,711	-4,311	-5,438	-6,723	-7,225	-7,922	-8,357	-8,874	-9,076	-9,499
Of which: Direct investment, net	-2,434	-3,020	-3,014	-3,984	-4,198	-4,539	-4,890	-5,126	-5,396	-5,550	-5,858
Secondary income, net	7,900	10,114	9,431	9,679	10,137	11,023	11,467	11,983	12,521	13,108	13,723
Of which: Workers' remittances	7,615	9,764	9,148	9,307	9,798	10,676	11,115	11,627	12,161	12,746	13,359
Capital and Financial Account	-4,164	-5,395	-7,635	-6,313	-2,952	-4,295	-3,926	-4,649	-5,107	-5,331	-5,550
Capital Account	1.0	0.4	0.3	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Financial Account	-4,165	-5,395	-7,636	-6,313	-2,952	-4,295	-3,926	-4,649	-5,107	-5,331	-5,550
Foreign direct investment, net	-2,560	-3,197	-4,099	-4,390	-4,523	-4,545	-4,797	-5,136	-5,497	-5,895	-6,318
Portfolio investment, net	-5,620	-2,061	-3,258	-2,413	-2,249	-3,904	-1,590	-1,553	-1,315	-837	-816
Financial derivatives, net	0	0	0	0	0	0	0	0	0	0	0
Other investment, net	4,015	-137	-279	490	3,820	4,154	2,461	2,040	1,704	1,402	1,585
Change in Reserves (+ increase)	1,980	2,304	1,444	1,053	-2,086	1,060	525	852	900	951	1,004
Net Errors and Omissions	-874	-407	357	-843	-871	0	0	0	0	0	0
Net International Reserves	10,752	13,033	14,404	15,458	13,382	14,443	14,968	15,820	16,720	17,670	18,674
	(In percent of GDP)										
Current Account	-1.7	-2.8	-5.8	-3.7	-3.3	-2.5	-2.5	-2.6	-2.6	-2.6	-2.5
Goods and services, net	-6.9	-8.5	-10.3	-7.2	-6.1	-5.4	-5.0	-5.0	-4.9	-4.9	-4.8
Goods, net	-8.7	-12.4	-15.1	-13.1	-12.8	-12.0	-11.4	-11.2	-11.0	-10.9	-10.8
Exports, f.o.b.	13.1	13.1	12.1	10.7	11.1	11.5	11.6	11.7	11.6	11.6	11.5
of which: Gold	2.1	1.7	1.2	0.9	1.2	1.6	1.9	2.0	1.9	1.8	1.8
of which: Other	11.0	11.4	10.9	9.8	9.9	9.9	9.8	9.7	9.7	9.7	9.7
Imports, f.o.b.	21.8	25.5	27.2	23.9	23.9	23.6	23.0	22.9	22.6	22.5	22.3
of which: Oil	2.5	3.9	5.4	4.2	3.8	3.5	3.2	3.0	2.8	2.6	2.4
of which: Other	19.3	21.6	21.8	19.7	20.1	20.1	19.8	19.9	19.9	19.9	19.9
Services, net	1.8	3.9	4.8	6.0	6.7	6.6	6.4	6.2	6.1	6.0	6.0
of which: Travel, net	3.1	5.3	6.5	7.1	7.9	7.8	7.6	7.5	7.4	7.4	7.4
Income, net	5.2	5.7	4.5	3.5	2.7	2.9	2.6	2.4	2.3	2.4	2.3
Primary income, net	-4.9	-5.0	-3.8	-4.5	-5.4	-5.6	-5.7	-5.6	-5.6	-5.3	-5.2
Of which: Direct investment, net	-3.1	-3.2	-2.6	-3.3	-3.4	-3.5	-3.5	-3.5	-3.4	-3.2	-3.2
Secondary income, net	10.0	10.6	8.3	8.0	8.1	8.5	8.3	8.1	7.9	7.7	7.5
Of which: Workers' remittances, net	9.7	10.3	8.0	7.7	7.9	8.2	8.0	7.8	7.6	7.5	7.3
Capital and Financial Account	-5.3	-5.7	-6.7	-5.2	-2.4	-3.3	-2.8	-3.1	-3.2	-3.1	-3.0
Capital Account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial Account	-5.3	-5.7	-6.7	-5.2	-2.4	-3.3	-2.8	-3.1	-3.2	-3.1	-3.0
Foreign direct investment, net	-3.3	-3.4	-3.6	-3.6	-3.6	-3.5	-3.5	-3.5	-3.5	-3.5	-3.5
Portfolio investment, net	-7.1	-2.2	-2.9	-2.0	-1.8	-3.0	-1.1	-1.0	-0.8	-0.5	-0.4
Financial derivatives, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net	5.1	-0.1	-0.2	0.4	3.1	3.2	1.8	1.4	1.1	0.8	0.9
Change in Reserves (+ increase)	2.5	2.4	1.3	0.9	-1.7	0.8	0.4	0.6	0.6	0.6	0.5
Net Errors and Omissions	-1.1	-0.4	0.3	-0.7	-0.7	0.0	0.0	0.0	0.0	0.0	0.0

Sources: National authorities and IMF staff calculations.

Table 5. Dominican Republic: Financial Soundness Indicators, 2013-2024
(Percent, end of year)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025M6
I. Deposit Taking Institutions^{1/}													
Capital Adequacy													
Leverage ratio	11.5	11.3	11.2	11.3	11.6	11.8	11.9	10.9	11.0	11.7	11.7	12.2	11.9
Regulatory capital to risk-weighted assets	16.7	16.1	16.0	17.2	18.3	17.1	16.6	21.0	19.1	16.7	16.1	17.4	18.4
Asset Quality													
NPLs to total loans	2.2	1.5	1.7	1.7	1.9	1.6	1.6	1.9	1.3	1.0	1.0	1.4	1.8
Loan provisions to NPLs	134.8	187.1	152.4	156.3	149.3	157.1	160.6	205.7	322.9	349.7	263.6	194.2	164.9
NPLs net of provisions to net worth	-5.5	-8.6	-6.4	-6.6	-6.4	-6.1	-6.1	-12.5	-15.8	-15.0	-11.4	-10.0	-10.4
Fixed and net foreclosed assets to net worth	32.4	29.4	29.8	27.7	25.1	22.4	20.2	18.5	15.7	14.0	13.3	13.9	14.6
Earnings and Efficiency													
Return on average assets	1.9	1.9	1.9	1.8	1.6	2.0	1.9	1.6	2.0	2.2	2.5	2.3	2.2
Return on average equity	16.5	16.5	16.2	15.6	13.9	16.6	15.9	13.6	18.0	19.6	21.1	19.4	18.3
Gross operating income to average assets	10.9	10.3	10.0	10.0	10.2	9.7	9.5	8.6	8.1	7.9	9.4	10.3	10.7
Financial margin to average assets	6.8	6.4	6.1	5.8	5.6	5.8	5.6	4.8	5.3	5.1	5.5	5.5	5.4
Operating expenses to net financial margin	86.2	90.0	93.2	93.6	89.9	89.6	92.4	83.0	79.0	87.8	83.8	79.6	80.9
Liquidity													
Liquid funds to deposits	33.4	36.9	34.4	34.9	29.7	31.3	25.6	30.5	23.8	24.9	24.9	21.4	22.4
Liquid funds to total assets	18.7	19.7	18.4	18.4	15.8	17.0	14.4	18.2	14.6	19.0	18.4	16.0	17.0
II. Commercial Banks													
Capital Adequacy													
Leverage ratio	9.7	9.5	9.8	10.0	10.3	10.4	10.5	9.6	9.7	10.5	10.7	11.3	11.0
Regulatory capital to risk-weighted assets	14.4	14.0	14.4	15.6	16.4	15.8	14.9	18.6	16.5	15.3	14.7	16.0	16.7
Asset Quality													
NPLs to total loans	1.9	1.3	1.5	1.5	1.7	1.5	1.5	1.8	1.2	0.9	1.0	1.4	1.7
Loan provisions to NPLs	147.3	187.4	157.8	167.2	158.1	159.4	166.7	219.3	347.6	384.9	283.0	203.7	171.1
NPLs net of provisions to net worth	-8.3	-10.9	-8.0	-8.0	-7.7	-7.3	-7.5	-15.0	-18.6	-17.3	-12.8	-11.2	-11.7
Fixed and net foreclosed assets to net worth	39.0	35.2	34.4	31.5	28.3	25.3	21.9	19.7	16.4	14.1	13.0	13.9	14.9
Earnings and Efficiency													
Return on average assets	2.3	2.3	2.3	2.2	2.0	2.3	2.3	1.8	2.2	2.6	2.5	2.4	2.3
Return on average equity	24.6	23.9	24.0	22.1	19.9	22.0	21.6	17.5	22.7	25.6	23.6	21.8	20.6
Gross operating income to average assets	10.5	10.0	9.7	9.7	9.8	9.4	9.2	8.3	7.8	7.6	9.2	10.0	10.4
Financial margin to average assets	6.6	6.2	6.0	5.6	5.5	5.6	5.4	4.7	5.1	4.9	5.4	5.4	5.3
Operating expenses to net financial margin	86.4	90.4	93.9	94.2	90.5	90.7	93.8	83.5	79.2	89.0	84.2	79.2	81.0
Liquidity													
Liquid funds to deposits	32.5	36.3	33.5	34.2	28.6	30.7	24.9	30.7	23.8	26.0	25.9	22.2	23.6
Liquid funds to total assets	20.3	21.3	19.6	19.6	16.7	18.2	15.2	19.7	15.6	20.3	19.5	16.9	18.2

Sources: National authorities.

^{1/}These figures do not include credit and savings cooperatives, which account approximately for 3.8 percent of total DTI assets (staff estimate). The commercial banks account for 88 percent and the top 5 banks for 80 percent of total DTI assets.

Annex I. Implementation of Past Fund Advice

Recommendations	Status
Transversal / Cross Sector	
Continue with electricity sector reforms under the Electricity Pact to reduce the electricity sector deficit.	Ongoing. Engagement between the government and the Economic and Social Council (CES) has restarted with a view to resume tariff adjustments under the Electricity Pact. The Integrated Loss Reduction Plan—to reduce losses by 11 percentage points by 2027 (from 38 percent in 2024)—is underway, but results are yet to be visible. Investments of around US\$650 million to upgrade distribution lines and transformers, install smart meters, and modernize the commercial and billing systems are underway. Open competitive bidding for new solar and wind generation projects is in effect since August 2025. A technical study to set the technical tariffs and adjustments to the reference tariffs is awaiting public consultation. A study to update the power marginal cost is in progress. A draft study to update the regulation related to the quality of the electricity transmission service is under review. An Energy Harmonization Law is currently under discussion by Congress, which will help strengthen the sector's regulation.
Continue improving targeted social transfers.	Ongoing. The authorities continue to work on strengthening the universal registry database (SIUBEN) to better target existing social programs to vulnerable households and population.
Continue enhancing efficiency and transitioning away from fossil fuels.	Ongoing. The share of non-conventional renewable sources (NCREs) increased further in 2024 to 11.9 percent of total generation. Around 1,200 MW in new NCREs installed capacity is expected over the medium term. Under the new regulation, any additional NCRE capacity over 20 MW will need to be accompanied by supplementary storage to help smooth demand peaks in the grid. Investments to enhance efficiency in the electricity distribution grid and public lighting are underway supported by bilateral and multilaterals financing.
Fiscal	
Establish a fiscal responsibility framework to anchor medium-term policies.	Completed. The FRL was approved by Congress in July 2024 and came into effect August 2024. It includes a GG debt anchor/limit (40 percent by 2035) and primary spending limit (3 percent real growth) until the debt limit is reached (with debt-stabilizing primary balances thereafter).
Fully implement the Fiscal Responsibility Law limiting real primary spending growth to no more than 3 percent.	Ongoing. Draft regulations to operationalize the FRL are pending. Nevertheless, real primary spending growth in 2025 has been kept below the 3 percent limit. The proposed 2026 budget also maintains projected real primary spending below the 3 percent limit.
Continue with the gradual fiscal consolidation to ensure debt sustainability, including by rationalizing and enhancing the efficiency of spending.	Ongoing. The budgetary central government (BCG) deficit and the consolidated public sector debt were reduced to 3.1 percent of GDP and 58.1 percent of GDP, respectively, in 2024. The 2025 fiscal deficit is expected to widen slightly in response to the fiscal stimulus, mostly for additional capital spending to support the economy in the context of heightened uncertainty and still tight financial conditions. Nonetheless, this spending remains within the FRL limit. Rationalization of spending is proceeding via mergers of ministries and other entities to reduce duplications and gain

Recommendations	Status
	efficiencies of scale. By presidential decree, non-essential spending should be controlled. The authorities are also seeking to increase the efficiency of spending by expanding budgeting for results as well as enhanced investment infrastructure planning and prioritization. The authorities are working to improve targeted social subsidies (assistance).
Create policy space through revenue mobilization.	<p>Ongoing. Tax administration reforms include the on-going implementation of the modernized customs law (168-21) and electronic-invoicing law (32-23), the greater use of technology, digitalization, interoperability, and data analytics to streamline processes and enhance controls (e.g., <i>Sistema Blue</i>) and detect anomalies/fraud, a tax payer census, enhanced management and evaluation of compliance risk, expansion of Authorized Economic Operators (OEA) for customs and domestic tax payer risk profiles, and enhanced cooperation. among others. The authorities are also working on implementing IMF TA recommendations on VAT-gap and tax incentives administration.</p> <p>A tax reform was submitted to Congress in October 2024 but lacked sufficient consensus and was withdrawn. The authorities are considering requesting IMF TA on a medium-term revenue strategy.</p>
Continue to enhance Public Financial Management (PFM).	<p>Ongoing. Supported by the Fund and other development partners TA, the authorities are strengthening PFM. In particular by developing a long-term national infrastructure plan to address key development gaps, the incorporation of climate budget tagging and criteria, implementation of the new procurement law (47-2025), on-going strengthening of government statistics and risk analysis, and a review of fiscal transparency best practices.</p>
Monetary and Financial	
Continue building reserve buffers and allow greater exchange rate flexibility to play a shock absorbing role.	<p>Ongoing. Reserves fell to 114.4 percent of the ARA metric in 2024 driven by BCRD's FXI to smooth exchange rate volatility associated with heightened uncertainty. The authorities' reserves accumulation plan balances the need to rebuild external buffers with the cost of holding additional reserves.</p> <p>The BCRD has allowed greater exchange rate flexibility since late February, consistent with the inflation targeting framework, and has largely refrained from intervening in the FX market.</p>
Further enhance the FX market transparency and performance through well-communicated intervention rules, deepening and expansion of hedging mechanism.	<p>Ongoing. The BCRD has been gradually allowing greater exchange rate flexibility, letting the exchange rate to depreciate by 5 percent in 2024 and around 4 percent since end-2024. The authorities amended the FX regulation to ensure FX transactions exceeding US\$10,000 are captured through the FX platform to strengthen price formation. While FX reserves are less affected by its participation in the NDF, the BCRD remains the market-maker in the derivatives markets</p>
Continue improving Monetary Policy communication.	<p>Ongoing. The BCRD continues to improve its communication and transparency by publishing informative risks scenarios in the Monetary Policy Report. They plan to expand data provision and to increase the frequency of the reports from semi-annual to quarterly in 2026 and include some guidance on policy response consistent with the inflation and economic outlook. They are planning to further strengthen the communication strategy, including in the context of dedicated workshops by CAPTAC.</p>
Continue implementing the Safeguard Assessment's recommendations to	<p>Ongoing. A MCM-LEG mission provided options to ensure policy solvency. The planned TA to help implement the recommendations was postponed following the withdrawal of the</p>

Recommendations	Status
enhance BCRD's financial and institutional autonomy.	fiscal reform in October 2024. However, both the BCRD and Ministry of Finance consider recapitalization of the BCRD a priority and are expected to develop a comprehensive plan for it.
Continue with enhanced monitoring and supervision of the financial system. Continue upgrading the regulatory and supervisory framework towards Basel II/III and IFRS standards, while enhancing the macroprudential toolkit to strengthen financial sector resilience. Upgrade the banking resolution and financial safety net.	Ongoing. The authorities continue the enhanced monitoring of the financial system. They continue upgrading the regulatory and supervisory framework including by adopting enhanced consumer protection regulation, strengthening foreign currency macroprudential framework, and approving the gradual adoption of mark-to-market accounting while enhanced operational risks regulations are expected to be approved before end-2025. These and other planned reforms will help to close current gaps Basel II/III and IFRS standards and expand the macroprudential toolkit. They are formulating regulations to strengthen supervision (AML-CFT and IFRS implementation) at the IDECOOP with support from the SIB and UAF and are making improvements to their sanctioning regime.
Structural Reforms	
Continue strengthening business regulation and competitiveness.	Ongoing. Competitiveness is being improved through enhanced trade facilitation including, through the 24/7 customs services, cargoes release in 24 hours, transport infrastructure, and quality of logistic services, as well as the implementation of the "Zero Bureaucracy" initiative that aims to strengthen regulatory quality and streamline regulatory processes, reducing regulatory discretion that can also reduce scope for corruption.
Continue strengthening governance and the rule of law.	Ongoing. Recent gains appear reflected in improved WGI and other surveys. Key specific measures include: a constitutional reform to increase the independence and effectiveness of the Public Prosecutor (Attorney General); and passage of a strengthened Procurement Law. Ongoing efforts include: continued implementation of the zero bureaucracy initiative (reducing discretion in processes such as permitting); implementation of ISO anti-bribery and compliance standards at Ministries; prosecution of high-level corruption cases (including of members of the current ruling party); strengthened procurement practices that have increased the number of suppliers and competitiveness of process, as well as contributing to the formalization of firms.
Continue with labor market reform.	Ongoing. Current efforts focus on the modernization of the 1992 Labor Code. The revised code—now under congressional review—is designed to allow more flexibility to the labor markets and align with international labor standards. While a few contentious issues remain—most notably severance payments—the proposed code introduces key updates, including provisions for teleworking, expedited dispute resolution through the creation of conciliation judges, and formalization of domestic work with defined working hours and leave entitlements. The reform also aims to reduce informality, particularly in sectors such as construction, lottery booths, and motorcycle taxis, supported by a planned expansion of labor inspections. In 2025, the Dominican Republic advanced labor market inclusion and gender equality through initiatives such as the RD Trabaja program for youth employment, expanded STEM scholarships to address skills gaps, targeted support for female entrepreneurs, procurement reforms favoring female-led SMEs, and the continued rollout of the Extended School Day Program.

Recommendations	Status
Continue with electricity sector reform.	Ongoing. Penetration of NCREs continues to grow. The installed capacity of NCREs doubled from 555 MW in 2020 to 1,122 MW in 2023 and expanded further to around 1,400 MW in 2024 with its share in electricity generation reaching 11.9 percent. The ongoing efforts to reduce electricity distribution companies' losses include purchases of and the beginning of installation of smart meters as well as open competitive bidding for all public contracts for new generation and expansion projects.
Continue the development of the financial sector to foster financial inclusion.	Ongoing. Recent efforts, including through the injection of liquidity to the system by the BCRD, have resulted in an increase of over 4 percentage points in credit to the private sector-to-GDP ratio since 2021. Likewise, the percentage of adults with bank accounts increased 13 percentage points since 2021. Ongoing efforts include the MIPYME program to improve financial literacy and formalization, simplifying some requirements to open bank accounts, and the implementation of the Digital Onboarding and Digital Signature which could facilitate the access of around 2.8 million Dominicans overseas to domestic financial products and services.

Annex II. Risk Assessment Matrix¹

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Global Conjunctural Risks			
Geopolitical Tensions. Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment, tourism, trade, and supply chains.	High	Medium While not directly exposed to regional conflicts, the DR is an island and small open economy with relatively high dependence on imports (especially of energy and of goods from the US), investment growth (with FDI primarily from the US and Spain) and external demand (in particular from the US) that all could be affected by geopolitical tensions. Overall, the higher commodity price volatility (see also below) and supply chain disruptions would have the main impact on inflation and domestic demand. To the extent that the US and European (especially Spanish) economies are relatively resilient to the geopolitical tensions, the impact on DR FDI and external demand would be relatively modest. If tourism may be diverted from conflicted regions towards the DR, there could be some gains on this front.	Allow the exchange rate to act as a shock absorber with respect to higher international prices (worsening terms of trade) and lower external demand. Given the impact on fiscal accounts, increase the efficiency of spending, i.e., reduce broad subsidies (in particular for energy) and use more targeted support. Work with the private sector to improve the resilience of supply chains and to continue to diversify trade markets and investment sources. Continue transition to low-cost renewable energy. Taking into account the expected output gap and supply side shocks that could also dampen output (i.e., commodity shortages/price increases), stand ready to tighten monetary policy to limit second round effects from the higher commodity prices and/or international trade costs.

¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Escalating Trade Measures and Prolonged Uncertainty. Rising trade barriers and prolonged policy uncertainty could reduce trade, investment, and growth. Inflationary pressures may re-emerge—especially in countries imposing tariffs. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.	High	Medium Given the DR's trade deficit with the US, the risk that the current effective tariff would be increased appears low (and the authorities are continuing to negotiate with the US—although a remaining uncertainty concerns tariffs on pharmaceuticals and medical devices, which has been a recent growth driver of DR FTZ exports (around 20 percent of total exports). Nonetheless, the DR would be impacted by higher US inflation and lower external demand from escalating trade measures and prolonged uncertainty. Further, supply chain disruptions or lower availability (or higher costs) of containers/trade could further depress activity. Meanwhile the DR could benefit from trade and investment diversion (already some has been announced).	Continue with structural reforms to diversify markets, products and suppliers as well as strengthen competitiveness. Allow the exchange rate to act as a shock absorber. If consistent with fiscal (primary expenditure) rule, assess gains from some short-term fiscal stimulus (via investment to strengthen competitiveness) versus future interest burden/loss of fiscal space and risk to meeting debt anchor target. Tighten monetary policy if needed to contain second round effects from higher external prices and exchange rate depreciation (taking into account the projected output gap).
Commodity price volatility. Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition—may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.	High	Medium Higher commodity prices increase production costs and consumer prices, reducing domestic value-added and demand and putting negative pressure on the external/BOP and fiscal positions. They also increase the risk of further delaying needed reforms (implementing the Electricity Pact). However, higher gold and nickel prices, and, potentially, rare earth mining, would strengthen the external position and real output, as the DR is an exporter.	Allow the exchange rate to act as a shock absorber; reduce broad energy/fuel subsidies and use instead targeted measures. Continue transition to low-cost renewable energy. Taking into account the expected output gap, stand ready to tighten monetary policy to limit second round effects from higher commodity prices.
Fiscal Vulnerabilities and Higher Long-Term Interest Rates. Rising	High	Medium Public debt levels are moderate and gross-	Continue with gradual fiscal consolidation (in line with recently adopted fiscal rule) to strengthen

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
public debt and deficit levels may put upward pressure on long-term interest rates and increase the risk of sovereign bond market disruptions. These developments could amplify capital flow volatility, tighten financial conditions, threaten sovereign debt sustainability, and trigger global spillovers. To the extent that major economies are affected, market imbalances (such as reduced investor capacity to absorb sovereign debt) could emerge, exacerbating risks from a close sovereign-financial nexus.		<p>financing needs risks are also moderate, with low rollover risk (GFNs below 10 percent of GDP and maturity of public debt around 10 years), but with high exposure to external markets and above average sovereign-financial nexus (i.e., domestic banks' claim on the general government between the 50th and 75th percentile). Further, the public sector interest burden is high and higher-for-longer rates would reduce fiscal space, and could compress needed public investment if expected spending efficiencies (i.e., from lower subsidies) do not materialize or else put at risk meeting the fiscal rule.</p> <p>However, public debt exposure to volatile capital flows is low, with foreign holdings of domestic government securities less than 6 percent of the total stock outstanding.</p>	credibility and lower the interest burden, and create buffers.
<p>Rising Social discontent. High living costs, weak growth, and inequality may fuel social unrest, hinder necessary reforms, and weaken countries' capacity to address domestic and external shocks.</p>	Medium	<p>Low</p> <p>DR domestic risks of social discontent remain relatively low given gains in poverty reduction, control of corruption, governance and democratic safeguards.</p> <p>Worsening situation in some countries in the region, in a context of tighter migration policies in DR, could increase the flow of undocumented migrants to the DR, putting pressure on the fiscal position and labor markets, increasing the risk of social unrest and populist policies.</p>	Collect more data on the impact of undocumented migrants. Work with the international community to support migrants and seek concessional financing and aid.

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Structural Risks			
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	High	Medium While the DR authorities and private sector have invested in infrastructure and established strategies and policies to reduce risks these risks are constantly evolving.	Continue to improve legal, institutional, and strategic frameworks, devise a centralized plan and cross-sector common rules to combat cyberattacks.
Climate change. Extreme climate events and rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Medium	Medium Hurricanes, floods, and droughts, to which the region is prone, can result in important economic, social, and fiscal costs.	Implement 2022-2025 National Climate Action Plan; build structural and financial resilience (including resilient infrastructure and disaster insurance). Follow C-PIMA and CPD recommendations including climate change strategic planning and explicit climate change information in the investment budget.
Labor Supply Gaps. Tighter restrictions to migration could worsen labor shortages in aging economies, reducing potential output, fueling inflation, and straining fiscal balances through lower revenues.	Medium	Low The DR's exposure to tightening US migration policies seems limited given the legal status of most DR diaspora—see Annex V. Meanwhile, the economic impact of reduced migrant labor force in DR is not yet clear.	Continue with structural reforms to increase labor force participation, female in particular, and enhance skills, wages and competitiveness. Enhance data on DR immigrants abroad and the analysis of the role of migrant labor and impact on GDP.
Domestic Risks			
Domestic reforms	Medium	High/Upside Timely, well-sequenced reforms, in particular a growth friendly fiscal reform could improve confidence, increase fiscal space and lower risk spreads, and boost potential output from higher public investment (see 2023 Art.IV, Annex VII, ¶19). Further structural reforms, including to develop the financial market/deepen credit, liberalize the labor market, enhance governance, business regulation and education/skills, could also increase output (Annex IX).	Build consensus on a growth friendly fiscal reform. Develop a holistic strategy that targets the largest structural gaps with highest or quickest gains. Continue to communicate on the needs and gains for a gradual adjustment to the tariffs (with support for the most vulnerable). Providing

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
	Medium	Medium/Downside Delays in fully implementing the Electricity Pact (2021), including to reduce distribution losses and raise tariffs to cost-recovery levels would keep government spending more rigid and inefficient (with elevated broad subsidies), reducing fiscal space for needed investment.	sufficient resources and powers to continue with distribution loss reduction plan. Enhance accountability by publishing audited statements.
Expansion of the tourism sector	Medium	Medium/Upside Investment in new areas (e.g., Pedernales; Punta Bergantin, in Puerto Plata, as an innovation hub), is ongoing. The impact on growth (value-added) is yet to be determined. Meanwhile, the tourism sector is also seeking to expand cultural and eco-tourism.	Continue to support sustainable tourism development and supportive infrastructure. Ensure fiscal incentives have clear economic criteria and social returns. Enhance monitoring of environmental and PPP risks
Development of Logistics Hub	Medium	Medium/Upside Remaining room for investment—e.g., as witnessed by DP World announced investments. Heightened uncertainty reduce investment in the near-term.	Continue to support reforms to improve business climate and to seek further trade deals. Ensure fiscal incentives have clear economic criteria and social returns.
Development of Nearshoring	Medium/Low	Medium/Upside The DR may be an attractive location for near-shoring, including for manufacturing of semi-conductors, because of its strategic location, established FTZs, supportive legal and regulatory framework, and on-going active labor market programs to enhance worker skills. However, tariff uncertainty may delay investment.	Continue to support reforms to improve business climate, skills and education outcomes, and financing. Seek further trade deals.

Annex III. Public Debt Sustainability Analysis

Figure 1. Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	The overall risk of sovereign stress is assessed as moderate, in line with near- and medium-term signals as well as long-term vulnerabilities that may be contained by the debt-anchor.
Near term 1/			
Medium term	Moderate	Moderate	Medium-term risks are contained by moderate levels of public debt and gross financing needs (GFN) that are on a downward track. The projected path for debt and GFN is driven by a gradual fiscal consolidation (which is in line with the primary spending limit established in the permanent fiscal rule adopted in 2024) that helps offset real interest rates that are projected to stay higher for longer.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Bank. Crisis, Nat. Disast.	...	Uncertainty around the path is moderate, with natural disaster being the main risk; however, the permanent fiscal rule has an escape clause in case of natural disasters but which still requires a return to the consolidation path (or debt limit) within 3 years. The risk of a banking crisis is low given it is well-capitalized.
Long term	...	Moderate	The Dominican Republic is vulnerable to climate change, a key risk that could increase both debt and GFN but appears manageable.
Sustainability assessment 2/	Not required for surveillance countries	Sustainable	This is expected to be supported by the authorities' commitment to the new permanent fiscal rule, which includes a GG debt ceiling of 40 percent by 2035 (and debt-stabilizing primary balance thereafter). The BCRD quasi-fiscal debt is also on a gradual downward track, supported by on-going transfers from the government.
Debt stabilization in the baseline			Yes
DSA Summary Assessment			
<p>Commentary: The Dominican Republic has an overall moderate risk of sovereign stress and debt is assessed as sustainable. Medium-term risks are contained by moderate levels of public debt and gross financing needs (GFN) that are on a downward track. The projected path for debt and GFN is driven by a gradual fiscal consolidation (which is in line with the primary spending limit established in the permanent fiscal rule adopted in 2024) that helps offset real interest rates that are projected to stay higher for longer. Uncertainty around the path is moderate, with natural disasters being the main risk; the risk of a banking crisis is low given it is well-capitalized. Longer term risks are primarily related to climate change. The authorities are working to increase resilience. The permanent fiscal rule includes a GG debt ceiling of 40 percent.</p>			
<p>Source: Fund staff.</p> <p>Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.</p> <p>1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.</p> <p>2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.</p> <p>Source: IMF staff calculations.</p>			

Figure 2. Debt Coverage and Disclosures

Figure 2. Debt Coverage and Disclosures										Comments		
1. Debt coverage in the DSA: 1/												
CG GG NFPS CPS Other												
1a. If central government, are non-central government entities insignificant?										n.a.		
2. Subsectors included in the chosen coverage in (1) above:												
Subsectors captured in the baseline										Inclusion		
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes						
				2	Extra budgetary funds (EBFs)	Yes				Partial		
				3	Social security funds (SSFs)	No						
				4	State governments	No			Not exist, only LG.			
				5	Local governments	Yes						
				6	Public nonfinancial corporations	Yes						
				7	Central bank	Yes			Only quasi-fiscal			
				8	Other public financial corporations	No						
3. Instrument coverage:												
Currency & deposits Loans Debt securities Oth acct. payable 2/ IPSGSs 3/												
4. Accounting principles:												
Basis of recording Valuation of debt stock												
Non-cash basis 4/ Cash basis Nominal value 5/ Face value 6/ Market value 7/												
5. Debt consolidation across sectors:												
Consolidated Non-consolidated												
Color code: ■ chosen coverage ■ Missing from recommended coverage ■ Not applicable												
Reporting on Intra-Government Debt Holdings												
Holder Budget. central gov. Extra-budget. funds (EBFs) Social security funds (SSFs) State gov. Local gov. Nonfin. pub. corp. Central bank Oth. pub. fin corp. Total												
Issuer												
CPS	NFPS	GG: expected	CG	1	Budget. central gov						132362	132362
				2	Extra-budget. funds							0
				3	Social security funds							0
				4	State gov.							0
				5	Local gov.							0
				6	Nonfin pub. corp.							0
				7	Central bank							0
				8	Oth. pub. fin. corp							0
Total										0 0 0 0 0 0 132362 0	132362	
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.												
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.												
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.												
4/ Includes accrual recording, commitment basis, due for payment, etc.												
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).												
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.												
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.												

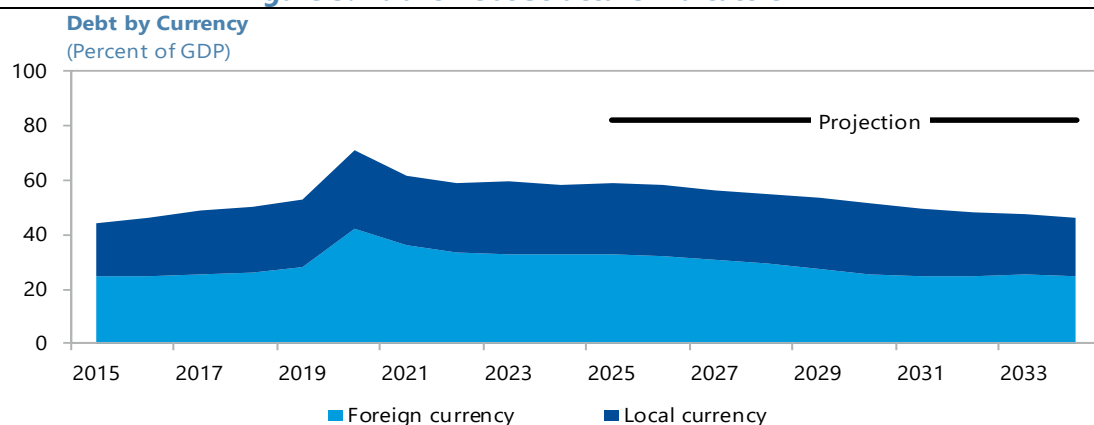
Figure 2. Debt Coverage and Disclosures (concluded)

Commentary: The debt coverage is broad in terms of sectors, covering the consolidated public sector (CPS)—i.e., besides the general government (GG) it includes the rest of the non-financial public sector and the central bank's quasi-fiscal debt (mostly a legacy of the 2003 banking crisis), which should eventually be reduced by the CG recapitalization transfers as well as favorable debt dynamics.

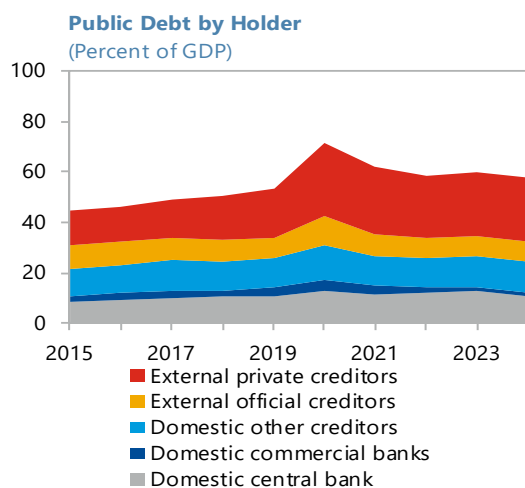
In terms of instruments, it includes the Non-financial Public Sector (NFPS) securities and loans; plus public electricity distribution companies' arrears over 45 days (when they've existed), currently not part of official statistics; plus the Central Bank (BCRD) securities debt (the counter-part for the BCRD's quasi-fiscal debt), net of recapitalization bonds issued by the central government and held by the central bank (as indicated in the table above on intra-government debt holdings). Holdings by other sectors of government at end-2024 (RD\$141,792 million mostly held by social security funds (RD\$90,871 million)) are not consolidated in official debt statistics, nor in staff analysis.

Most of the reported debt is that of the CG, followed by the BCRD debt, while the rest of the NFPS's securities and loan debt is minimal (and the rest of the NFPS cannot issue debt beyond a fiscal year without the authorization of the Ministry of Finance or Congress). Government guarantees of private debt is immaterial. Debt of public trusts and accounts payable (besides arrears of the electricity sector) are not included. Of note, the debt of RD Vial, a public trust, is not included in official debt statistics according to its law but could be considered a contingency--its outstanding debt as of end-2024 was around 1 percent of GDP. The authorities are receiving Fund technical assistance on public debt statistics to improve coverage, basis of recording, and valuation.

Source: IMF staff calculations.

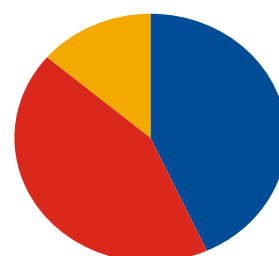
Figure 3. Public Debt Structure Indicators

Note: The perimeter shown is consolidated public sector.

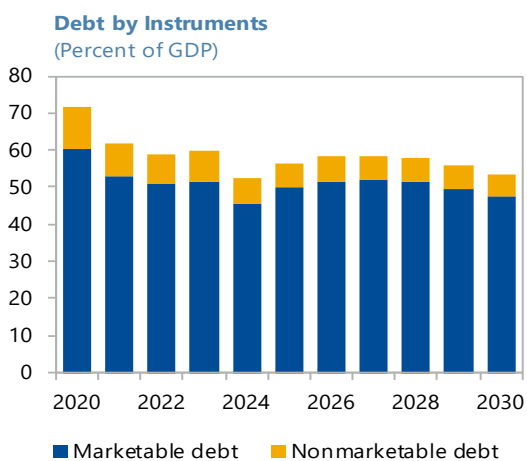


Note: The perimeter shown is consolidated public sector.

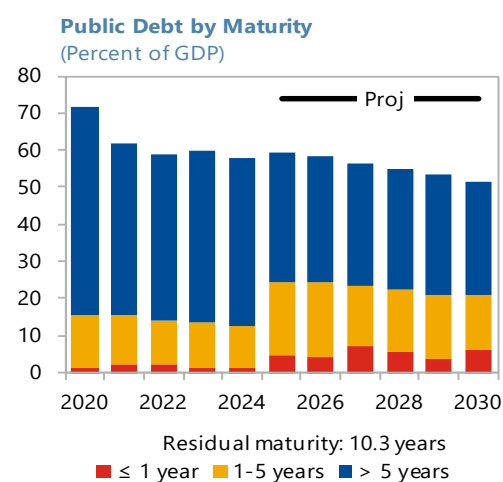
Public Debt by Governing Law, 2024
(Percent)



Note: The perimeter shown is consolidated public sector.



Note: The perimeter shown is consolidated public sector.



Note: The perimeter shown is consolidated public sector.

Figure 3. Public Debt Structure Indicators (concluded)

Commentary: The perimeter of public debt is the consolidated public sector (CPS)--this includes the NFPS plus the central banks' quasi-fiscal debt (securities) given the BCRD's role in resolving failed banks following the 2003 banking crisis. The CB quasi-fiscal debt is shown above as the central banks' holding of public debt (although CB securities are held by the market).

Most debt is in foreign currency and held by external private creditors (foreign law, ex. Multilateral), which are a key risk. The authorities are working to reduce these risks by issuing more domestic currency bonds (principally DOP-linked external bonds). They are also working to make the domestic bond market more liquid, which could provide support to issuing more domestic bonds.

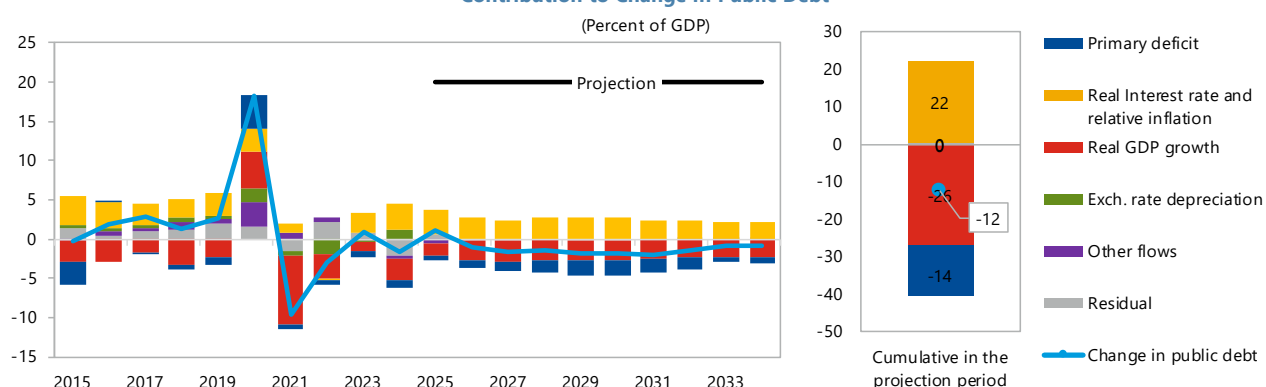
The central government issues long-term bonds, with a residual maturity of about 10 years, limiting rollover risk. The shorter-term bonds are issued by the central bank in domestic currency to absorb excess liquidity.

Source: IMF staff estimates and calculations.

Figure 4. Baseline Scenario
(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection							Extended projection			
	2024	2025	2026	2027	2028	2029	2030		2031	2032	2033	2034
Public debt	58.1	59.2	58.2	56.6	55.1	53.4	51.6		49.6	48.1	47.3	46.4
Change in public debt	-1.7	1.1	-1.0	-1.6	-1.5	-1.8	-1.8		-2.0	-1.4	-0.8	-0.9
Contribution of identified flows	0.4	0.4	-0.9	-1.5	-1.4	-1.7	-1.8		-2.0	-1.4	-0.8	-0.9
Primary deficit	-0.9	-0.5	-1.0	-1.2	-1.5	-1.8	-2.1		-1.9	-1.4	-0.7	-0.8
Noninterest revenues	16.4	16.0	15.5	15.5	15.5	15.5	15.5		15.5	15.5	15.5	15.5
Noninterest expenditures	15.5	15.5	14.5	14.3	13.9	13.6	13.4		13.6	14.1	14.8	14.7
Automatic debt dynamics	1.7	1.4	0.1	-0.3	0.1	0.2	0.3		-0.1	0.0	-0.2	-0.1
Real interest rate and relative inflation	3.2	3.1	2.7	2.4	2.8	2.8	2.9		2.3	2.3	2.1	2.1
Real interest rate	2.6	2.5	2.1	1.8	2.3	2.2	2.3		1.8	1.9	1.6	1.6
Relative inflation	0.5	0.6	0.6	0.6	0.5	0.6	0.5		0.5	0.5	0.5	0.5
Real growth rate	-2.8	-1.7	-2.6	-2.7	-2.7	-2.6	-2.5		-2.4	-2.4	-2.3	-2.2
Real exchange rate	1.3	...	...	...	...	...	...		...	...	...	...
Other identified flows	-0.4	-0.5	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Other transactions	-0.4	-0.5	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Contribution of residual	-2.1	0.6	-0.1	-0.1	0.0	-0.1	-0.1		0.0	0.0	0.0	0.0
Gross financing needs	10.4	8.9	7.6	6.9	9.7	8.3	6.6		8.9	8.4	7.9	9.4
of which: debt service	11.3	9.4	8.6	8.1	11.2	10.1	8.7		10.8	9.9	8.6	10.2
Local currency	7.6	6.6	6.5	5.1	8.1	6.3	4.9		8.0	6.2	5.6	7.6
Foreign currency	3.7	2.8	2.1	3.1	3.2	3.8	3.7		2.8	3.6	2.9	2.6
Memo:												
Real GDP growth (percent)	5.0	3.0	4.5	4.9	5.0	5.0	5.0		5.0	5.0	5.0	5.0
Inflation (GDP deflator; percent)	4.3	4.7	4.3	4.0	4.0	4.0	4.0		4.0	4.0	4.0	4.0
Nominal GDP growth (percent)	9.4	7.8	9.1	9.1	9.2	9.1	9.1		9.1	9.1	9.1	9.1
Effective interest rate (percent)	9.1	9.3	8.1	7.4	8.4	8.4	8.7		7.9	8.1	7.7	7.8

Contribution to Change in Public Debt

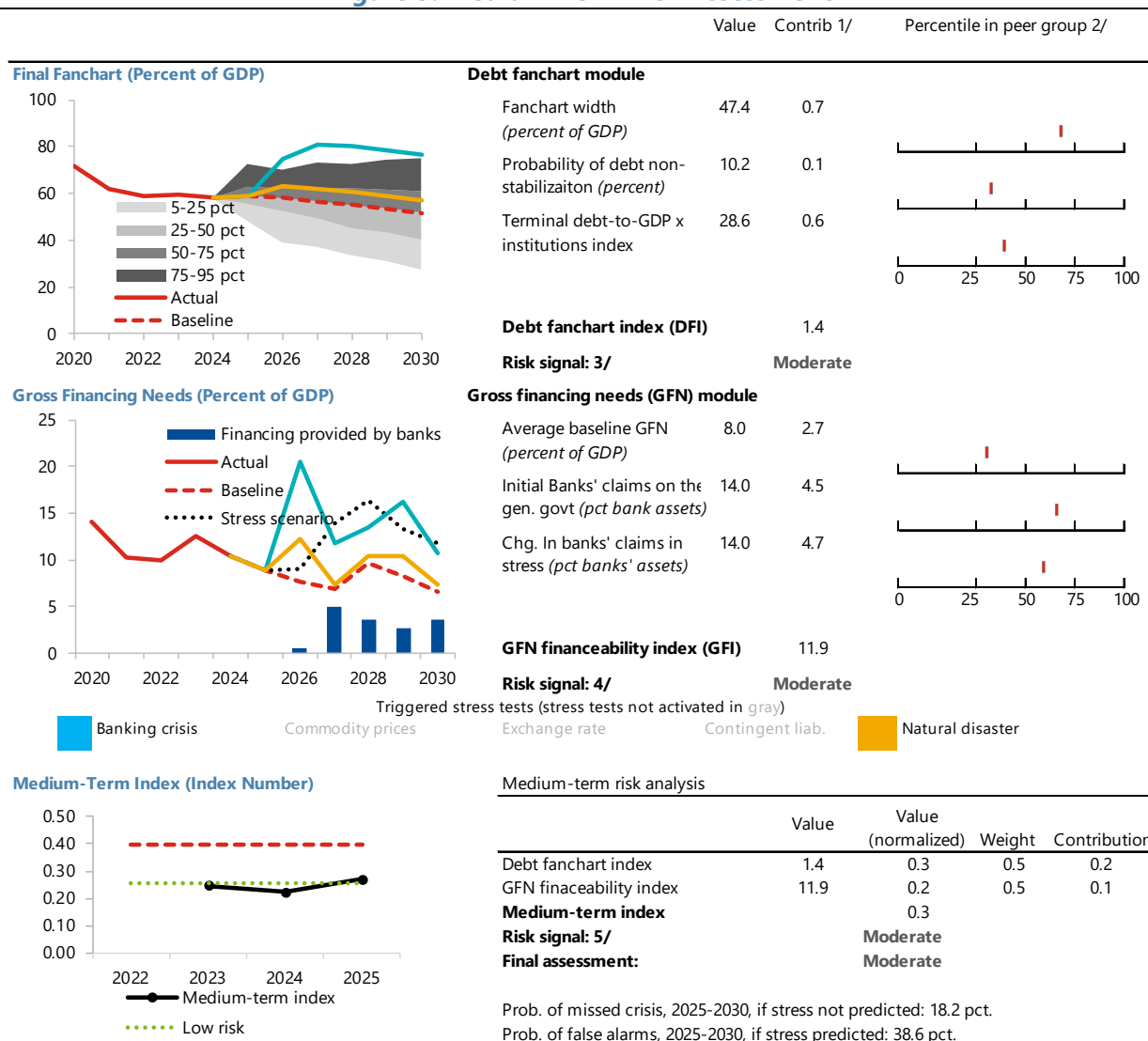


Commentary: The CPS 2024 debt outcome was slightly lower than projected in the 2024 Article IV, driven by lower central bank quasi-fiscal debt (included in the CPS perimeter) reflecting the monetary policy stance. Meanwhile, other debt dynamics were less favorable, primarily due to higher-than-expected real interest rate and more depreciated real exchange rate (affecting the relatively high level of CG external and foreign-currency debt).

Over the medium-term and extended projection period, debt is expected to gradually decline given the on-going fiscal consolidation (in line with the new permanent fiscal rule approved in 2024), albeit at a slightly slower pace than previously projected given the lower (below potential) growth in 2025-2026 and impact of past high interest rates.

Source: IMF staff estimates and calculations.

Figure 5. Medium-Term Risk Assessment



Commentary: The Debt Fanchart Module and GFN Module point to moderate risk in the baseline and likely adverse scenarios. For the debt fanchart this reflects that initial debt levels are moderate, and risks are moderate, i.e., there is a high probability of stabilization and terminal debt level is not high. In case of a natural disaster shock, debt would be higher but remain below the peak in 2020 and continue to gradually decline. A natural disaster shock would have an important impact, possibly higher than the COVID shock, but as growth returns to trend, debt would return to a downward trend from elevated levels but below 80 percent.

The GFN tool score also points to moderate risk, due to moderate average GFNs in the baseline (including for amortization of BCRD securities) and moderate levels of bank claims / dependence (as most debt is longer-term bonds). However, the shock (stress) scenario is strong because of dependence of external private creditors (as the shock scenario assumes limited rollover by these creditors and thus a need to rely on short-term bank financing). In case of a natural disaster, GFN would rise in that year of the shock (given the impact on the deficit and growth) but then decline (although remaining slightly above the baseline due to the higher debt level).

Source: IMF staff estimates and calculations.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

2/ The comparison group is emerging markets, non-commodity exporter, surveillance.

3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.

5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 6. Realism of Baseline Assumptions

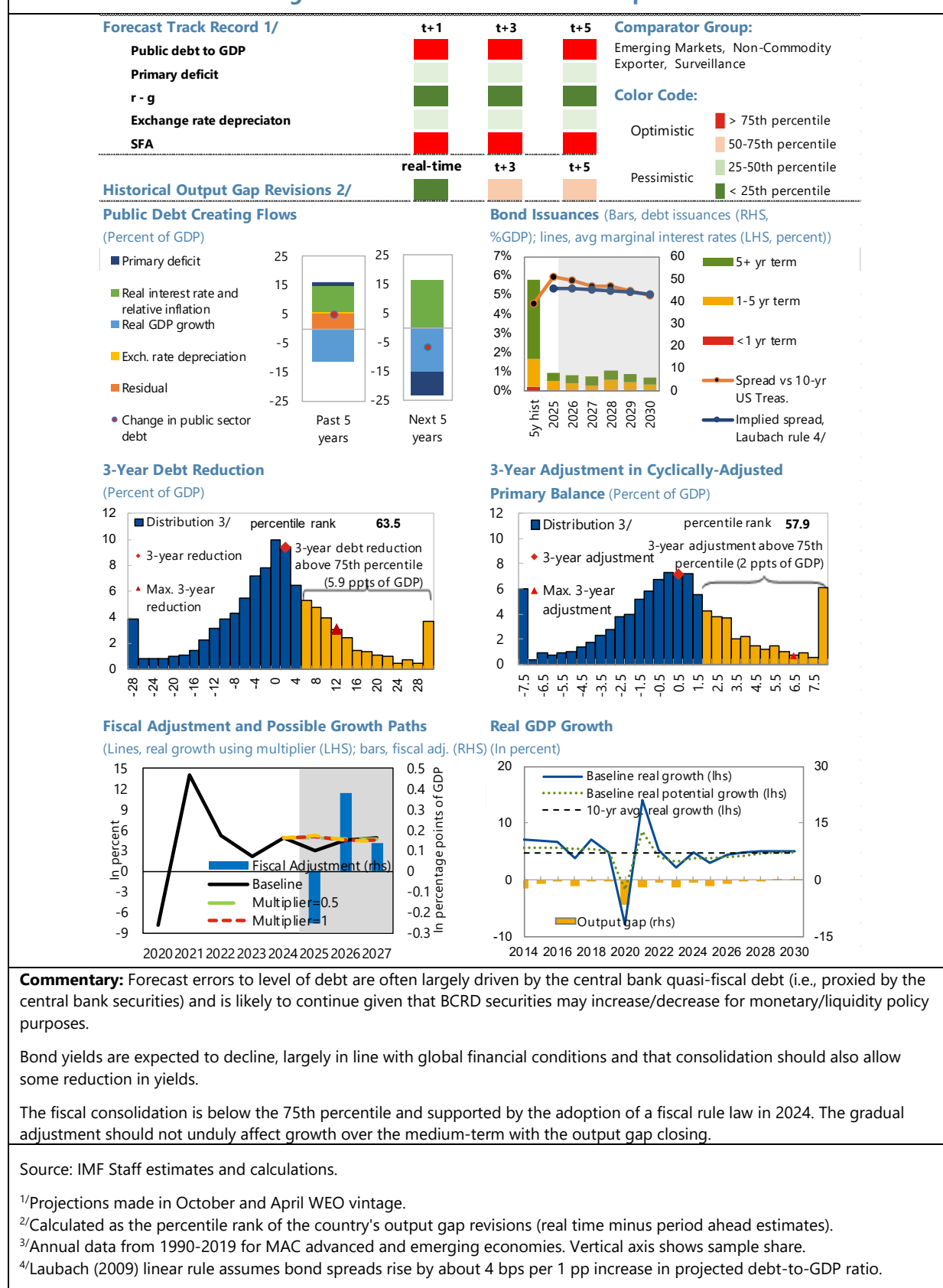
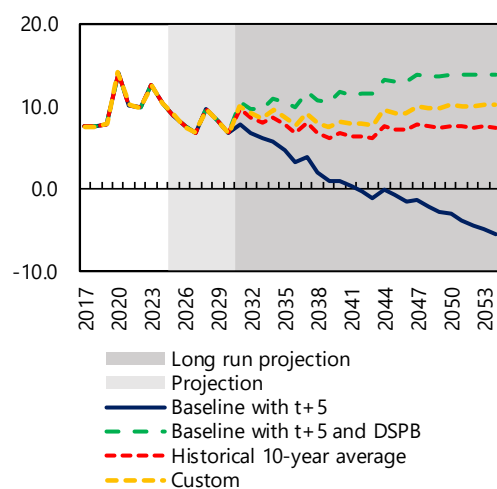
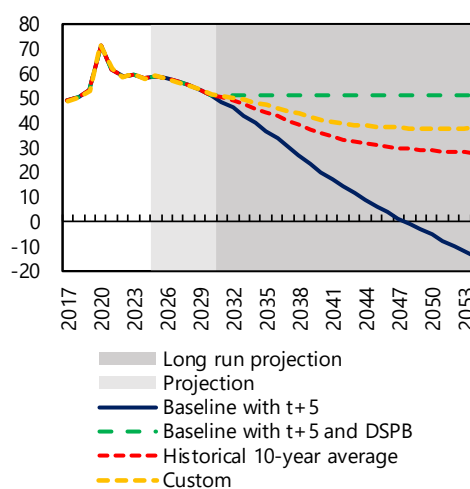


Figure 7. Long-Term Risk Analysis: Large Amortization Incl. Custom Scenario

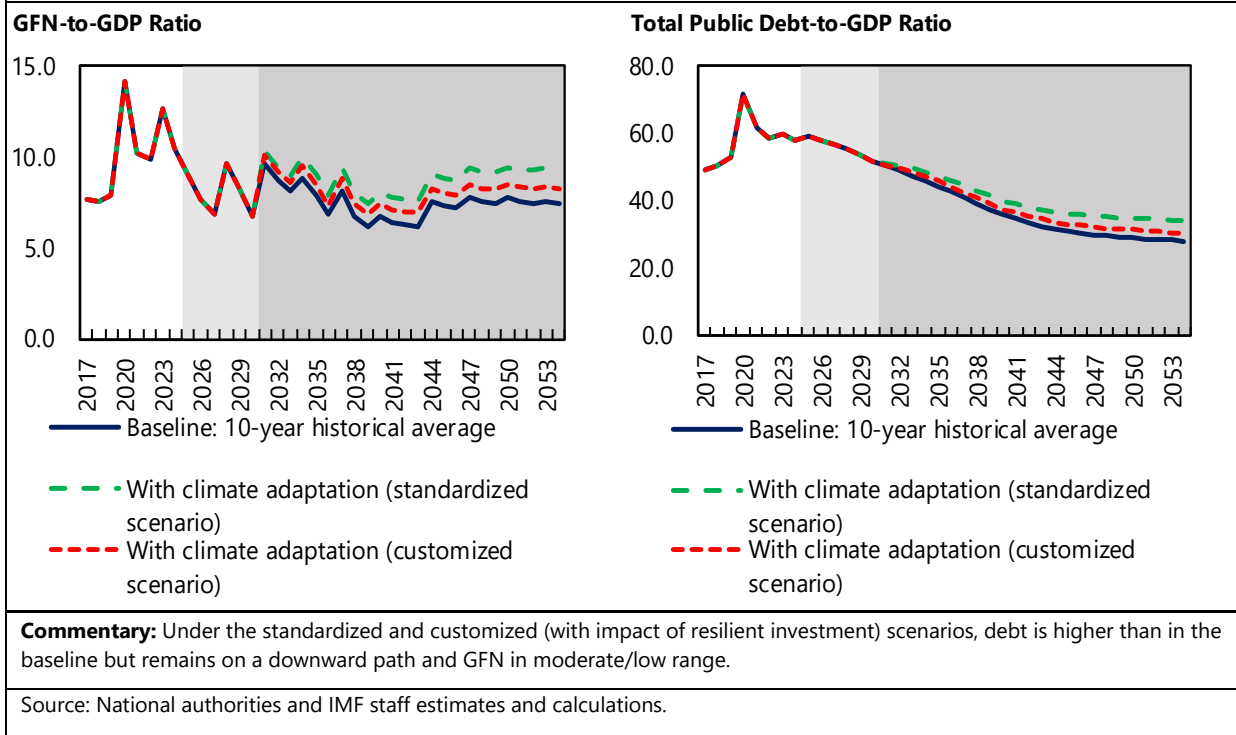
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Historical average assumptions	GFN-to-GDP ratio	<div></div>
	Amortization-to-GDP ratio	<div></div>
	Amortization	<div></div>
Overall Risk Indication		<div></div>

Variable	2030	2034 to 2038 average	Custom Scenario
Real GDP growth	5.0%	5.0%	5.0%
Primary Balance-to-GDP ratio	2.1%	1.1%	0.0%
Real depreciation	-2.1%	-2.0%	-2.0%
Inflation (GDP deflator)	4.0%	4.0%	4.0%

GFN-to-GDP Ratio**Total Public Debt-to-GDP Ratio**

Commentary: In all scenarios GFN and debt ratio remain in moderate range or are low. Of note, a custom scenario between the DSPB and Historical 10-year average is most likely given that the general government fiscal rule debt anchor of 40 percent of GDP should be reached by 2035, after which a DSPB would be a key driver of the debt and GFNs path.

Source: National authorities and IMF estimates and staff calculations.

Figure 8. Climate Change: Adaptation

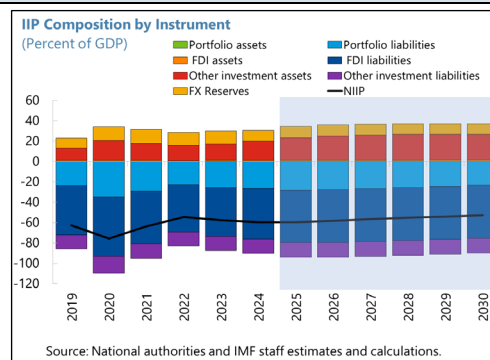
Annex IV. External Sector Assessment

Overall Assessment. The Dominican Republic's external position in 2024 remained broadly in line with the level implied by fundamentals and desirable policies. The current account (CA) deficit narrowed further in 2024 driven by favorable terms of trade, the pick-up in gold and free-trade zone exports, and strong travel receipts and remittances. International reserves remain adequate, greatly exceeding traditional metrics (e.g., months of prospective imports, broad money), despite falling to 114.4 percent of the IMF's ARA metric—with the *de facto* exchange rate arrangement reclassified to “floating” in 2025 (from “crawl-like” in 2024).

Potential Policy Responses. Strengthening external buffers, including by allowing the exchange rate to act as a shock absorber, will safeguard the economy against external shocks from heightened global uncertainty, including trade and immigration policies, and volatile commodity prices. Continued gradual fiscal consolidation and progress in energy sector reforms would reduce risk premia and narrow the external current account deficit and strengthen the external position. In parallel, accelerating the implementation of the authorities' reform agenda to close gaps will be crucial to unlock productivity gains and boost growth potential. Limiting crowding out of private sector credit and deepening of local capital markets along with labor market and governance reforms will support growth.

Foreign Assets and Liabilities: Position and Trajectory

Background. The Net International Investment Position (NIIP) weakened slightly from -57½ percent of GDP in 2023 to 59½ percent of GDP in 2024 reflecting strong direct investments inflows (FDI). Importantly, the NIIP has improved by 16 percentage points of GDP from its 2020 level driven by some moderation in FDI, from very high levels, and a relative decline in external debt liabilities. The latter fell slightly reflecting lower government liabilities due to lower deficits and active debt management operations which have helped to reduce exchange rate and rollover risks by extending the maturity and strengthening the currency composition of the debt profile (i.e., issuance of domestic currency-denominated debt at longer maturity). Over the medium-term, the NIIP is projected to improve gradually, driven by lower public sector external liabilities in line with the projected fiscal consolidation.



Assessment. The NIIP is deemed sustainable and does not imply risks to external sustainability. It is projected to further improve over the medium-term supported by the steady decline in public external debt liabilities and the expected improvement in the current account. Risks are mitigated by the large share of FDI on the liabilities side (55 percent).

2024 (% GDP)	NIIP: -59.6	Gross Assets: 30.5	Debt Assets: 0.2	Gross Liabilities: 90.1	Debt Liabilities: 36.8
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Current Account

Background. The CA balance continued to narrow in 2024 to a deficit of 3.3 percent of GDP from 3.7 percent in 2023, driven by favorable terms of trade (i.e., higher gold and lower energy prices) and strong travel receipts and remittances, which more than compensated the increase in the primary income account (e.g., interest payment and repatriation of profits). The CA deficit continued to be fully financed by FDI.

Assessment. The estimated cyclically adjusted CA balance for Dominican Republic's, after accounting for natural disasters and cyclical contributions (e.g., terms of trade), is around -2.8 percent of GDP. The 2024 EBA-lite Current Account model estimates a norm of around -3.7 percent of GDP, which when compared to the cyclically adjusted CA, results in an underlying CA gap of 0.9 percent of GDP. The main drivers of the policy gap are the fiscal balance gap and health expenditure—relative to world averages, driven by fiscal consolidation. The current account deficit in the medium-term is projected to converge to around 2.5 percent of GDP. In this context, the staff's assessment is that the current account is broadly in line with the level implied by fundamentals and desirable policies.

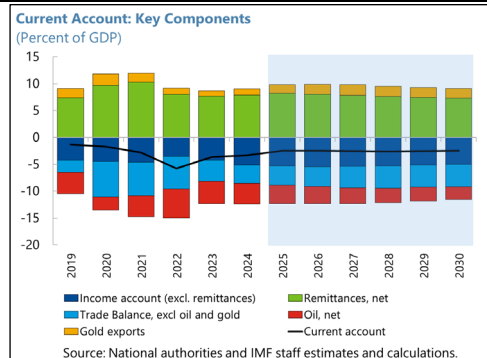


Table 1. Dominican Republic: EBA-Lite Model Estimates for 2024
(Percent of GDP)

	CA model ^{1/}	REER model ^{1/}
	(in percent of GDP)	
CA-Actual	-3.3	
Cyclical contributions (from model) (-)	0.1	
Additional temporary/statistical factors (-) ^{2/}		
Natural disasters and conflicts (-)	-0.7	
Adjusted CA	-2.8	
CA Norm (from model) ^{3/}	-3.7	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	-3.7	
CA Gap	0.9	3.1
o/w Relative policy gap	1.0	
Elasticity	-0.2	
REER Gap (in percent)	-5.3	-17.8

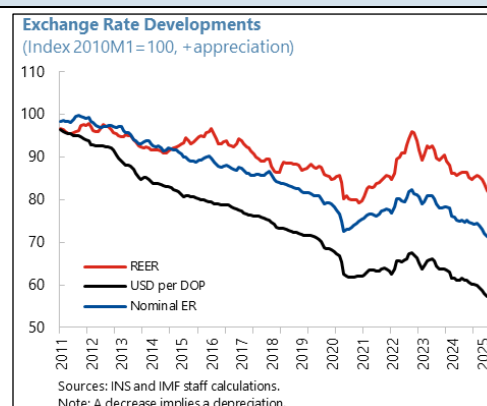
^{1/}Based on the EBA-lite 3.0 methodology

^{2/}Additional adjustment to account for the temporary impact of shock A (for eg. pandemic) on CA item B (for eg. tourism) [(x) percent of GDP]. [y] percent of the shock to B (tourism) is

^{3/}Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

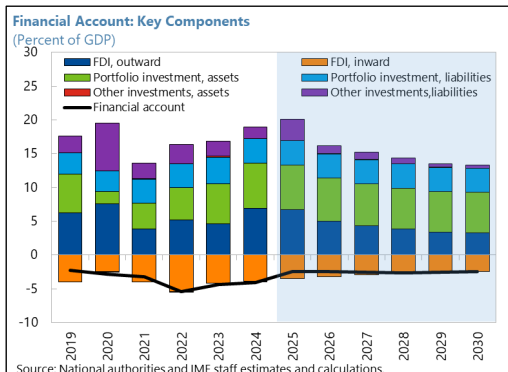
Background. After depreciating by 1.9 percent in 2023, the Real Effective Exchange Rate (REER) depreciated further by 5.1 percent in 2024. This was largely driven by a 5 percent depreciation of the Dominican Republic Peso vis-à-vis the U.S. dollar in a context of record-low-interest rate differentials vis-à-vis the U.S. Fed's Fund rate and seasonal high demand for foreign exchange to rebuild inventories towards the end of the year. The REER depreciated further by 3.5 percent over the first four months of 2025 mainly due to continued depreciation of the NEER.



Assessment. The EBA-Lite REER model estimates the 2024 gap at -17.8 percent (undervaluation) explained by a large residual rather than deviations from desirable policies, thus limiting its assessment. Based on an elasticity of -0.2 of the trade balance to the REER, the CA model estimates a REER undervaluation of -5.3 percent. Considering all estimates and the uncertainties around them, staff assesses the REER gap in 2024 to be -5.3 percent.

Capital and Financial Accounts: Flows and Policy Measures

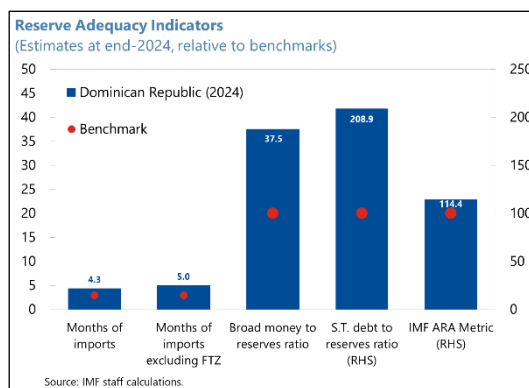
Background. Capital flows to the Dominican Republic are mainly private averaging 62½ percent in 2022-24. The CA deficit in 2024 continued to be fully financed by FDI (100 percent). The Dominican Republic maintained its positive access to international capital markets, issuing about US\$3 billion, including a debut green bond for US\$750 million at favorable terms (e.g., 6.6 percent coupon, 12-year maturity). The government has continued its active debt management operations placing domestic currency sovereign bonds and performing buybacks in 2023-25 contributing to reduce exchange rate and rollover risks. FDI and portfolio investments are expected to continue financing the CA deficit over the projection period.



Assessment. The Dominican Republic's external sustainability continues to be buttressed by a solid financing structure. Inflows remain dominated by FDI and long-term debt flows while outflows largely consist of public debt amortization. Active debt management by the government (e.g., issuing at longer maturity and favoring domestic currency denominated sovereign debt) over the last five years have strengthened the public sector external debt profile.

FX Intervention and Reserves Level

Background. The Dominican Republic's gross international reserves (GIRs) stood at US\$13.4 billion in 2024 equivalent to 114.4 percent of the IMF's ARA metric for floating exchange rate regimes. The level of reserves is assessed to be broadly adequate including under alternative traditional metrics, as they covered 4¼ months of prospective imports of goods and services, 10¾ percent of GDP, and covering around 2.1 times short-term debt and 37½ percent of broad money. Reserves declined since end-2023 (137.6 percent of the ARA metric) driven by the Central Bank's FXIs to smooth short-term exchange rate volatility. Net FXI totaled US\$2.6 billion in 2024. The BCRD has largely refrained from intervening in the spot FX market in 2025, allowing greater exchange rate flexibility. Reserves increased in the first half of 2025 driven by sovereign debt placement and robust exports and remittances flows but declined afterward reflecting the government's drawdown of FX deposits to service its external debt. Reserves stood at around 105 percent of the ARA metric, for floating exchange rate regime, as of end-September 2025.



Assessment. The level of reserves is assessed as broadly adequate including under other traditional metrics. As of end-September, 2025, international reserves stood at 105 percent of the IMF's ARA metric for floating exchange rate regime. Given heightened global uncertainty, a gradual accumulation of reserves would help to strengthen external stability.

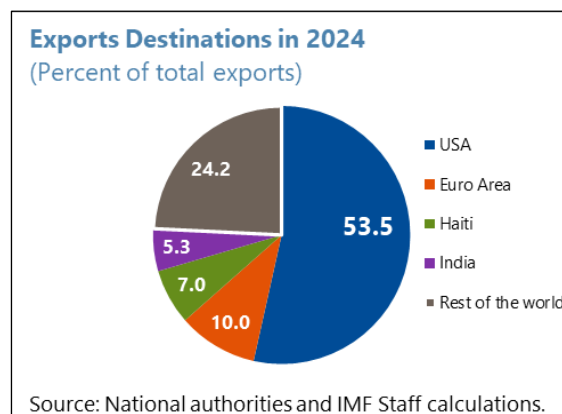
Annex V. Impact of Changing Trade and Immigrations Policies

The Dominican Republic (DR) is highly connected to the U.S. through trade and remittances. The nature of its trade dynamics indicates that DR could benefit from global changes in trade policies. Furthermore, the characteristics of Dominican nationals residing in the U.S. suggest that the Dominican Republic's exposure to changing immigration policies would be manageable. Nevertheless, other factors and the indirect impact through other channels (e.g., tourist arrivals) could potentially impact domestic economic activity.

Trade Channel

1. The U.S. is the DR's main trading partner.

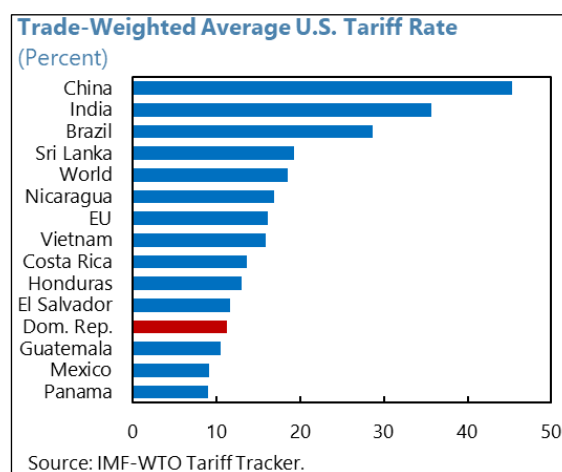
DR's exports to the US accounted for 53.5 percent of the country's total exports (\$13.9 billion) in 2024. Exports were led by Free Trade Zones (FTZ) with \$8.4 billion, of which \$6.1 billion (around 72.5 percent) went to the US market. Of the remainder (\$5.4 billion), less than 25 percent (around \$1.3 billion) went to the U.S.



2. The direct impact due to the reciprocal

tariff is expected to be limited. Notably, production of FTZ's exports requires significant imports of intermediate U.S. inputs for production/ensemble, equivalent to around US\$3.1 billion, or 51 percent of FTZ's exports to the US market. This implies that only \$3 billion have zero U.S. content, which would limit the potential impact from the additional tariff. Non-FTZ exports, such as fruits, vegetables, and certain manufacturing goods, contain smaller U.S. inputs. Against this background, staff estimate DR's total exports could be lower by 1.7 percent in real terms in 2025 relative to a baseline with no additional tariffs. The impact could be smaller as some products may be exempted under the CAPDR free trade agreement and US importers and DR exporters may agree to share the burden.

3. The new U.S. tariff on DR's exports is lower compared to key DR's competitors for U.S. market with the DR well-positioned to benefit from this comparative advantage. At 10 percent, the DR gained an important comparative advantage against several of its main competitors for the U.S. market such as China, India, Vietnam, and other Asian countries and even some of its CAPDR neighbors exporting similar product to the U.S. This gain along the DR's proximity to U.S. markets and political and macroeconomic stability may allow the



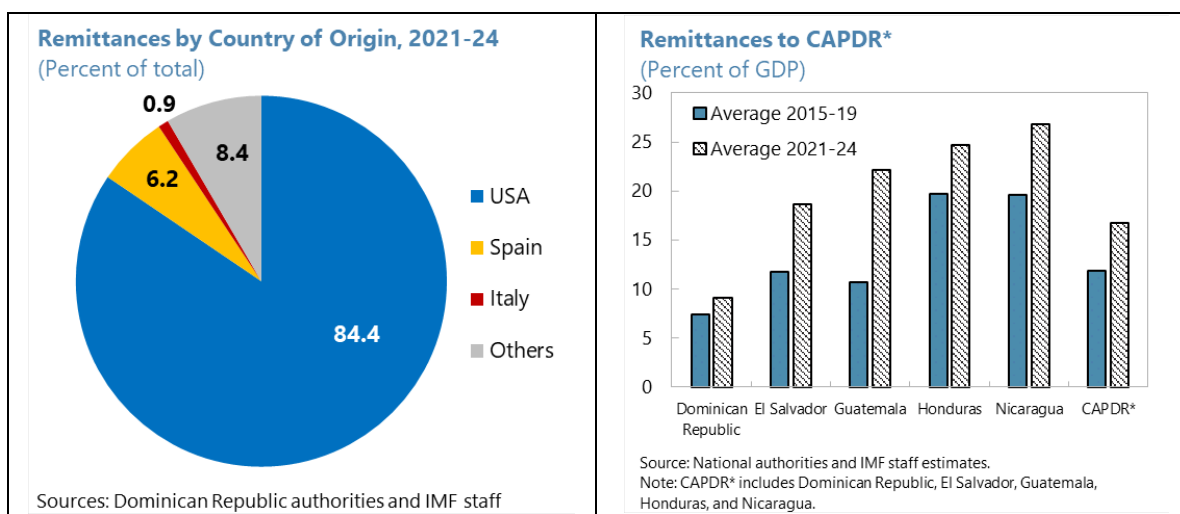
DR to benefit from trade diversion.¹ This is supported by the announcement of some U.S. companies with production based in countries with higher tariffs to relocate part of their production to the DR. In this context, staff estimate that real exports could be boosted by 2.5 percent in real terms in 2026 with its impact waning by 2027.

4. Further improvements in education, infrastructure, governance, and the business environment could help DR realize a greater impact from changing trade policies. Research shows these factors are closely linked to stronger export performance, which could support the government's nearshoring strategy, including the development of the semi-conductor industry, and boost potential growth in line with Meta2036.²

Remittances Channel

5. Remittances inflows in the Dominican Republic have been very stable over the last three years. In 2024, total remittances from Dominicans living abroad reached 8.6 percent of GDP, averaging 8.6 percent of GDP in 2022-2024. These figures highlight the resilience of remittances inflows to the Dominican Republic.

6. The U.S. is the main source of remittances inflows to the Dominican Republic. They accounted for close to 85 percent of total remittances received in 2024, which may create concerns about their sustainability given tighter U.S. immigration policies. Remittances to DR account for less than 20 percent of total remittances to CAPDR. Other main country sources include Spain and Italy.



¹ FTZ exports rose by 8.1 percent and 2.7 percent in real terms in 2018 and 2019, respectively supported by trade diversion arising from increased U.S. tariffs on imports from China.

² See 2023 Article IV Annex IX for details on the potential impact on exports performance due to enhanced horizontal policies.

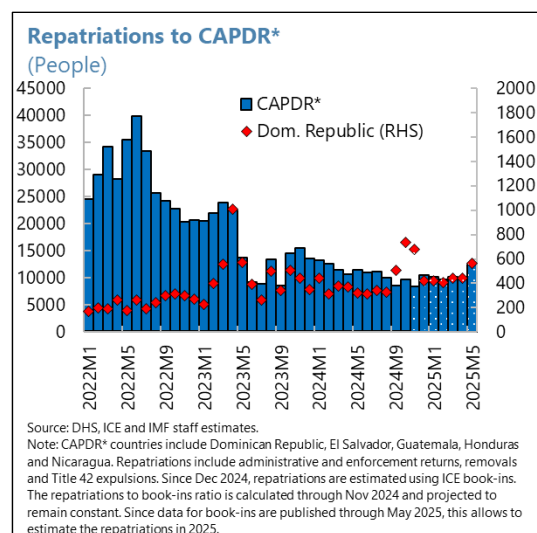
7. Remittances were projected to gradually decline prior to the tighter U.S. immigration policies. Staff projected remittances to decrease to around 8.5 percent of GDP over the medium-term broadly in line with developments in the U.S. labor market, including changes in productivity and wages, which affects the capacity of expatriates to send money back home. The impact of the decline in remittances on external sector stability is expected to be limited, notably as FDI flows are projected to more than finance the current account deficit.

8. The Dominican Republic's deportation rate is significantly smaller than for other Central American countries. Currently, there are about 1.3 million nationals

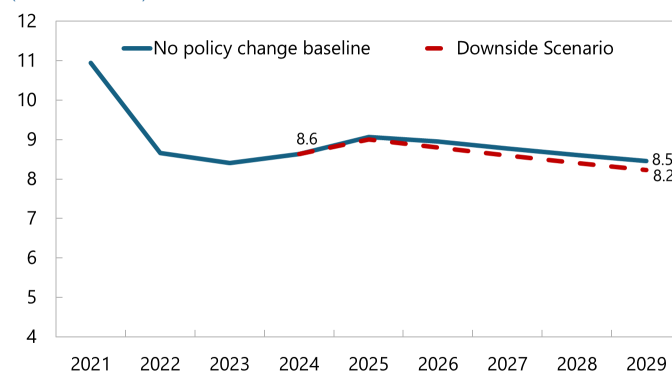
from the Dominican Republic living in the U.S., with almost 85 percent of these under "Green Card" status and around 200,000 under irregular status. Annual removals of Dominican Republic nationals averaged 2,900 individuals, representing about 2 percent of total deportations to CAPDR over 2022-2024.

9. The impact of tighter immigration policies appears modest supported by the stronger legal status and the skills of Dominicans living in the U.S. Many Dominicans living in the U.S.

work in the services sector, which is more stable compared to the construction sector. Staff's estimates indicate that, even under a severe scenario in which the number of returned nationals to the DR increases to fivefold times (close to 16 thousand) compared to the average for 2022-2024 levels, remittances will gradually decline to around 8.2 percent of GDP under tighter U.S. immigration policies slightly lower compared to 8.5 percent of GDP under the baseline scenario given the stronger legal status of most of the nationals from the DR.



Remittances, 2021-2029
(Percent of GDP)



Real Sector Channel

10. While the DR's macroeconomic fundamentals remain strong, the impact due to external risk factors on the country's economy could be significant. Staff's estimates that under a downside risks scenario—that assumes the same layers described in Scenario A in the October World Economic Outlook (i.e., higher tariffs and supply-chain disruptions, higher inflation expectations, higher real rates and tighter global financial conditions, and lower demand for U.S. assets)—could lower the level of DR's GDP by as much as 1 of percentage points in 2026 and close to another 1 percentage point in 2027.

11. Tighter global financial conditions and a shock to inflation expectations could have the larger effects on DR's economic activity (Text Table). As discussed in the trade section, the DR is well positioned to benefit amid lower tariffs against competitors, helping to boost not only its exports but also the level of GDP. Staff estimates show that the level of GDP could increase by 0.4 percent relative to the baseline due to the tariff competitive gain.

Tighter global financial conditions in 2026-27 relative to the baseline, on the other hand, could have a significant negative effect on economic activity and could lower the level of GDP by 0.9 percentage points in 2026 with its effect gradually dissipating as financial conditions begin a gradual easing in 2027. In line with previous episodes, agile policy response will be required in the event of external price shocks. In the case of the DR, higher global inflation expectations could reduce the level of GDP by 0.6 percentage points in 2026.

Downside Scenario: Level of Real GDP (Cumulative Percentage Deviation from Baseline)			
	2026	2027	2028
Level of Real GDP	-1.0	-1.9	-2.0
- Higher tariffs with supply disruptions	0.4	-0.1	-0.6
- Inflation expectations shock	-0.6	-0.8	-0.7
- Tighter global financial conditions	-0.9	-1.2	-1.0
- Lower demand for US assets	0.1	0.2	0.3
Source: IMF Staff estimates and calculations.			

Annex VI. Interest Rate Passthrough Since the Start of Inflation Targeting (2012-2025)¹

Previous Fund work² for the period 2006-2015 found evidence of complete interest rate passthrough from monetary policy to retail rates, with a faster passthrough to lending rates than to deposit rates and asymmetric adjustments to short-term rates. This annex updates these results for the inflation targeting period, 2012-2025 finding that while passthrough is less than full, the speed of interest rate changes is typically complete within six months being faster for lending versus deposit rates.

1. The key benchmark rate was introduced in 2013 following years of continued monetary operation enhancements. To manage financial sector liquidity, since the 1990s—when the exchange rate was pegged to the dollar—the BCRD began to issue short-term paper (certificates of participation) alongside foreign exchange interventions, domestic credit to the government, and reserve requirements.^{3, 4} The open market committee was created in 1995 with operations implemented through its money desk in 2000; in 2004 an overnight window (Lombard and deposit rates) was established and in 2006 the monetary, exchange rate and financial instruments to be used to meet the financial program were formalized, including reserve requirements, open market operations, liquidity windows and operations for the purchase and sale of foreign currency. With the adoption of the inflation targeting regime in 2012, the BCRD introduced as its key benchmark rate the monetary policy rate from February 2013 and continued to use a corridor bounded by the one-day deposit and overnight lending facility. This framework was formalized in 2017.⁵

2. The financial system is composed of a variety of financial institutions but remains highly concentrated and profitable. The system includes around 20 commercial banks, several savings and loan associations, and credit cooperatives, with notable asset concentration as three commercial banks hold around 60 percent of total assets in the financial sector. As of December 2024, total assets represent around 56.4 percent of GDP and the loan portfolio represents 56.7 percent of all assets (around 32 percent of GDP). Over half of all loans are to the commercial sector (53.9 percent), with the rest to the consumer sector (28.3 percent) and for mortgages (17.8 percent). Profitability is strong (ROE 26.3 percent) amid high interest margins and securities' returns.

3. Interest rates were relatively stable prior to the pandemic (Figure 1). Between 2012-19 the monetary policy rate was relatively stable, varying between 4.25 and 6.25 percent, consistent with stable inflation and foreign interest rates. The interbank lending rate largely remained within the interest rate corridor and the excess reserves ratio⁶ was stable as were deposit and lending rates.

¹ Prepared by Emilio Fernandez-Corugedo and Manuel Escobar.

² Grigoli, F. and Mota, J. M. (2015), "Interest rate pass-through in the Dominican Republic", IMF WP 15/20.

³ Sanchez-Fung, J.R. (2005), "Estimating a monetary policy reaction function for the Dominican Republic", International Economic Journal, 19(4), pp. 563-577.

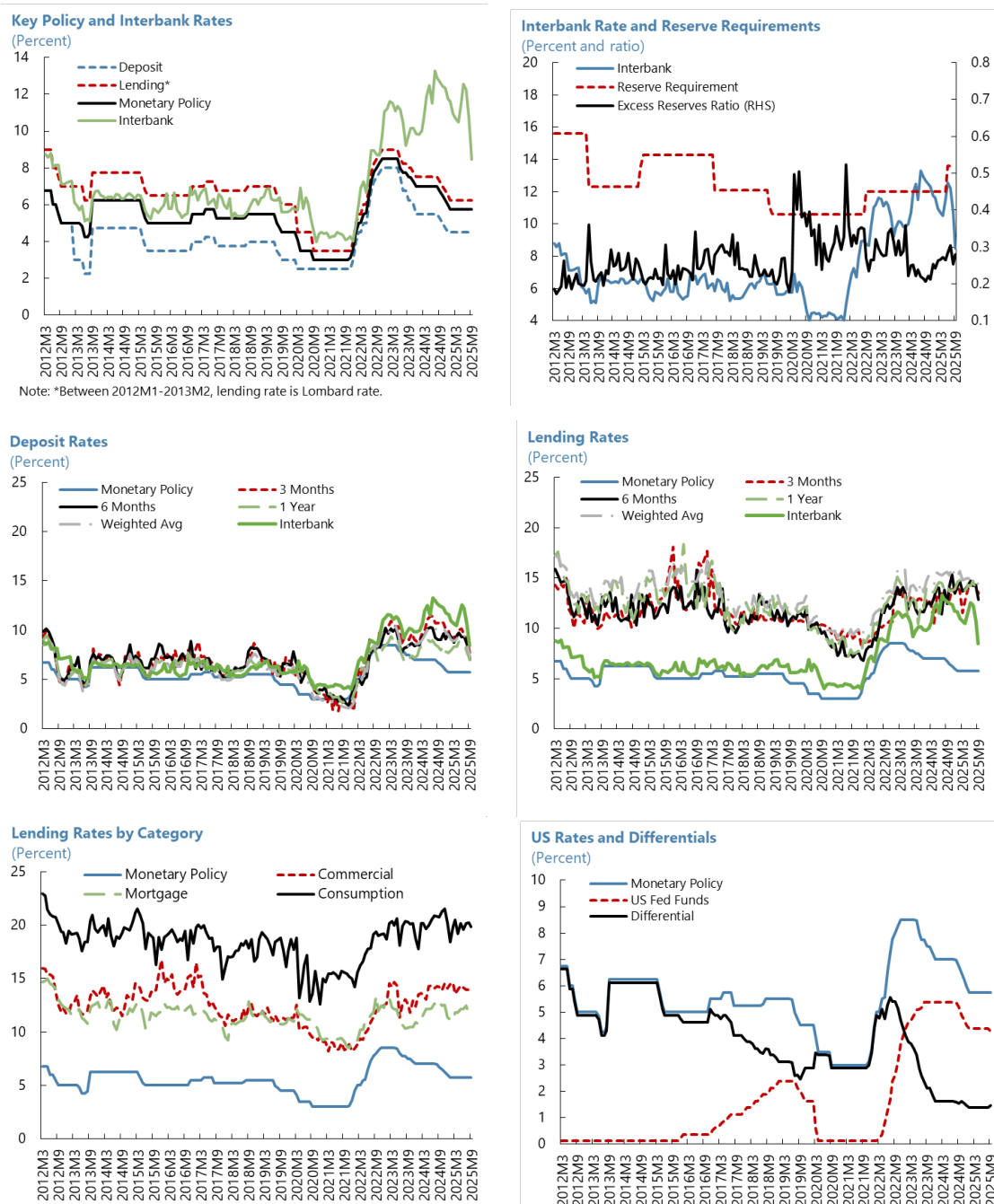
⁴ Sanchez-Fung, J.R. (2019), "The Dominican republic's Interbank market, volatility and intervention", Quarterly Journal of Finance and Accounting, 5, pp. 1-40.

⁵ https://cdn.bancentral.gov.do/documents/normativa/documents/normas_vigentes/monetarios/Pol%25C3%25ADtica_Monetaria_Encaje_Legal_Operaciones_Mercado_Abierto.pdf?v=1745971636829.

⁶ The excess reserves ratio (ER) equals $1 - RR/TR$ where RR denotes required reserves and TR are total reserves.

However, this stability changed since the start of the COVID-19 pandemic as the interbank lending rate has exceeded the upper bound of the interest rate corridor (determined by the lending rate), with the largest difference (spread) initially peaking in July 2024 and subsequently in June 2025.

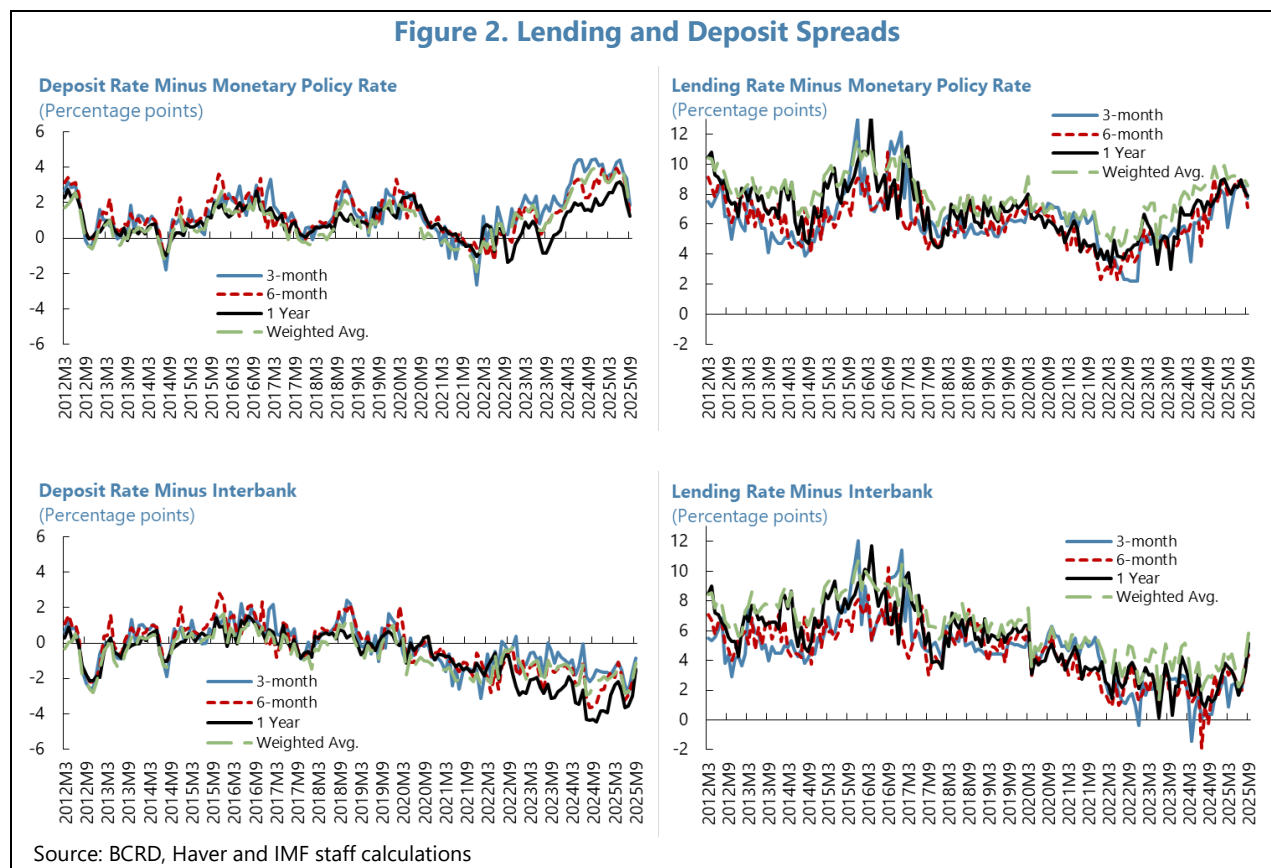
Figure 1. Key Interest Rates



Source: BCRD, Haver and IMF staff calculations

4. Prior to the pandemic deposit and lending spreads with respect to both the monetary policy rate and interbank rate had declined, most notably with respect to lending rates. This resulted in declining interest rate spreads between lending and deposit rates, notably between 2017 and 2019, although these remained elevated reflecting the relative concentration of the banking system in the Dominican Republic.⁷ However, since the pandemic, both deposit and lending rate spreads versus the interbank lending rate have fallen, whereas spreads relative to the monetary policy rate have increased, reflecting increased spreads between the interbank and monetary policy rate, potentially suggesting that the effectiveness of monetary policy has diminished.

Figure 2. Lending and Deposit Spreads



5. Time series analysis is used to evaluate interest rate passthrough. Previous Fund work by Grigoli and Mota (2015, GM henceforth) used cointegration and error correction analysis to determine the extent of the passthrough as well as its speed. In equation (1), which builds on that analysis, the long-term passthrough between the monetary policy rate (mpr) and the pertinent retail rate (i^i) is complete when $\beta_1 = 1$:

$$(1) \quad i_t^i = \beta_0 + \beta_1 mpr_t + \beta_2 X_t + u_t$$

The equation also includes a set of rich controls, X , closely following GM. First, factors that increase liquidity in the banking system (e.g., lower reserve requirements (RR), or net foreign exchange rate

⁷ This was noted in the earlier work by Grigoli and Mota, *ibid*.

purchases (NFXIP)) can reduce interest rates (reflected with a negative coefficient). Second, non-performing loans (as a share of total loans) capture potential increases in interest rates to compensate for higher banks' losses when NPLs increase (reflected in a positive coefficient). Third, external factors such as the VIX or EMBI spreads are considered as proxies for increased external premia which could result in higher interest rates. Similarly, short-term US interest rates (i^{US}) are also considered. Estimation results of equation (1) for deposit and lending rates are shown in Table 1.⁸

Table 1. Dominican Republic: Long Run Equation, 2012M1-2025M9

Variables ^{1/}	Deposit Rates				Lending Rates						
	3M	6M	1Y	Weighted Avg	3M	6M	1Y	Weighted avg	Cons	Com	Mort
Monetary Policy Rate	0.66***	0.56***	0.51***	0.67***	NA	0.42***	0.75***	0.63***	0.99***	0.51***	0.55***
Reserve Requirements	0.39***	0.43***	0.34***	0.37***	0.88***	0.69***	0.87***	0.80***	0.45***	0.84***	0.28***
EMBI	0.00***	0.00***	0.00***	0.00***							0.00**
US 3M Treasury	0.70***	0.56***	0.42***	0.65***	0.42***	0.40***		0.15**		0.14*	
NPLs						0.44**			0.43**		0.63***
VIX											0.04***
Net FX Purchases							-0.94***	-0.72**	-0.87***	-0.66**	
Constant	-3.93***	-3.87***	-2.62***	-3.97***	0.14	-0.86	-2.74***	-0.39	6.5***	-1.33*	2.42***
Strong passthrough test^{2/}											
2012M1-25M9	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.89	0.00	0.00
2012M1-20M3	0.82	0.64	0.12	0.36	0.00	0.05	0.25	0.09	0.89	0.03	0.00
R2	0.79	0.74	0.75	0.82	0.53	0.63	0.66	0.73	0.70	0.69	0.69

^{1/}Only estimates that are significant at the 10 percent or less are included in the regression. *** Significant at the 1 percent, ** significant at the 5 percent and * significant at the 10 percent. Cons: consumer loans, com: commercial loans, Mort: mortgage loans.

^{2/}We report the one-sided Wald p-value for the null that the long-run policy-rate coefficient is at least 0.90.

Source: IMF staff estimates.

6. The passthrough between the monetary policy rate and key deposit rates is not full.

Unlike GM's 2005–2015 findings of full passthrough using equation (1), estimates for 2012–2025 are lower (0.5–0.7). Key controls show expected signs, with reserve requirements, US short-term rates, and EMBI spreads having an important role; while NFXI and VIX was not significant in any of the regressions.

7. The passthrough to key lending rates is not full, except for consumer loans interest rates.

The passthrough coefficient varies between 0.4 to 0.7 in most cases, and the policy rate coefficient is not significant for the three-month lending. Reserve requirements, net FXI purchases, and US three-month treasuries significantly affect most lending rates. NPLs, VIX, and EMBI matter in few cases.

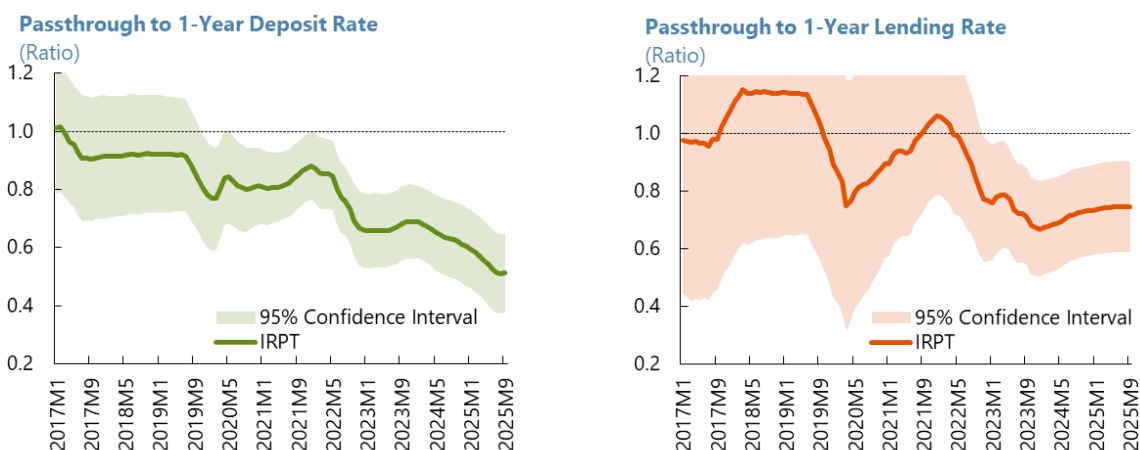
8. Compared to pre-pandemic estimates, passthrough has declined notably for both deposit and lending rates.

Table 1 and Figure 3 show weaker deposit passthrough post-pandemic, whereas

⁸ Unit root tests, including monetary policy rate, cannot reject the null of non-stationarity.

full passthrough was previously observed for most deposit rates. For lending rates, passthrough was full during 2012–2020 for most rates, except three-month, six-month, commercial, and mortgage loans. Recent estimates show narrower confidence intervals.

Figure 3. Interest Rate Passthrough Evolution



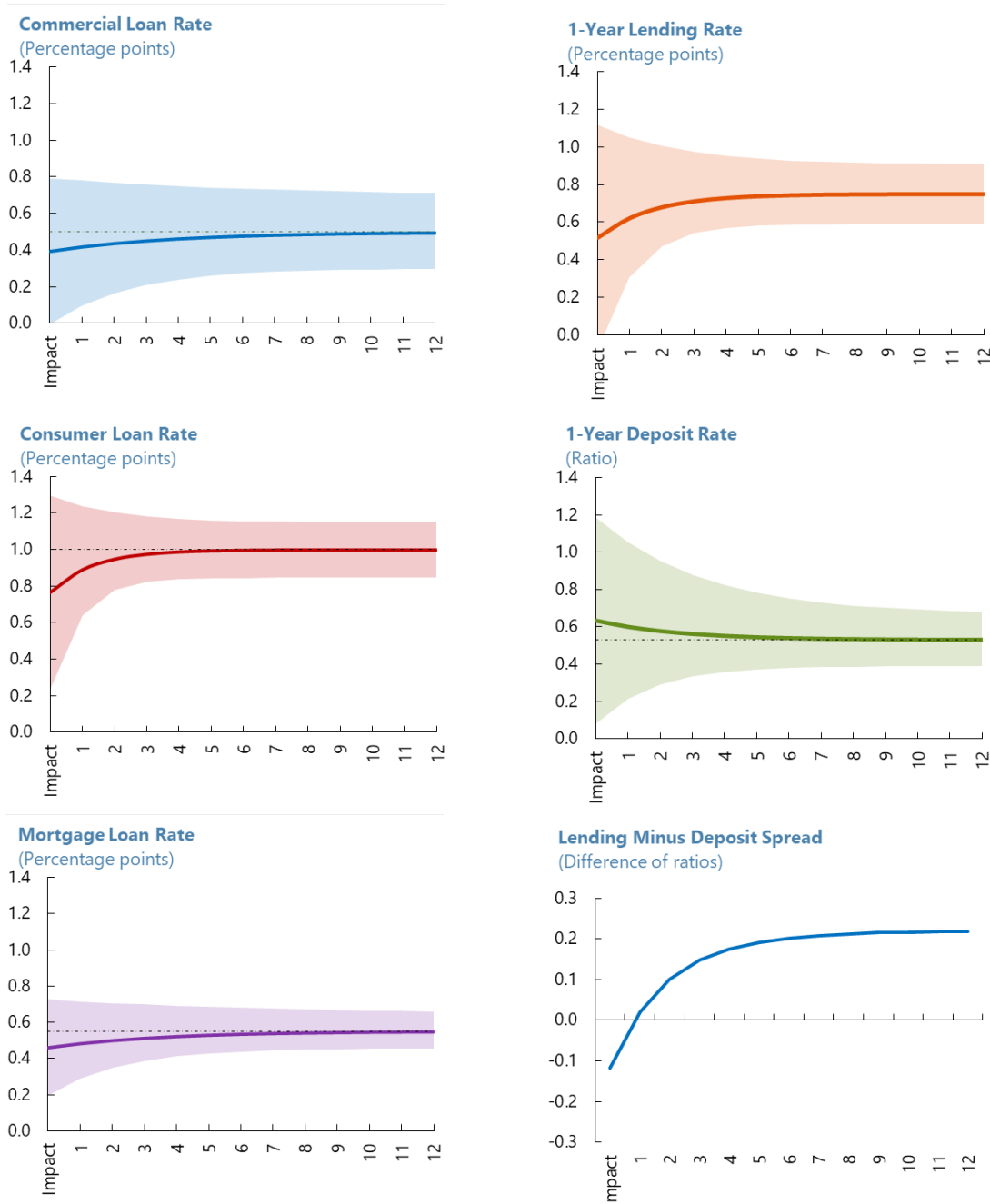
Sources: BCRD, Haver, and IMF staff calculations.

Notes: The figure reports the long-run coefficient on the monetary policy rate from equation (1). The specification for the 1-year lending and deposit rates is described in Table 1. Estimates are computed recursively using an expanding window, starting with 2012M1–2017M1 and extending through 2025M9.

9. On average, deposit and lending rates are fully adjusted within six months following changes to the monetary policy rate. Equation (2) is used to estimate the speed at which rates are changed following a change to the policy rate. This equation captures changes in the pertinent interest rate (Δi_t^i , where Δ denotes the first difference operator) as a function of lags and changes in other pertinent variables, including the error correction u_{t-1} which is the residual from estimating equation

(1) The results are shown in Figure 4 for some selective interest rates, showing that lending rates adjust within six months, whereas deposit rates take longer, although these may overshoot in the near term.

$$(2) \quad \Delta i_t^i = \alpha_0 + \gamma_0 \Delta mpr_t + \sum_{i=1}^n \gamma_i \Delta mpr_{t-i} + \delta X_t + \mu_1 u_{t-1} + \varepsilon_t$$

Figure 4. Adjustment Following a 1 Percent Monetary Policy Change

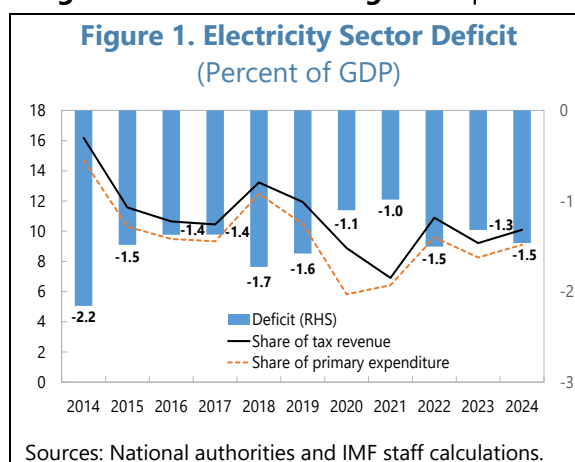
Sources: IMF staff estimates and calculations.

Annex VII. The Economic Impact of Electricity Sector Reforms in Dominican Republic¹

Electricity sector inefficiencies remain a long-standing challenge in the Dominican Republic (DR), straining the fiscal position and hindering the government's ambitious energy transition targets. Recognizing this, the 2021 Electricity Pact (EP) was established seeking to improve the efficiency of the sector, reduce losses, and increase renewables generation—amid the country's high dependency on volatile imported fossil-fuels. This annex uses the IMF's GMMET model to examine the macroeconomic impact of (i) removing electricity subsidies and price caps; (ii) achieving renewable goals; and (iii) increasing investment in electricity transmission to reduce technical losses. The analysis finds that these reforms can improve the fiscal position, decrease reliance on imported fuels and enhance energy security, and boost GDP through additional supply side investments.

A. The Dominican Republic's Electricity Sector: Key Developments and Challenges

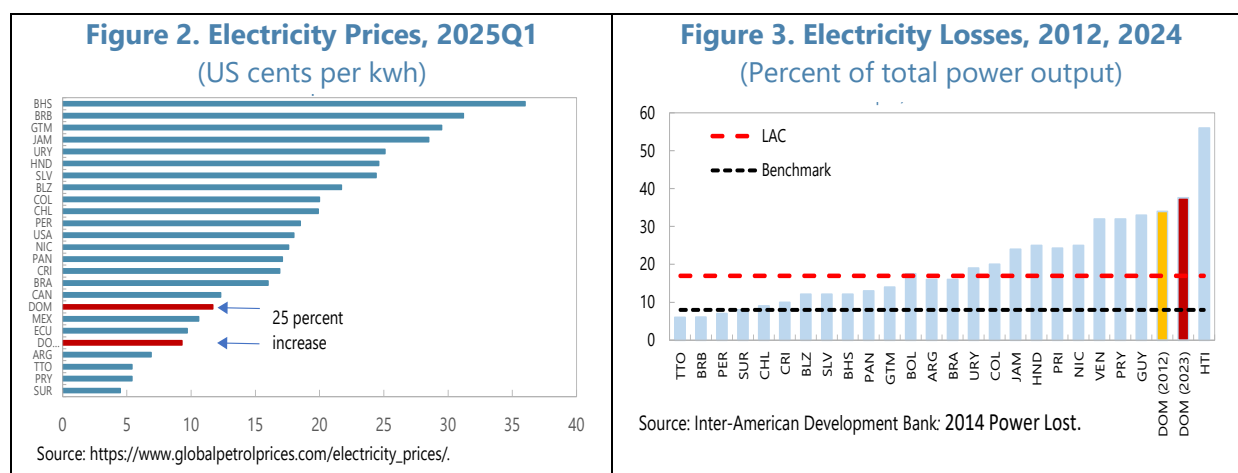
1. The DR's electricity sector (ES) faces long-standing macro-critical challenges. Frequent blackouts, large distribution losses, and tariffs below cost-recovery continue to hinder economic growth and fiscal sustainability. Blackouts—partly due to old transmission and distribution infrastructure—increase production costs as businesses halt operations or rely on their own generators during outages. Poorly targeted subsidies due to regulated tariffs and distribution losses due to inefficiencies and fraud have significant fiscal impact, limiting resources for much needed investment in the sector and elsewhere. To put this in a macroeconomic context, the ES's deficit averaged 1.5 percent of GDP in 2022-2024, sizeable for an economy with tax revenues around 14 percent of GDP (Figure 1).



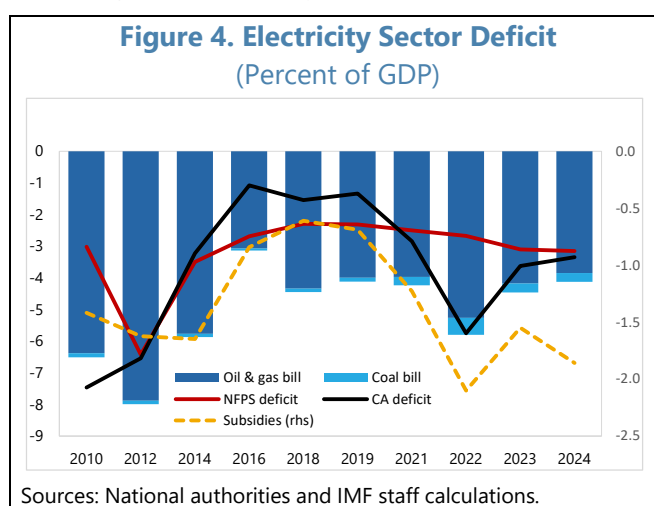
2. The largest share of the ES deficit stems from generalized subsidies. Despite a 25 percent increase in 2021-22 under the 2021 EP, (see ¶4), DR's electricity prices remain among the lowest in the region (Figure 2). After accounting for fraud/theft, users effectively pay \$0.14/kwh, roughly half the cost or price received by producers (\$0.27/kwh). The state-owned distribution companies' deficit (SOEDCs) totaled 1.3 percent of GDP in 2023, covers the consumers subsidy from regulated prices (0.7 percent of GDP), non-technical losses from theft through illegal connections and meter tampering (0.4 percent), and technical losses tied to old infrastructure (0.1 percent).² The regulated price set below-cost recovery results in insufficient electricity supply in both quality and quantity, as evidenced by blackouts, which account for about 3 percent of household electricity use.

¹ Prepared by Sebastian Wende and Manuel Rosales Torres.

² Values do not add up due to rounding effect.

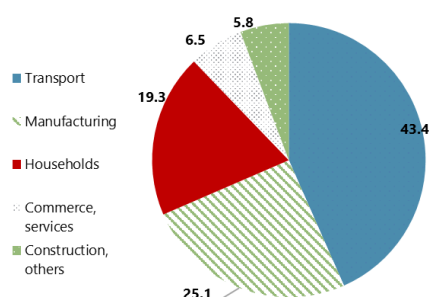


3. These inefficiencies are compounded by the DR's fast-growing economy high dependency on imported, volatile fossil fuels, which pose significant fiscal and external stability risks. Energy price shocks create macroeconomic challenges: the 2021-22 energy price shock, increased the energy bill (i.e., fossil fuels, natural gas, and coal) by 1.6 percent of GDP; inflation rose significantly peaking at 10.5 percent in May 2021 (versus 1.0 percent a year earlier); and the current account deteriorated by 2.9 percent of GDP. To mitigate the social and economic impact of this shock, the government resorted to a mix of subsidies (including generalized energy subsidies and targeted social transfers). The cost of fuel and electricity subsidies doubled from around 1.0 percent of GDP in 2021 to around 2 percent of GDP in 2022 and widened the fiscal deficit (Figure 4).



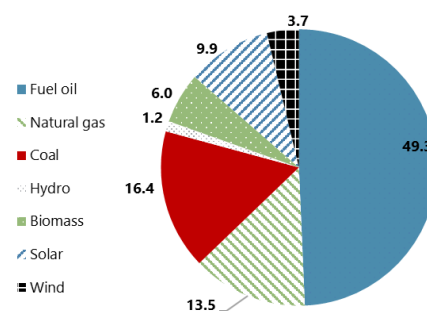
4. The 2021 Electricity Pact (EP) is a comprehensive plan to modernize the sector and address macroeconomic vulnerabilities, including the fiscal burden. It focuses on modernizing the sector and reducing the fiscal burden on the government. The EP seeks to (i) improve the governance of the sector and the management of SOEDCs; (ii) increase investments to reduce technical losses; (iii) adjust electricity prices towards cost recovery and reduce the fiscal burden; (iv) reduce non-technical losses associated with theft; and (v) ensure ample supply with a higher share of renewables. Following more than 10 years without adjustments, prices were increased by 25 percent in late 2021 and early 2022 but further adjustments were halted amid the fallout from the 2022 commodity price shock. To be cost-reflective prices need to be adjusted by an average of around 30 percent, which will require political will and public support.

Figure 5. Energy Demand by Sector, 2023
(Percent of total)



Sources: National authorities and IMF staff calculations.

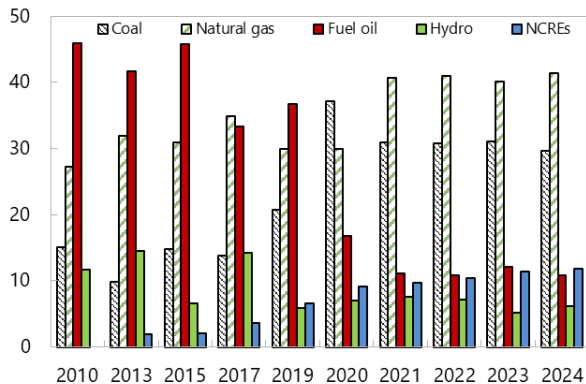
Figure 6. Energy Supply, 2023
(Percent of total)



5. Energy demand reached approximately 7.6 billion tons of equivalent petroleum (ktep) in 2023, mainly from carbon intensive sources. Reflecting strong economic growth, demand grew 3.2 percent per year in 2005-2023. Transport (43.4 percent) and manufacturing (25 percent) accounted for 68.5 percent of energy demand (Figure 5). Fossil fuel-oils (for transport and electricity generation), natural gas, and coal, supplied 79¼ percent of energy in 2023, down from 86.1 percent in 2005 (Figure 6). Renewable sources (including hydro and non-conventional renewable sources or NCREs such as biomass, solar, and wind) increased from less than 14.0 percent in 2005 to 20¾ percent in 2023, supported by the steady increase in solar and wind energy.

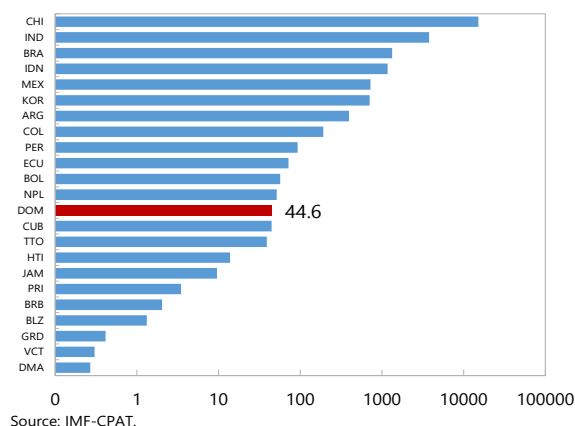
6. Like energy supply, power generation in the DR is dominated by carbon-intensive sources with increasing contribution from NCREs. In 2024, fuel-oils, natural gas, and coal accounted for 82 percent of the power supplied (Figure 7). NCREs sources have increased steadily since 2010, contributing close to 12 percent of the total electricity generated in 2024 and helping to offset a nearly 50 percent decline in hydropower generation due to repeated droughts.³

Figure 7. Electricity Generation Matrix, 2010-2024
(Percent of total production)



Sources: National authorities and IMF staff calculations.

Figure 8. Greenhouse Gas Emissions, 2021
(MT CO₂, logarithmic scale)



Source: IMF-CPAT.

³ In 2013-2015, 2019 and 2023.

7. The DR has set ambitious targets for NCRE generation and greenhouse gas emission reductions and implemented policies consistent with these targets. While emissions of 2.7 MT per capita in 2023 remain below world and Latin America averages (4.7 MT per capita and 4.3 percent MT per capita), they have grown 2.9 percent annually since 1990 due to strong economic growth (Figure 8). Against this background, the government adopted Law 57-07 in 2007, the National Energy Plan (PEN, 2004-15 and 2022-36), the 2020 NDC, and the 2021 EP (14). Law 57-07 introduced a set of tax incentives to promote NCREs; it effectively provides a 35 percent subsidy to NCREs projects.⁴ The PEN outlines ambitious targets for the electricity sector including: i) 25 percent from renewable sources (hydro and NCREs) by end-2025; and ii) 31 percent of generation from NCREs by 2030. The 2020 NDC seeks to reduce the country's CO₂ and other greenhouse emissions by 27 percent relative to the baseline level by 2030 and to achieve carbon neutrality by 2050.⁵

8. To maintain its rapid growth and to meet its NDC, the country needs efficient and sustainable infrastructure, including reliable and competitive electricity provision. Addressing electricity pricing and distribution losses is critical for ensuring a dependable electricity supply. Sustaining long-term economic growth of 5 percent requires continuously expanding electricity supply by 4-5 percent per year. Increased use of NCREs—supported by the rapid reduction in the costs of solar and wind power generation—offers a unique opportunity to safeguard the economy against the impact from volatile energy prices while decarbonizing its economy at the same time.

9. Reaching the Government's ambitious targets will require continued commitment to investment in renewable sources and infrastructure improvements. Meeting the PEN's targets requires adding 8,150 MW of NCREs generation by 2030. The schedule of planned investment projects suggests NCREs generation will reach around 17 percent by end-2025 (about 23 percent including hydro), slightly short of the 25 percent target. NCREs investments, nevertheless, are starting to create buffers to meet the rising demand, which eventually could lead to decommission less efficient plants. Some 200 MW from less efficient fossil fuels are expected to be phased out in 2027.

B. Quantifying the Macroeconomic Impact of the Authorities' Energy Policies Through Scenarios

10. The GMMET model is used to evaluate policy options related to DR's energy transition and the PEN. The Global Macroeconomic Model for the Energy Transition (GMMET) is a large-scale, dynamic, non-linear, micro-founded, multicountry model designed to analyze the short- and medium-term macroeconomic impacts of energy policies. The model expands the IMF's model for business-cycle and structural macro analysis (GIMF) to address the energy transition⁶ and it focuses

⁴ Includes the effective 7.8 percent reduction in import duties, the removal of the 18 percent VAT on capital and intermediate goods, zero corporate income tax for 10 years vs the average effective 12.9 percent, and the 50 percent reduction (from 10 percent to 5 percent) in withholding of interest expenses associated with foreign loans.

⁵ The 27 percent reduction assumes a 7 percent unconditional reduction and 20 percent subject to external financing.

⁶ More specifically, the model further incorporates relevant non-linear sectoral details including on the electricity sector, the extraction of, and trade in, fossil fuels (coal, fossil gas, and oil), detailed representation of electricity generation including coal, fossil gas, oil, wind/solar, and nuclear/hydro. It includes details on energy use in both tradable and non-tradable goods production sectors, and residential (electricity and fossil gas).

on the near-term impacts of policies on emissions and macroeconomic variables. The version used here comprises the DR and the rest of the world, and includes a detailed representation of the electricity sector. The model provides estimates of impacts on output, employment, inflation, the external sector, and the fiscal accounts. Further details can be found in Carton et al 2023.

11. The model is calibrated to the structure of the DR economy using both macro and micro data. These include: (i) national accounts (including breakdown by the expenditure side) and Input-output (IO) tables; (ii) trade data to calibrate the country's openness and dependency on volatile energy commodities; (iii) data on current and projected electricity installed capacity and power generation matrix by source of energy; (iv) microdata on electricity generation to determine hourly participation by NCRE; (v) electricity tariffs and subsidy policies; and (vi) other macroeconomic variables (e.g., exchange rate, fiscal accounts, and prices) to gauge the role of fiscal and monetary policies, and population; among others.

Policy Scenarios and Results

12. Three sets of modelling scenarios are considered. These are: a) policies to increase transmission investment and reduce technical losses; b) reforms to electricity subsidies and price caps; and c) policies to achieve the DR's NCRE goals in the PEN. The scenarios, their implementation and results are detailed below.

Increasing Transmission Investment and Reducing Technical Losses

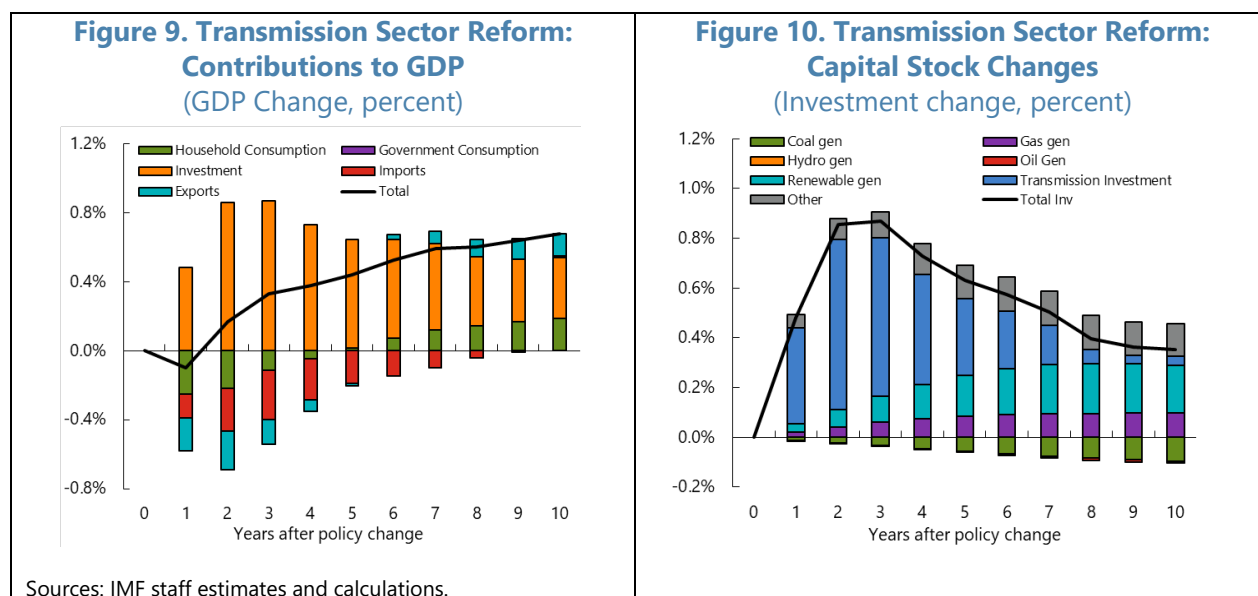
13. This scenario estimates the impact of addressing long-standing sector inefficiencies by increasing transmission and distribution investment and reducing electricity distributions losses. Based on comparator countries, technical losses could be reduced by the equivalent of 3 percent of electricity use. This calculation is based on existing technical losses of 11 percent while leading comparator countries' losses average around 8 percent as shown in Figure 3.⁷ The DR Government estimates that to reduce technical losses, transmission and distribution investment equivalent to 1.7 percent of GDP is required over 2023 to 2030, shown in the table below. This is modeled through a government subsidy to transmission investment that generates the needed level of transmission capital deepening plus a exogenous productivity adjustment to ensure 3 percent more electricity reaches users for each unit generated.⁸

Table 1. Dominican Republic: Electricity Distribution Companies: Capital Spending (Million U.S. Dollar and percent of GDP)													
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
Investments (million US\$)	258.6	176.8	113.1	145.2	169.7	219.0	494.1	369.4	258.9	244.0	229.1	214.2	2,198.4
Investments (percent GDP)	0.3	0.2	0.1	0.1	0.1	0.2	0.4	0.3	0.2	0.2	0.1	0.1	1.5
Source: Dominican Republic Superintendency of Electricity and Ministry of Energy and Mines' Annual Performance Reports.													

⁷ Existing total losses are 37 percent of generation comprising technical losses of 11 percent and non-technical losses (theft) of 26 percent of generation.

⁸ The capital deepening endogenously increases electricity sector productivity by 1.7 percent so an additional exogenous 1.3 percent increase in final use electricity productivity is modelled, consistent with the 3 percent reduction in transmission losses.

14. Raising transmission and distribution investment and reducing losses crowds in broader investment. Reducing technical losses lowers the amount of generation required to deliver a unit of electricity to end users. Increasing transmission sector capital supports investment in renewable generation, as a more developed transmission grid enables better integration of NCREs. Overall, this reduces the cost of electricity for consumers. Headline inflation remains flat on average due to lower electricity prices, while core inflation rises slightly driven by increased aggregate demand. In turn, output and investment across the economy expand. The increased demand for investment goods requires higher savings (reduced consumption) initially, but private consumption increases over time as real incomes grow. This policy leads to both capital deepening and increased efficiency, resulting in higher wages and GDP.



Reforms to Electricity Use Through Subsidies and Price Caps

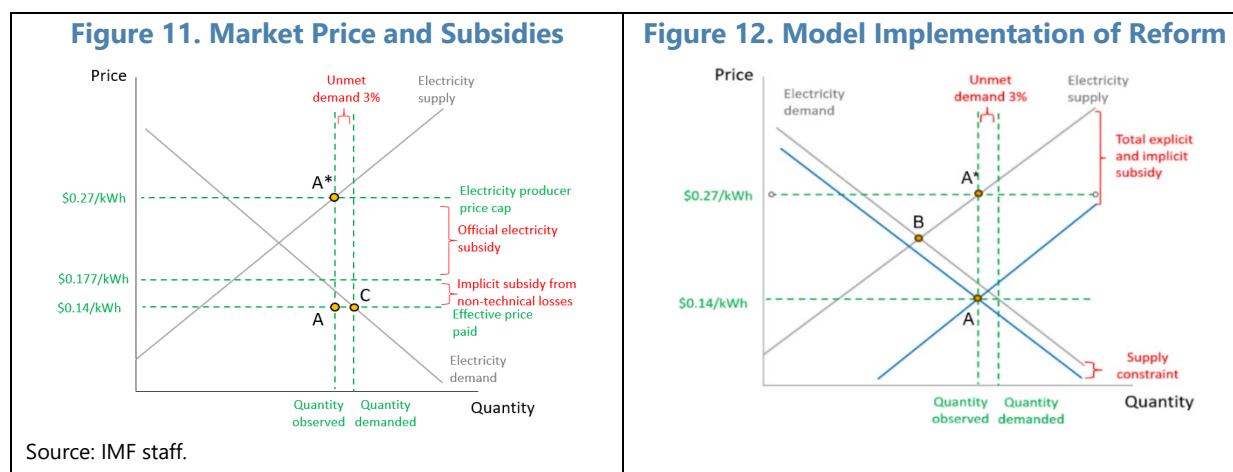
15. This scenario models the removal of electricity price caps and corresponding subsidies to achieve cost recovery. The current state of electricity market subsidies and price caps, as described in ¶6, is represented in Figure 11. It shows the electricity price cap of \$USD0.27/kWh and electricity supply at this price given by point A*. Official subsidies and the effective subsidies, through non-technical losses, lower the effective price to \$USD0.14/kWh. Electricity supply does not meet demand at these prices (points A and C in Figure 11) with unmet demand equivalent to 3 percent of use.⁹ Removing subsidies and price caps moves the market from the A and A* equilibrium to point B (Figure 12). Subsidies and unmet demand are modelled through subsidy rates and a supply constraint proxied by a 14 percent shadow price.¹⁰ The effective total subsidy to residential

⁹ Some of the unmet demand is peak demand associated with to black and brown outs. This aspect of electricity heterogeneity is not captured in the modelling as electricity is treated as a uniform good.

¹⁰ There is uncertainty over the role of the reference price and the degree to which it limits supply. Certain parts of the country (tourist/international business areas) do not face price caps, the electricity tariff is \$0.32/kwh (RD\$19.9/kwh), and these areas do not face supply outages. It is clear that supply outages indicate supply is not meeting quantity (effective quality) demanded. At the same time, it is unlikely that the demand curve presented by a

(continued)

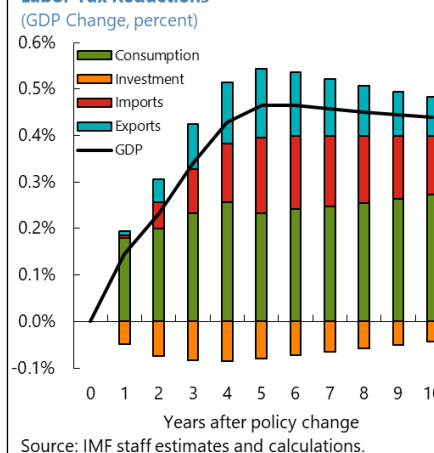
electricity is 49 percent and for non-tradables-producing firms it is 25 percent. The scenario assumes that when explicit subsidies are removed the government also cracks down on electricity theft, and that the removal of price caps will result in supply meeting demand. These policies are assumed to be phased in over 4 years, broadly in line with the Electricity Pact,¹¹ with the subsidies and shadow prices reduced linearly over that time. We consider two cases of how the government's budget is balanced: (i) the reduction in subsidies finances labor income tax reductions and (ii) lump sum transfers are increased.¹²



16. Removing subsidies reduces electricity consumption allowing government revenue to support other priorities.

Making end-consumers pay for electricity in full would reduce residential electricity consumption by around 10 percent and overall generation by around 8 percent,¹³ which leads to lower fuel imports. Lower investment in the electricity sector (given reduced demand) lowers overall investment in the economy. Removing subsidies would raise the consumer price level by around 0.3 to 0.6 percent, assuming the central bank does not react (i.e. it targets CPI ex-electricity prices).¹⁴ The CPI impact in a particular year would depend on the period

Figure 13. GDP Contributions from Electricity Subsidy and Price Caps Reforms Financing Labor Tax Reductions
(GDP Change, percent)



resulting \$0.32/kwh price in uncapped area is reflective of the broader economy. Instead, we used the 3 percent of outage to calculate an effective constraint.

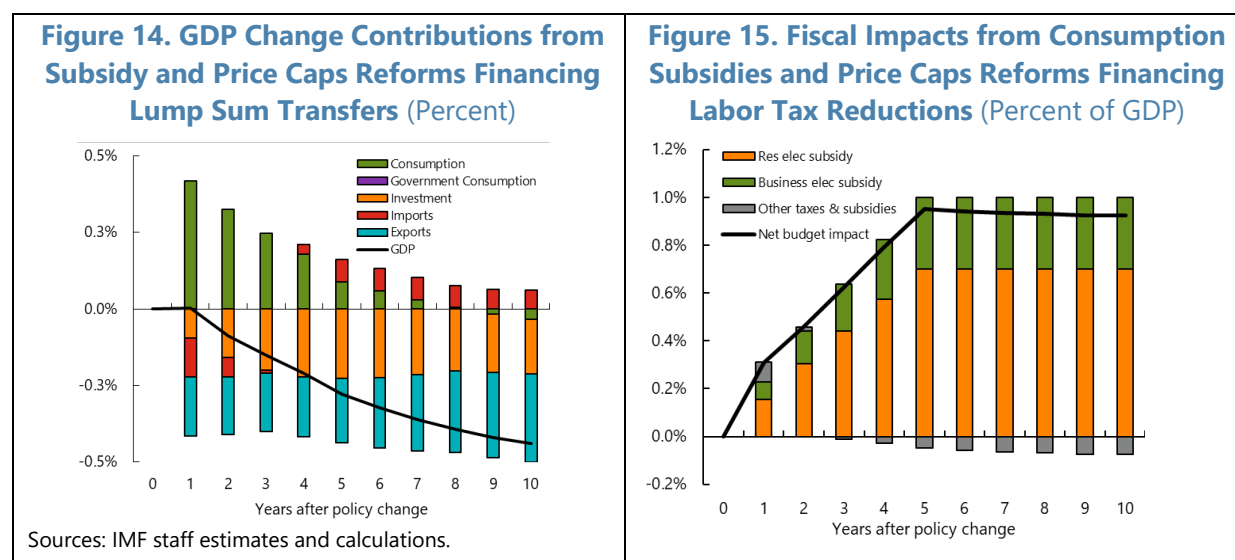
¹¹ This is broadly consistent with aims of the 2021 Electricity Pact.

¹² The analysis does not consider a scenario where the revenue is used for fiscal consolidation. Such scenario would imply lower taxes or higher government spending in the future than would otherwise be afforded. The timeframe of the analysis would not capture these benefits.

¹³ The modeling assumes that both the explicit subsidy and the implicit subsidy associated with electricity theft are removed.

¹⁴ The range of the inflation impacts comes largely from varying exchange rate movements under the two revenue recycling options. In both cases, the exchange rate appreciates due to lower fuel import demand. However, the appreciation is smaller when revenue is used to reduce labor taxes, due to increased export supply.

over which the policy is phased¹⁵ while the GDP impact depends on how reduced subsidy expenditure is used. If the revenue previously spent on subsidies is used to reduce labor income taxes, then GDP increases by around 0.4 percent (Figure 13). Increased labor supply increases investment in other sectors despite overall investment falling. Higher output and reduced energy imports support stronger consumption despite the higher electricity prices. Conversely, if the savings are used for increased transfers to households, GDP falls over time, 0.5 percent below baseline after 10 years (Figure 14) as lower real wages and increased transfers (wealth effects) reduce labor supply. Electricity fiscal sector expenditures are reduced by 1 percent of GDP after 5 years, in line with paragraph 2 (Figure 15).



Supporting NCRE Investment Goals

17. Four policy options to support NCRE investment in the DR are considered to evaluate the feasibility and associated macroeconomic and fiscal costs and opportunities of meeting NCRE generation targets under the PEN.¹⁶ The policy scenarios are modelled as a counterfactual starting in 2020, in line with the policy extension at that time. In each case the government's budget is balanced by adjusting lump sum transfers.

- a) **The baseline scenario (current policies)** reflects current policy, and the projected evolution of DR's electricity mix through 2030. Existing policy support is modelled as an effective 35 percent subsidy to NCREs investment starting in 2020, in line with policies described in ¶15.¹⁷

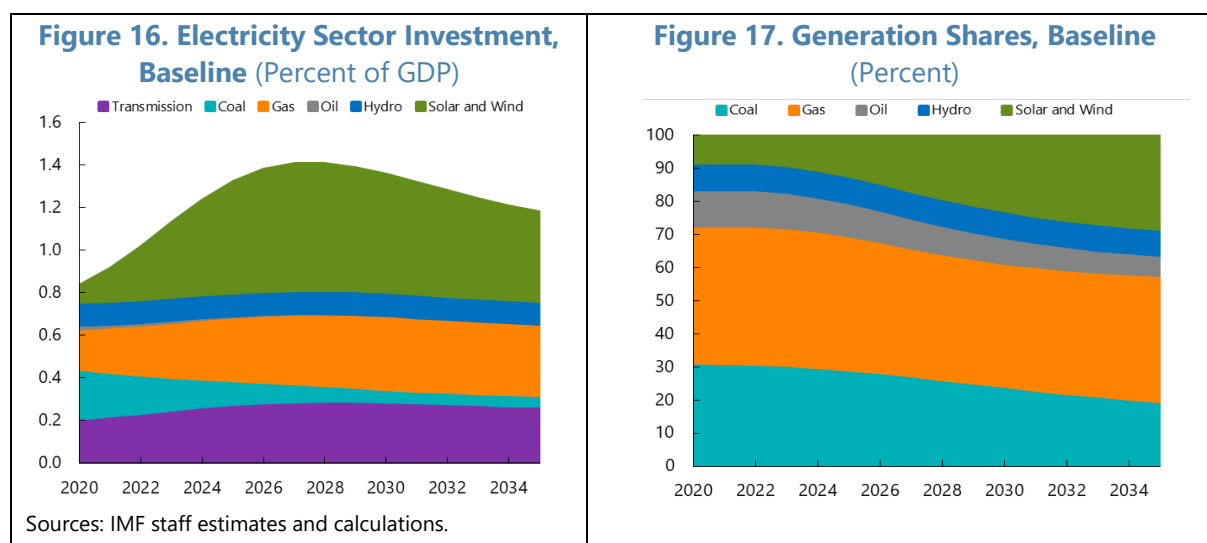
¹⁵ The effective subsidy for residential electricity is 49 percent, around ¼ of the implicit subsidy comes from non-technical losses. Removing just the explicit subsidy would raise the effective consumer price level by around ¾ of percentage point.

¹⁶ The default assumption in GMMET is that the government's budget is balanced via within period adjustments to household lump sum transfers. This assumption is applied in each the scenarios for supporting NCRE investment.

¹⁷ Although battery storage was not included in the model simulations, it represents an important variable to enhance the model's features and better capture the evolving dynamics of DR's electricity sector.

- b) **Government introduces a temporary additional investment subsidy to achieve 31 percent NCREs by 2030.** The effective renewable investment subsidy increased to 50 percent from 2025 to 2030 and calibrated to achieve the NCRE 2030 target.
- c) **Government introduces a permanent additional investment subsidy to boost NCREs generation in 2025.** The investment subsidy is permanently raised in 2025 to 50 percent. Relative to the temporary increase, it results in less near-term renewable generation as investors have less incentive to accelerate investment to take advantage of the policy.
- d) **Current NCREs subsidies are removed in 2025.**

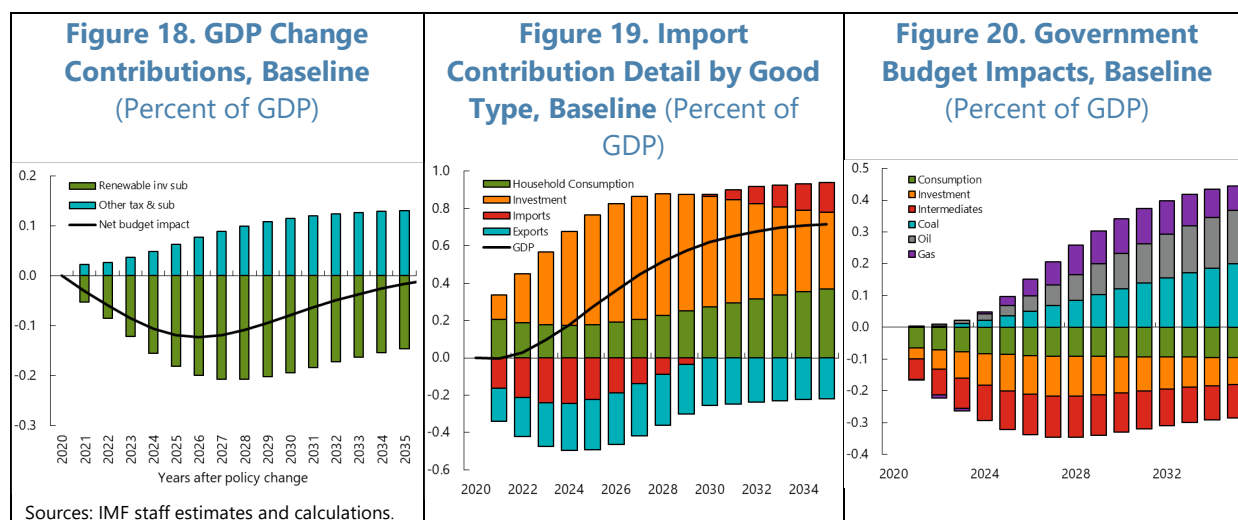
18. Meeting the NEP likely requires additional support for the renewables sector. To illuminate the impact of NCRE subsidies, the discussion initially focuses on the baseline scenario (existing subsidies relative to a case without them). Renewable investment subsidies increase this investment in the sector (Figure 16). In this scenario, overall electricity sector investment increases from around 0.8 percent of GDP to around 1.4 percent, driven mostly by renewables. Investment in gas generation also increases to provide backup generation while oil and coal decreases.¹⁸ Transmission investment increases in line with renewables' requirements. While investment in gas capacity increases to provide backup to intermittent renewable generation, the share of gas generation declines as it provides less baseload. We note that the model estimated generation shares broadly align with actuals for 2024—NCREs around 15½ percent in 2024. Although renewable generation increases, the scenario suggests current support is unlikely to achieve the solar and wind target under the PEN (117) rising only to 23 percent of generation by 2030. While emissions are not modelled in these scenarios, these would decrease with the shift to renewables and gas. In terms of broader macroeconomic impacts, the investment subsidy raises GDP by around 0.7 percent in the long run from its trend path relative to the case where it had not been introduced, shown in Figure 8. Capital deepening, led by renewables, cause both labor productivity and output to increase. Investment in other sectors is encouraged by lower electricity prices.



¹⁸ The model assumes gas backs-up intermittent solar and wind generation. Falling battery prices mean this technology could provide backup in the future.

19. Investment imports increase in the nearer term, but fuel imports decline over time.

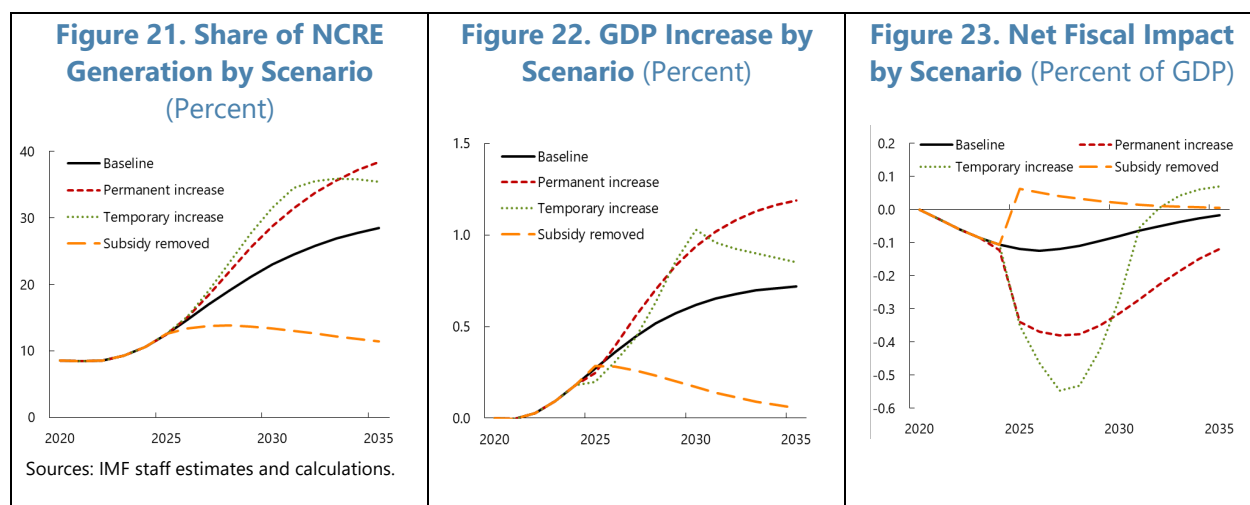
Because renewable investment inputs are largely imported, imports increase in the near term (Figure 19). However, coal, oil and gas imports fall in the medium term. Lower import demand in the long run causes the exchange rate to appreciate, and thus exports to decline, to rebalance trade. Capital deepening and the associated higher real wages, and the exchange rate appreciation increase household wealth and thus consumption. On the fiscal side, the budget impact is modest as the cost of the renewable investment subsidy rises to around 0.2 percent of GDP.¹⁹ Moreover, tax revenues increase as the economy expands, partly offsetting the cost of the subsidies. As such the net budget impact is broadly neutral in the longer run and reaches a maximum of 0.1 percent of GDP in the medium term.



20. Boosting renewable investment incentives makes meeting PEN targets more likely.

Figure 21 shows the impact of different renewable subsidy policies on solar and wind generation shares, corresponding to cases a-d in paragraph 16. Temporarily increasing the subsidy to 50 percent from 2025 to 2030 enables the 32 percent renewables targets in 2030 encouraging firms to accelerate investment (Figure 21). In contrast, a permanent subsidy increase leads only to 28 percent by 2030, while removing subsidies leads NCREs to drop to 12¼ (10) percent of total generation by 2030 (2035). The associated GDP responses in each of the scenarios (Figure 22) largely reflect the renewable investment increases. Once the temporary hike to the subsidy is removed, the boost to GDP wanes as the investment boom fades relative to the additional permanent subsidy. Temporary subsidy's fiscal cost is by its nature more transitory (Figure 23). Notably, the permanent hike in investment subsidy lowers inflation by 0.02 percentage points on average over five years, driven by higher power supply and the exchange rate appreciation, which offsets increased aggregate demand. The effects are smaller under the temporary subsidy increase.

¹⁹ The scenario assumes government debt is held constant and an increase in subsidies is funded by lower transfers.



C. Conclusions

21. The analysis highlights the macro-criticality of the electricity sector and potential gains from reforms (Table 2). Adjustments to electricity subsidies, both explicit and implicit, would save annually 0.5 percent of GDP over 20 years, allowing to finance investments, which would boost GDP and more than offset any loss in GDP from electricity subsidy reform. Furthermore, increased renewable investment would decrease reliance on imported fuels, enhancing energy security.

Table 2. Dominican Republic: Summary of Macro-Economic Impacts of Scenarios

Average annual impact 20 years for GDP, fiscal and imports 5 years for inflation	GDP change/ ¹ (Percent)	Net fiscal impact/ ¹ (Percent of GDP)	Imports change/ ¹ (Percent of GDP)	Fuel imports change / ¹ (Percent of GDP)	Headline inflation/ ² (Percentage points)	Core inflation/ ² (Percentage points)
Permanent investment subsidy	0.4	-0.13	0.01	-0.17	-0.02	-0.01
Temporary investment subsidy	0.1	-0.06	-0.05	-0.10	-0.01	0.00
Transmission sector reform	0.6	-0.2	0.04	-0.06	0.00	0.04
Consumer subsidy reform (increased transfers to households)	-0.3	0.8	-0.03	-0.14	0.07	-0.02
Consumer subsidy reform (lower labor tax)	0.4	0.0	-0.10	-0.12	0.12	0.02

Sources: IMF staff estimates and calculations.

¹GDP, fiscal and import changes are all average levels percent changes relative to GDP calculated using net present value over next 20 years. Thus, GDP change is expressed in percent while fiscal and imports in percent of GDP.

²The inflation changes are the average percentage point change of inflation over the first 5 years. The investment subsidy changes calculated relative to baseline with continuation of current subsidies starting from 2025.

22. Reforms could improve efficiency, with positive downstream spillovers to other sectors.

Several aspects of the Electricity Pact—e.g., improving distribution efficiency, reducing blackouts, and increasing the use of renewable energy—will likely reduce electricity prices. Below cost electricity tariffs limit investments and promote excessive consumption, raising fiscal costs.

23. Meeting the PEN's 2025 target appears unlikely given the set of projects to come on stream in 2025. Power generation from NCREs have increased by close to 40 percent over the last four years, and power generation from renewable sources is expected to reach about 23 percent, s below the 25 percent target for 2025. The tax incentives policies have helped to expand power supply which could aid with the decommissioning of less efficient power plants.

24. The model's results show the potential benefits associated with investment tax subsidies (incentives). The projections show long-term GDP growth could be boosted by about $\frac{3}{4}$ percentage points, improve labor productivity, foster more investment with lower electricity tariffs.

25. In the short run, imports for renewable projects increase, but are offset by the steady reduction in the imports of volatile fossil fuels with important macroeconomic impacts. These include improvements in the trade balance and rising real wages that improve households' wealth and consumption.

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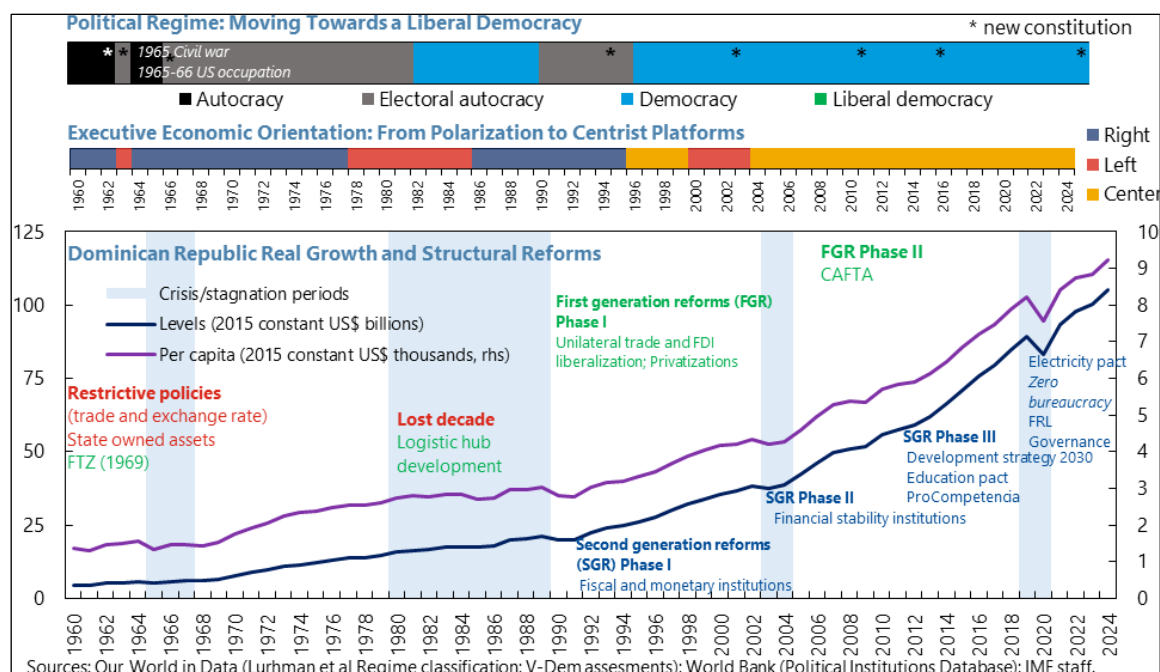
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Annex VIII. Structural Reforms—Further Potential Gains¹

This annex briefly describes the Dominican Republic's (DR) key structural reforms since the “lost” decade of the 1980s, which along with political stability have supported DR's fast and resilient growth. Using two structural indicators databases—one capturing the earlier opening of sectors and markets and another capturing more recent progress with structural policies—the annex tracks how the DR's reforms compared with peers and the policy frontiers. Using the related IMF toolkits, the annex reports the estimated gains to growth possible if the DR closes gaps relative to the policy frontier. In particular, important gains could be possible from reforms that boost credit/deepen domestic finance, with relevant gains also from labor market and further governance reforms.

Background

1. Following the macroeconomic turmoil of the 1980s (Lost Decade), the DR undertook first-generation reforms (FGR) and second-generation reforms (SGR) in the 1990s aimed at stabilizing and liberalizing the economy to foster sustainable growth.² Along with strengthening fiscal and monetary frameworks that supported macroeconomic stability, key structural reforms in the 1990s reduced restrictions on trade (with large reductions in tariffs),

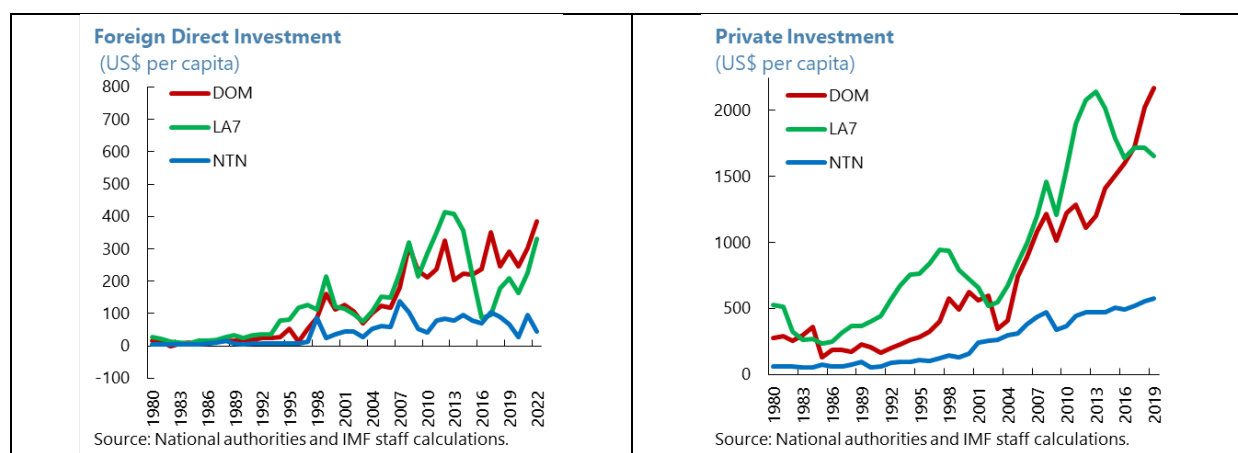


¹ Prepared by Pamela Madrid and Manuel Rosales with support from Manuel Escobar and Alejandro Fiorito.

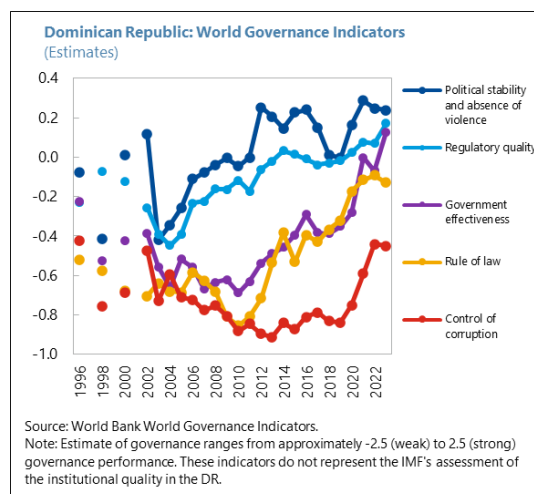
² We follow Naim (1994) and Navia and Velasco (2002), whereby first-generation reforms (FGR) are geared towards macroeconomic stabilization and reduction of distortions, in particular monetary and fiscal policy reforms to reduce inflation (including from lower government deficits), tariff cuts, privatization of SOEs, securing property rights; while second-generation reforms (SGR) are those that strengthen government/state institutions (including for tax collection and public services), human capital and the enabling environment for firms and consumers (e.g. stronger governance, including better regulation and enforcement of competition policies).

exchange rates, capital flows and domestic finance; liberalized the foreign investment regime; and privatized state-owned assets.³ While in the early 1990s (mostly stabilization) reforms were undertaken (including under IMF programs), more fundamental reforms to the economic model followed an important strengthening of the DR's democracy in the mid-1990s while on-going reforms appear to reflect a broad consensus on the economic model (see ¶14).

2. These reforms helped boost growth, due to higher investment and productivity in the second half of the 1990s (see Box 1).^{4, 5} The increase in foreign direct investment (FDI) helped spur productivity by significantly enhancing the country's export capacity (especially in FTZ, tourism services and mining) and infrastructure (e.g. telecommunications and electricity generation).



3. Second generation reforms (SGR) continued in the 2000s to strengthen institutions, leading to improved governance indicators. Financial supervision institutions were strengthened, in particular banking supervision following the 2003 banking crisis. There were further reforms to fiscal/government institutions in 2006 (with new legal framework for budgeting, financing and planning) and 2012 (a fiscal reform and passage of the national development strategy law, which emphasized shift towards more strategic planning and increased involvement of civil society and consensus in policy-



³ See Andujar-Scheker (2005, 2008, 2010) and Cardoso and Young (2003) for details.

⁴ Increases in FDI was support by an important SGR--the 1994 Constitution created the basis for an independent judiciary and strengthened intellectual property rights, and was followed by a 1995 revision to the foreign investment law that fully opened-up investment (previously limited to 25 percent, excepting the military sector) and established equal legal treatment (Suarez, p. 542, 548). See ¶14 for the political context.

⁵ At the same time, important fiscal incentives for FTZ were in place since 1969 but with a specific law in place since 1990. Fiscal incentives for tourism had also existed.

making).⁶ Following these reforms, there has been generally ongoing improvement in the perception of regulatory quality and government effectiveness (see WGI chart), which are now above the median of all countries. More recently the DR has also made further progress with the rule of law and control of corruption, although in these areas it is still below the world median.

4. The DR's progress with reforms in the last 30 years has benefited from a generally conducive political environment that reduced the risk of policy reversals. A more entrenched democracy by the mid-1990s (including a multiparty agreement)⁷ and reduced political polarization since the mid-2000s reflects a broad consensus on centrist policies (i.e., an economic model based on private enterprise combined with distributional policies to address equity issues). Early gains from market liberalization may have supported the consensus, and reduced the risks of policy reversals, creating a virtuous cycle.

Cross-Country Comparison

5. To put DR's reforms in a cross-country perspective, two structural indicators databases (covering different time periods) are used. The first, with data back to 1973, allows to track how DR compared on labor and product market, trade, external finance and domestic finance reforms until 2014. The second, with data from 2000-2020, allows to track how DR has progressed more recently, including with business regulation. Both include the same governance indicators (Box 2).

6. Following the early reforms, most DR markets were more liberalized than the LAC average by the mid-2000s, while domestic finance lagged.⁸ While there had been major structural reforms in product markets in all of LAC by the late 1990s, the DR's product market was somewhat more liberalized than the LAC average by the early 2000.⁹ While labor markets in LAC were becoming less liberalized in the 2000s, the DR remained at its early 1990s level.¹⁰ By the mid-2000, the DR had exceeded the LAC average in openness to trade (following strong reductions in tariffs), and since 2008 (coinciding with CAFTA),¹¹ DR's openness to external finance, which is very important for FDI, strongly exceeded the LAC average. While the financial sector was progressively being liberalized in line with the LAC average since the early 1990s by the late 1990s domestic finance has lagged.

⁶ It also called for consensus on several pacts, including for Education and Electricity.

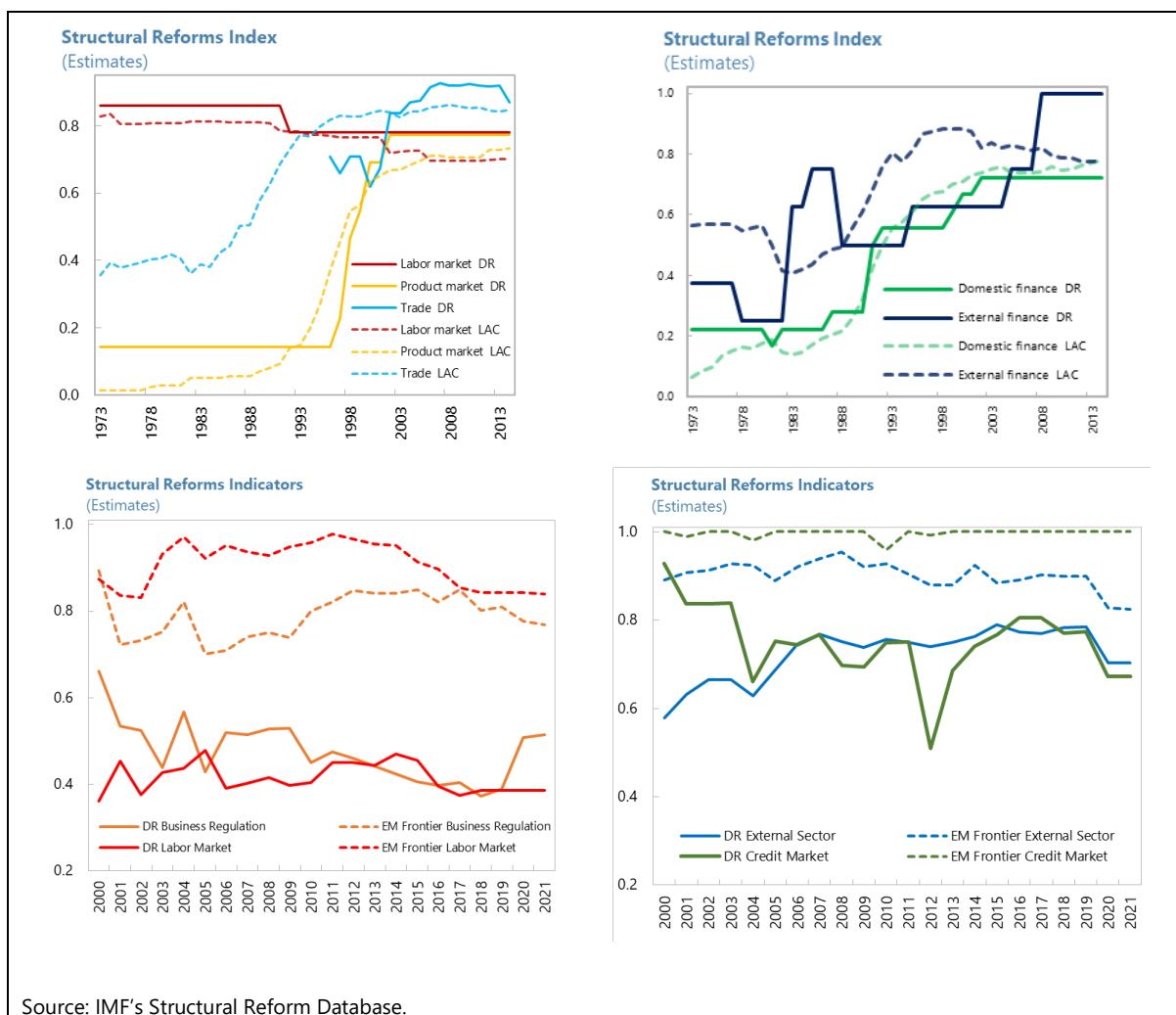
⁷ Andujar-Sheker (2005 and 2008) notes that following political disruptions of 1994, the *Pacto por la Democracia* and 1994 Constitution set up new electoral rules strengthening the institutional framework and allowing a minority party and reformist president to reach power. Also, a pro-trade reform lobby related to the import and commerce sectors had also emerged to counter the industrialist import-substitution lobby.

⁸ Based on indicators from: [IMF's Structural Reform Database - At a Glance - IMF Data](#). A higher value represents greater liberalization. Indices are not strictly comparable across sectors.

⁹ This indicator uses electricity and telecommunications indicators. The DR's opening of foreign investment had an important impact.

¹⁰ The DR labor market was perceived as somewhat less liberalized following the 1992 Labor code.

¹¹ CAFTA, agreed in 2004 and in effect from 2007, also provides foreign investors protections and dispute resolution mechanisms.

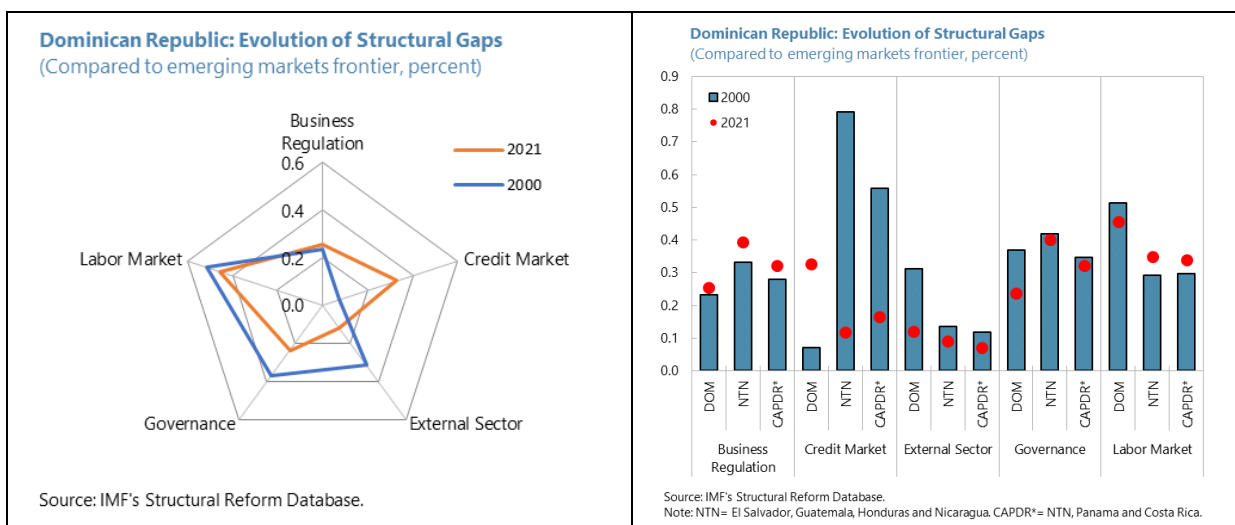


7. More recently, the most improvement has occurred in business regulation (BR).¹² The recent improvement, which reversed an earlier declining trend in the BR, appears in line with the DR's "Zero Bureaucracy" initiative that has aimed to both improve the quality of regulation and reduce regulatory burdens, while the competition agency (ProCompetencia) has also recently been strengthened.

8. However, there have been less advances with the labor and credit markets. The DR labor market gap remains around the early 2000 level and above Central America and Panama (CAP) peers. The DR's credit market gap has widened, both relative to its own 2000 gap and relative to CAP.¹³

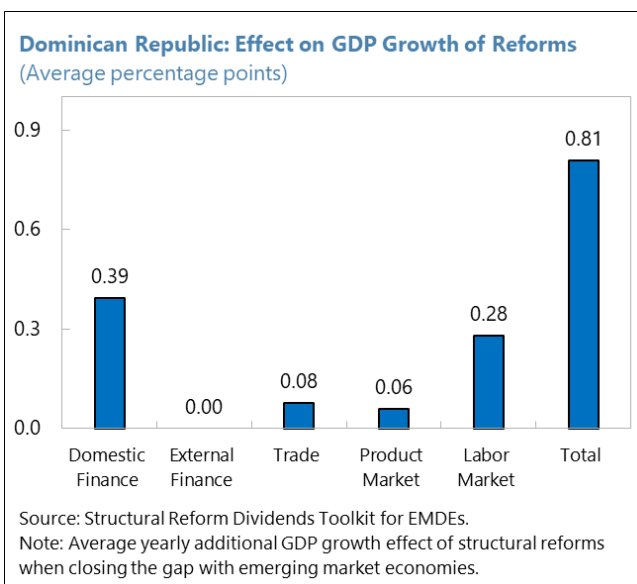
¹² This and subsequent paragraphs are based on the EMDE Dashboard indicators, which for governance is the average of WGLs.

¹³ This reflects in part that the share of the state-owned bank increased, which negatively impacts the indicator.



9. Given the DR is still not yet at the structural policies frontier, there is room to boost growth and output by further advancing with reforms. IMF tools suggest gains to DR's growth from reducing policy gaps, in particular to boost domestic finance and credit:¹⁴

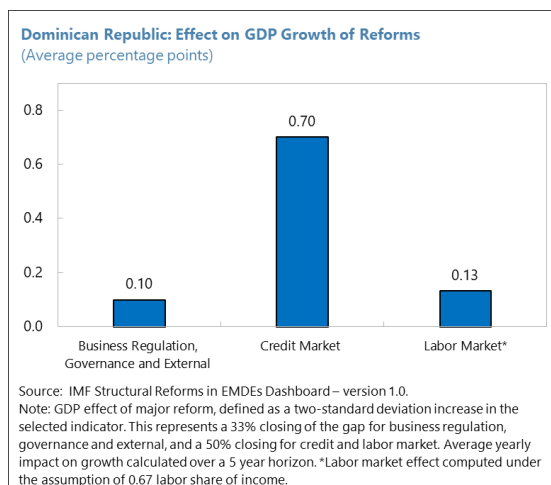
- The Structural Reforms Database dividend toolkit (based on 2019 WEO) suggests that annual growth could be boosted by 0.8 percent over the medium-term if the gaps with the EM frontier would be closed.¹⁵
 - **Domestic Finance**—closing this gap may have the largest impact with 0.4 percentage points (close to ½ of the additional growth).
 - **Labor Market**—closing this gap could deliver 0.3 pp (about 1/3 of the additional growth).
 - **Trade and Product Markets**—closing these gaps could add over 0.1 to annual growth, although the gains from product market reforms may be underestimated given that indicators cover only two key network markets (telecommunications and electricity).



¹⁴ The gains differ as each tool uses different indicators and time span, which results in different gaps versus the frontier. Both tools derive the gain based on a country's gap and estimated coefficients (see Box 2)

¹⁵ The gains are based on using data from 1973-2014 (1991-2014 for product market). For further details, refer to Structural Reforms Database, Dividend Toolkit <https://legacydata.imf.org/?sk=8a361b05-ac3f-4cb2-be4a-f9a2b0cba124&sid=1584037843368>

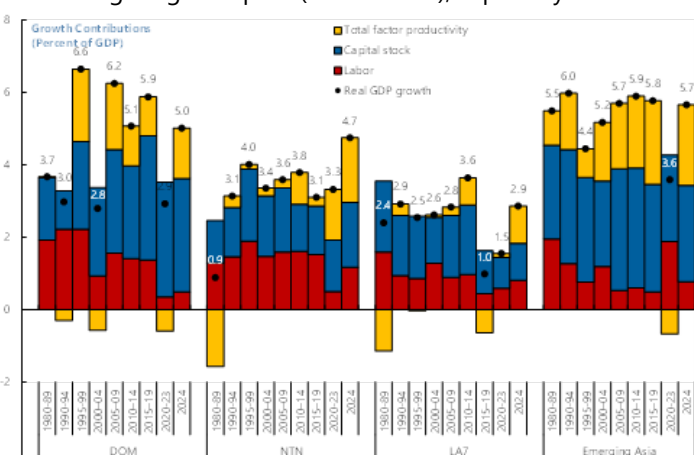
- The IMF Structural Reforms in EMDEs Dashboard – version 1.0. dividend toolkit (based on the 2024 SDN) point to an increase in annual growth of close to 1 percent over 5-years: 16
 - **Credit**—this continues to be were reforms could have the most impact, with a 0.7 increase in annual growth.
 - **Labor Market**—an additional 0.13 percent in average annual growth.
 - **External Sector (ES), Business Regulation (BR) and Governance (GV) 17**—an additional 0.13 percent in average annual growth.



10. Reforms that target human capital and increase in productivity may have even greater multipliers not captured by these toolkits. Past staff analysis has also pointed to gains to exports (in particular in expanding more complex and higher VA exports) could come from improving education outcomes and governance.¹⁸

Box 1. Dominican Republic: Main Drivers of Growth Compared to Regional Peers

Following the reforms of the 1990s, the DR has grown strongly, with higher investment and productivity contribution helping offset a declining labor contribution. The DR looks more like the average EM-Asia than the average regional peer (NTN or LA7), especially when the 2003 crisis year is excluded.



Real GDP and Components,
Averages for 2000-19

	Real GDP growth	Labor	Capital stock	Total factor productivity
DOM	5.0	1.3	2.8	0.9**
NTN	3.5	1.6	1.5	0.4
LA7	2.5	0.9	1.5	0.1
Emerging Asia	5.6	0.7	3.0	1.9

Note: *TFP is 1.3 for 2005-2019 (excluding the 2003 crisis).

Investment growth has been driven by private investments as public investment has been constrained by limited fiscal resources and expenditure rigidity. DR private investment per capita is now higher than the average LA7 and EM-Asia.

¹⁶ The estimates are based on data on SRs over the 2000-2020 period. For further details, refer to the SDN and EMDEs Structural Reforms Dashboard, Dividend Toolkit based on Budina et al. (2024) [Microsoft Power BI](#).

¹⁷ This toolkit classifies these as FGR.

¹⁸ DOM 2023 Article IV, Annex IX: <https://www.imf.org/-/media/Files/Publications/CR/2023/English/1DOMEA2023001.ashx>

Box 2. Dominican Republic: Structural Reform Data and IMF Toolkits Methodology

Structural Reforms Database and Dividend Toolkit (Oct. WEO 2019)

Indicators: (1) Domestic finance (credit and interest rate controls; bank ownership, competition and permitted activities; bank supervision independence and Basel capital standards; and security market development steps); (2) External finance (current and capital account openness), (3) Trade (tariff rates); (4) Product market (telecom and electricity sectors); (5) Labor market (employment protection procedural requirements, layoff costs and grounds for dismissal and redress); and (6) Governance (average of Worldwide Governance Indicators).

Data mainly from the narrative IMF database on regulations, reforms and major policy actions described in Alesina and others (2019). This data set covers a sample of 90 advanced and developing economies (41 are current EMs, 7 are former EMs, and 20 are LIDCs) since 1973.

The Methodology

The econometric analysis consists of aggregate cross-country analysis based on the local projection method by Jordà (2005).

The primary regression equation takes the form: $y_{i,t+k} - y_{i,t-1} = \alpha_i + \gamma_t + \beta_k R_{i,t} + \theta X_{i,t} + \epsilon_{i,t}$ (Eq.1) where $y_{i,t}$ is the log of the dependent variable (e.g. output); $t + k$ and i are the time and country dimensions, respectively; α_i denotes country fixed effects, included to control for unobserved cross-country heterogeneity; γ_t denotes time fixed effects, to take account of global factors (e.g., oil prices or the global business cycle;

$R_{i,t}$ is the change in the structural regulation indicator (structural reform); $X_{i,t}$ is a set of control variables including lags of the dependent variable, past economic growth and past reforms.

The equations are estimated for different time horizons ($k=0$ to 6). The macroeconomic data used in the econometric analysis covers an unbalanced sample of 75 emerging and low-income countries from 1973 to 2014.

Impulse response functions are computed using the estimated coefficients and robust standard errors clustered at the country level.

EMDEs Structural Reforms Dashboard, Dividend Toolkit (2024 SDN)

Indicators: (1) Credit market. (i) credit to private sector; (ii) interest rate controls; (iii) private-ownership of banks.
 2) External sector. (i) capital controls; (ii) tariff and non-tariff barriers; (iii) exchange rate controls; (iv) financial openness; and (v) freedom of foreigners to visit.
 3) Business Regulation. (i) administrative requirements; (ii) impartial public administration; and (iii) bureaucracy costs.
 4) Labor market. (i) hiring and firing regulations (ii) centralized collective bargaining.
 5) Governance. Worldwide Governance Indicators (i) political stability; (ii) regulatory quality; (iii) voice and accountability; (iv) government effectiveness; (v) rule of law; and (vi) control of corruption.

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Annex IX. Building Natural Disaster Resilience¹

The Dominican Republic (DR) is vulnerable to frequent natural disasters, with increasing temperatures, rising sea levels, and changing precipitation patterns threatening the country's economy, affecting infrastructure, sectoral production, and exports. The authorities have stated their commitment to both increasing resilience and reducing emissions. Relatedly, the energy and water sectors present specific challenges given their contribution to environmental stress and fiscal deficits. Building on the significant progress achieved, the DR needs to continue developing a robust and coherent institutional and regulatory framework of climate policy to enhance macroeconomic resilience in the long term.

Climate-Related Challenges, Risks and Investment Needs

1. Due to its location, the DR is highly vulnerable to natural disasters, which take a toll on the country's income, wealth, and livelihood. Hurricanes and tropical storms hit the country every year on average but can occur as often as twice a year.² IMF analysis of the macroeconomic costs of storms and flood events shows a 0.2–0.5 percent decrease in quarterly GDP, depending on the period and type of event.³ In September 2022, Hurricane Fiona caused substantial damage with the direct fiscal impact estimated at 0.3 percent of GDP.⁴ At the same time, intermittent water supply, poor water quality, and limited sewerage coverage reduce vulnerable households' well-being and exacerbate environmental and public health risks⁵, especially during natural hazards such as flooding.

2. The Dominican Republic is also facing increasing temperatures, rising sea levels and changing precipitation patterns—trends that are expected to persist into the future due to climate change. Since 1950, the average annual temperature in the Dominican Republic has increased by 0.73°C and is projected to continue rising by an additional 0.63–1.94°C by 2050 (Figure 1.1). The number of extreme heat days is also increasing. Total precipitation is expected to keep declining (Figure 1.2), accompanied by a rise in consecutive dry days. Climate change will also intensify windspeed and rainfall, with damages exacerbated by continued sea-level rise.⁶

¹ Prepared by Ilya Stepanov and Pamela Madrid with support from Damaris Garza.

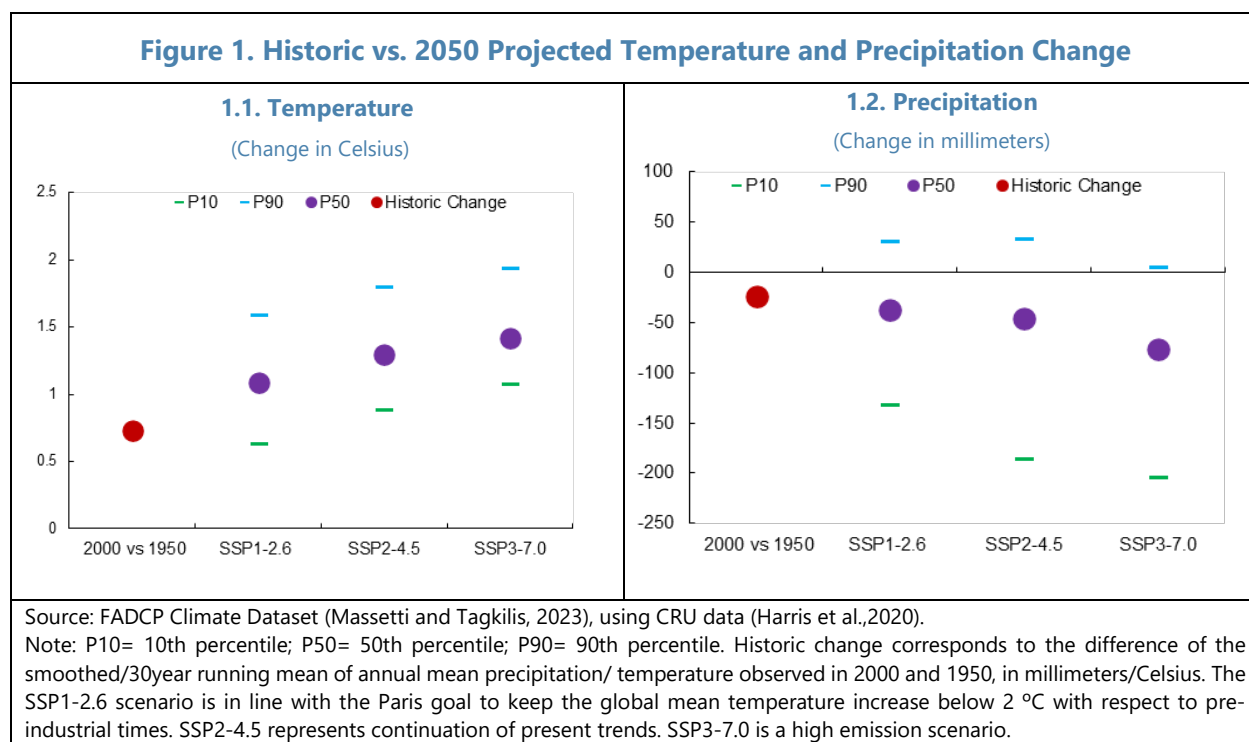
² For more details, please see the National Hurricane Center (NHC) and EM-DAT. The strongest climate events (in terms of storm category) in the last half century were Hurricane David (category 5) in 1979, Hurricane George (category 3) in 1988, Hurricane Matthew (category 4) in 2016, and Hurricane Fiona (category 1) in 2022.

³ [2023 Dominican Republic Article IV Consultation Staff Report, Annex VIII, paragraph 3.](#)

⁴ [Dominican Republic – Hurricane Fiona Emergency Response Project](#), November 2022. The Hurricane resulted damage and destruction of over 8,500 of homes, displacement of over 43,000 people, severe disruptions to water supply for more than a million households, and extensive damage to critical infrastructure including electricity networks and agriculture, with losses exceeding 30,000 hectares of crop land.

⁵ While access to water has improved, 6 out of 10 Dominicans still experience intermittent supply, and low-income populations spend up to 12 percent of their income on bottled water due to poor water quality. Only 10 percent of wastewater is collected by sewerage systems, with less than 20 percent receiving treatment, making the country's sewerage coverage the lowest in the region.

⁶ [Dominican Republic: Technical Assistance Report-Climate Policy Diagnostic](#), January 17, 2025, p. 26



3. In the coming decades, climatic changes will aggravate risks to the country's growth and macroeconomic stability. Flooding and storms (winds), which are likely to increase in number and intensity, could result in massive capital damages, representing a significant threat for public and private infrastructure, as well as agricultural production and tourism.⁷ Agriculture and tourism, together accounting for about a quarter of GDP and labor force and close to a half of total export receipts are also challenged by changes in precipitation patterns, rising temperatures and higher frequencies of heat stress which affect labor and agricultural productivity.⁸ Vulnerabilities in the water sector to droughts will be exacerbated by increasing demand for water resources, with agriculture—consuming 81 percent of water—contributing significantly to water stress.

4. The substantial macroeconomic costs of climate change may be partly offset by adaptation policies and resilience building. Dynamic stochastic general equilibrium modeling shows that for the DR investing in climate-resilient public infrastructure is cost-effective for the country (although more expensive, it leads to a long-term increase in GDP of 3.5 percent and net fiscal improvements of about 0.1 percent).⁹ Mohaddes and Raissi (2024) empirical model projects

⁷ World Bank's 2023 Country Climate and Development Report (CCDR) assessment shows that by mid-century, climate change is anticipated to bring negative production shocks for important export products, such as cocoa beans, bananas, tobacco, sugarcane, and topical fruits, affecting both irrigated and rainfed crops, with the latter expected to be significantly more challenged. It also indicates that relative to baseline conditions, climate change is expected to reduce tourism revenues 7 to 16 percent by mid-century.

⁸ The World Bank's CCDR estimates that the overall labor productivity in agriculture, industry and service sectors is expected to decrease over time, resulting in a labor supply reduction ranging from around -3.5 percent to -9 percent by 2050.

⁹ This is due to reduced damage to public infrastructure from natural disasters, less significant declines in fiscal revenues, and the implicit incentives for the private sector to invest, as public infrastructure (bridges, roads, among
(continued)

that, under accelerated GHG emissions scenario, DR's income losses could reach 6.2 percent of per capita GDP by 2050 if no global mitigation actions are taken, a significant increase from baseline scenario of 2.3 percent. However, the timely implementation of adaptation strategies could mitigate these losses, reducing the impact to 1.4 percent of per capita GDP by 2050.¹⁰

5. Policy measures to build resilience as well as to achieve authorities' decarbonization goals and modernize the energy sector will require substantial investment. The Dominican Republic's 2020 NDC indicates that building resilience to natural hazards and adaptation to climate change by 2030 would cost the economy as much as US\$8.7 billion (annual average of 0.6 percent of GDP).^{11,12} The cost of climate change mitigation efforts aligned with the authorities' objectives—including modernization and increasing efficiency of the energy sector—is estimated at an additional US\$8.9 billion, bringing the total to approximately US\$17.6 billion (annual average of 1.2 percent of GDP).¹³ With the update of the NDC pending in 2025, these costs may more than double, according to preliminary estimates by National Council for Climate Change and Clean Development Mechanism. These figures are broadly in line with World Bank estimates, which suggest that the 2022 present value of investments needed to build resilience to tropical cyclones and sea-level rise, along with decarbonizing the power and transport sectors, could reach up to 2.5 percent of cumulative GDP by 2030 (US\$19.3 billion) and up to 3.8 percent by mid-century (US\$62.0 billion), of which about half (1.6 percent of cumulative GDP would be for resilience-enhancing investments).¹⁴

Climate Policy Institutional Framework, Policies and Gaps

NDC and Institutional Framework

6. The Dominican Republic has demonstrated a strong commitment and has made significant progress in implementing climate change policies. As a party to the 1992 UN Framework Convention on Climate Change and the 2015 Paris Agreement, the Dominican Republic has a long history of engagement in both international and domestic climate policy. The country's current Nationally Determined Contribution (NDC) of 2020 outlines a range of climate change adaptation and mitigation measures.¹⁵ According to the authorities, the new NDC 3.0., covering a

others) provides greater and better services. For more details, please see 2023 Article IV, Annex VIII (Country Report No. 2023/225).

¹⁰ Mohaddes and Raissi (2024) model adaptation by varying the period used to calculate a temperature norm—a moving average temperature profile against which anomalies are calculated. The baseline scenario assumes that adaptation to an increment of global warming takes 30 years, while the fast adaptation scenario assumes a 10-year period.

¹¹ [Contribución Nacionalmente Determinada 2020, NDC-RD 2020](#)

¹² The cost in terms of GDP assumes a 6 percent discount rate as used by the WB CCDD, p. viii (see also IMF CPD, paragraph 26).

¹³ Ibid.

¹⁴ [WB, Dominican Republic: Country Climate and Development Report \(2023\)](#), p. ix. The WB estimates that the net economic benefit associated with resilience-enhancing investments could reach 3.4 percent of cumulative GDP by 2050 from averted capital damages.

¹⁵ 37 adaptation measures span across water security, food security, health, resilient cities (infrastructures, human settlements), coastal-marine resources, tourism and ecosystems, biodiversity, and forests while 56 mitigation-related measures cover energy, industry, agriculture, and forestry, as well as the waste sectors.

wide spectrum of sectors with corresponding indicators, is currently being prepared. The climate policy actions are incorporated in the National Climate Change Adaptation Plan (PNACC) 2015–2030. The NDC is aligned with the National Climate Change Policy of 2015 as well as broader strategic and planning documents, including the National Development Strategy (NDS) 2012–2030 and the National Multi-Year Public Sector Plan (NPSP) 2021–2024. National Council for Climate Change and Clean Development Mechanism (CNCCMDL), established in 2008, is formally tasked with the role of "formulating, designing, and executing the public policies necessary for the prevention and mitigation of greenhouse gas emissions and adaptation to the adverse effects of climate change. Several ministries and state entities are responsible for overseeing sectoral policies and specific lines of action."¹⁶

7. The existing climate policy institutional framework still lacks effective governance, including inter-institutional coordination, accountability and compliance mechanisms, as well as a coherent long-term vision. The current framework has shown limited effectiveness in integrating its agenda into the broader public policy priorities of the government, as well as in establishing core climate change governance functions.¹⁷ The current climate change institutional framework lacks sufficiently effective governance due to overlapping, or sometimes unclear,¹⁸ roles and responsibilities as well as gaps in requirements for long-term investment strategies and plans, compliance mechanisms and accountability, which hamper effective coordination and formulation of a coherent long-term vision.¹⁹ The CNCCMDL is outside the hierarchical structure of the Cabinet of Ministers, which means that its effectiveness depends on the delegated authority of the Office of the President. Furthermore, it lacks formal binding instruments to enforce its decisions. There is also a lack of clarity on future emissions reduction pathway as well as mismatch between different renewable energy targets²⁰

Disaster Risk Management

8. The Dominican Republic has made progress in the institutional framework and governance of its disaster risk management policies. The 2002 Risk Management Law (Law 147-02) aims to reduce the population's vulnerability and improve disaster response capacity. This law establishes the National System for Disaster Prevention, Mitigation, and Response (SN-PMRD), which coordinates prevention, mitigation, and response actions at the national level. The General Law on the Environment and Natural Resources (Law 64-00) of 2000 touches upon disaster risk reduction. More recent policy steps include the approval of Law 368-22 on Land Use Planning, Land Use, and Human Settlements in 2022, which establishes the National Territorial Information

¹⁶ These include Ministry of Environment and Natural Resources, the Ministry of Economy, Planning and Development, and the Ministry of Energy and Mines, as well as the Superintendence of Electricity and the National Emergency Commission.

¹⁷ [World Bank. Dominican Republic: Country Climate and Development Report](#), 2023, p.16

¹⁸ Partly stemming from lack of key definitions in the various laws (CCDR, pp.16-17). The CNCCMDL has shared functions and responsibilities with the Ministry of Environment; it has met only twice since its creation in 2008.

¹⁹ [Dominican Republic: Technical Assistance Report-Climate Policy Diagnostic](#), January 17, 2025, p. 33

²⁰ [Dominican Republic: Technical Assistance Report-Climate Policy Diagnostic](#), January 17, 2025, p. 51

System, as well as the adoption of construction codes which represent an initial step toward legally regulating construction in flood-prone areas and promoting resilient infrastructure. The Ministry of Finance and Economy is developing a strategic financing framework for the management of fiscal risk associated with natural disasters. This framework seeks to integrate risk management into public planning and budgeting, ensuring that fiscal decisions account for natural hazards and their possible impacts.²¹

9. The DR continues to strengthen the social safety nets to protect the most vulnerable households. The Dominican Republic has recently incorporated climate vulnerability into its social protection system, introducing tools like the Climate Shock Vulnerability Index (IVACC), supported by UNDP consultancy, and the Basic Emergency File (FIBE) to prioritize and allocate the Emergency Bonus—a temporary transfer activated after weather-related emergencies. This bonus is financed through budget reallocations enabled by Law 423-06. The FIBE protocol established steps and activation criteria for disaster response enabling identification and prioritization of affected households using structural damage, health effects, and income loss as key inputs.

10. Nevertheless, the country faces institutional policy constraints that hinder implementation of a more effective climate disaster risk management with more forward-looking planning for building resilience and preparedness to climate shocks. Law 147-02 on disaster risk management needs updating to enhance inter-institutional cooperation, reduce duplications of functions and ensure sufficient funding. There is a need for enhanced coordination between authorities at national, regional, provincial levels as well as municipal Committees for Disaster Prevention, Mitigation, and Response, which are responsible for developing local risk management and emergency plans for their jurisdictions.²² Risk management policies and plans are often not fully aligned across various agencies and lack a cohesive and unified risk management strategy across all levels of government, making unified responses difficult, complicating coordination and effective response, and leading to inefficient use of scarce resources. There is often a lack of clear and effective integration of key legislative components like in the case of Law 64-00 (on the Environment and Natural Resources) and Law 147-02 (on Risk Management).

Financing of Climate Needs

11. There are remaining gaps in integrating climate consideration into the public investment process. The C-PIMA (2023) emphasized the critical need to integrate climate considerations into the public investment process. Initial progress has been made in incorporating climate aspects into sectoral public investment planning, land use planning, and project evaluations. However, these efforts remain fragmented, while the public policy still lacks longer-term strategic investment foresight. Opportunities for improvement in national and sectoral public investment planning include establishing a climate change coordination mechanism for public investments within the central government, and with municipalities and public enterprises. Furthermore, the

²¹ [Draft General State Budget Bill for the year 2026.](#)

²² Law 147-02 created a Mitigation and Prevention Fund to invest in preventive measures and have liquidity to respond to natural disaster. However, it was not implemented or defined its sources of financing.

priority criteria for project selection, including those funded under the PPP modality, could further consider climate change, and budget tagging, which currently identifies current spending, should be extended to climate-related investments. In particular, requiring climate impact assessment to be conducted at the appraisal stage; adopting and publishing a methodology to estimate maintenance needs arising from climate-induced damage to public infrastructure, would strengthen the identification of fiscal risks associated with disasters (which is currently outdated). Additionally, while progress has been made with the IADB and World Bank support on a methodology to analyze public roads and bridges' vulnerabilities to climate change, and the macroeconomic impacts of climate change, further improvements are needed.²³

12. Given the limited fiscal space, attracting private funds to build resilience and decarbonize the economy will be critical. Public funding alone will not be sufficient to close the massive investment gap, which necessitates strong participation by the private sector—estimated to account for up to 70 percent of total investment needs.²⁴ This would require further reducing barriers to the mobilization of private climate finance. Since the establishment of the country's green bond market and national sustainable finance framework in 2020, there have been two successful private sector green bond issuances, valued at 150 million USD.²⁵ In 2024, the Dominican Republic launched its Green Taxonomy. Its implementation could help accelerate climate financing and promote climate action. Efforts to build upon this progress and further expand the corporate green bond market would be a key component of establishing a broader base of private financing for climate adaptation and mitigation projects. Incorporation of climate considerations into the PPP framework could further expand private participation in green projects and mobilize more private financing to support the authorities' climate targets.

Sectoral Needs

13. The energy sector—central to achieving climate policy objectives—continues to face long-standing inefficiencies, placing significant pressure on the national budget. The electricity distribution sector suffers significant losses—among the highest in the region—exceeding 50 percent in some parts of the country due to both technical distribution losses largely from lack of sufficient investment amid higher temperatures (that also negatively affect electricity transmission efficiency), and, most notably non-technical losses, from widespread fraud and electricity theft. These losses have averaged 1.3 percent of GDP in budget transfers in the last 3 years. Beyond fiscal benefits, efficiency improvements and sectoral modernization would be necessary to achieve the authorities' targets to reduce power sector emissions.²⁶ Among other measures, this would require

²³ The IDB has supported the implementation of the "Blue Spot" methodology to guide investment planning given transport's infrastructure to climate vulnerabilities. Meanwhile, the World Bank has assisted the authorities in developing a Fiscal Risk Annex for the Medium-Term Fiscal Framework 2024-2028, leveraging the MFMOD model to estimate the macro-fiscal impacts of prospective fiscal risks from climate change through 2050.

²⁴ [World Bank. Dominican Republic: Country Climate and Development Report](#), 2023, p.63

²⁵ Power company EGE Haina valued at 100 million USD (2021); and Banco Popular Dominicano valued at 50 million USD (2023).

²⁶ Reducing electricity (technical) losses by 1 p.p. will reduce emissions by 1.07 percent in the short run (upper bound).

a gradual adjustment of electricity tariffs to cost-recovery levels, in line with the objectives of the Dominican Republic's Electricity Pact (Annex VIII).

14. The water sector—critical for the Dominican Republic's resilience to climate change—also faces operational deficiencies that contribute to the fiscal deficit. Water supply and sanitation service providers show low operational efficiency and lack of transparency in their performance, amid fragmented regulatory framework of the water sector.²⁷ Services suffer from physical leakage, unauthorized water consumption, and very low billing and collection rates. Water tariffs also do not cover costs and require continued funding from the central government, amounting to approximately 0.4 percent of GDP in 2023.²⁸ Implementation of the newly adopted National Hydrological Plan 2025 – 2045 is key to ensure the sector's monitoring, measurement and sustainable use of the water resources. Overall, ensuring the financial health of the water sector—similarly to the energy sector—will be key to strengthening the Dominican Republic's long-term economic resilience and achieving its climate policy objectives.

²⁷ [Dominican Republic: Technical Assistance Report-Climate Policy Diagnostic](#), January 17, 2025, pp. 45-47

²⁸ Budgetary execution of nonfinancial public enterprises and financial public institutions [2022](#); [2023](#)

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Annex X. Data Issues

Table 1. Dominican Republic: Data Adequacy Assessment Rating 1/

B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	A	B	B	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	A	B	A	A		
Granularity 3/	B		A	B	B		
			B		B		
Consistency			B	B		B	
Frequency and Timeliness	A	A	A	C	B		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
<p>Rationale for staff assessment. Data provided to the Fund for surveillance are comprehensive and adequate for macroeconomic and financial analyses. Data coverage, frequency, and timeliness are generally in line with expectations/requirements set in the IMF Data Standards Initiatives. National accounts have been recently rebased, with 2018 as the new base year. Coverage of government operations have been broadened to General Government (GG) since end-2023, including sub-sectors, i.e., extra-budgetary central government, local governments, and social security entities; and granularity improved with the publication of the COFOG for GG, also since 2023. However, the balance of the Rest of the Non-Financial Public Sector is estimated from below-the-line (financing), as above-the-line data (operations) on the aggregate of non-financial corporations are not published in line with GFSM2014. Further, debt coverage of NFPS is limited to debt securities and loans. Nevertheless, the authorities are working to broaden GFS coverage from GG to NFPS and the FPS to expand coverage to a fully consolidated public sector, and to improve debt coverage. On the external sector, there are some coverage gaps in the recording of nonfinancial private sector transactions in the financial account of the BOP, particularly related to direct investment and private sector external debt transactions and positions which also impact IIP statistics. Furthermore, improving the timeliness of the monthly external trade and quarterly external sector accounts data would strengthen surveillance (currently monthly trade data are only released every three months as a whole quarter and quarterly data are published four months after the end of the quarter). The Dominican Republic participates in the IMF's Financial Soundness Indicators (FSIs) database (reporting FSIs monthly with comprehensive data for the banking system and for individual banks and very good coverage of core FSIs. However, FSIs on non-financial corporates and households are not available and data on real estate markets is also lacking.</p>							
<p>Changes since the last Article IV consultation. The authorities successfully worked (with help from STA and CAPTAC-DR) on the rebasing of the national accounts to 2018, publishing data in early 2025. They are working with STA on the steps required to adhere to SDDS and have made significant progress up to 2025: Q1, very close to completing the subscription process.</p>							
<p>Corrective actions and capacity development priorities. A formal commitment is needed to improve the timely publication of trade statistics (monthly) in addition to the existing timely quarterly publications.</p>							
<p>Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff do not use data and/or estimates different from official statistics.</p>							
<p>Other data gaps. NA</p>							

Table 2. Dominican Republic: Data Standards Initiatives

Dominican Republic participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since February 2019.

Table 3. Dominican Republic: Table of Common Indicators Required for Surveillance

As of October 9, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Dominican Republic ⁸	Expected Timeliness ^{6,7}	Dominican Republic ⁸
Exchange Rates	2-Oct-25	6-Oct-25	D	D	D	M	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	1-Oct-25	6-Oct-25	D	D	M	M	1M	1M
Reserve/Base Money	31-Aug-25	19-Sep-25	M	M	M	M	2M	1M
Broad Money	31-Aug-25	19-Sep-25	M	M	M	M	1Q	1M
Central Bank Balance Sheet	31-Aug-25	19-Sep-25	M	M	M	M	2M	1M
Consolidated Balance Sheet of the Banking System	31-Aug-25	19-Sep-25	M	M	M	M	1Q	1M
Interest Rates ²	1-Oct-25	6-Oct-25	D	D	M	M	...	1M
Consumer Price Index	31-Aug-25	12-Sep-25	M	M	M	M	2M	15D
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Q2/2025	2-Sep-25	Q	Q	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	31-Aug-25	6-Oct-25	M	M	Q	M	1Q	2M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	31-Aug-25	22-Sep-25	Q	Q	Q	Q	2Q	8W
External Current Account Balance	Q2/2025	26-Sep-25	Q	Q	Q	Q	1Q	3M
Exports and Imports of Goods and Services	Q2/2025	26-Sep-25	M	M	M	M	12W	5M
GDP/GNP	Q2/2025	26-Sep-25	Q	Q	Q	Q	1Q	1Q
Gross External Debt	Q2/2025	26-Sep-25	Q	Q	Q	Q	2Q	6W
International Investment Position	Q2/2025	26-Sep-25	Q	Q	A	Q	3Q	6M

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex XI. Rebasing of National Accounts

The Central Bank of the Dominican Republic (BCRD) updated its national accounts in line with the IMF's 2017 Quarterly National Accounts Manual making use of more comprehensive and updated data sources and surveys. On the production side, the latest data point to an increase in the share of the tertiary sector at the expense of both the primary and secondary sectors (with the exception of the construction sector). On the expenditure side, an increase in the share of public consumption is offset by declines in private consumption, investment and net exports. In terms of economic performance, the latest series point to a sharper pandemic recession in 2020 but a stronger recovery in 2021 and 2022, and a slightly greater cyclical slowdown in 2023.

Methodological Improvements

1. The latest national accounts make use of enhancements in the underlying survey data as well as increased use of alternative data sources principally on the production side. On the survey side, enhance surveys include the 2018 National Household Expenditure and Income Survey, the 2022 National Population and Housing Census, and the National Survey of Micro, Small, and Medium Enterprises. Additional data complemented these surveys, including administrative records of companies and public institutions (including the directory of companies, DINEM), financial statements, budget execution of the general government. The BCRD also made use of its own data such as the Consumer Price Index Survey, Continuous National Labor Force Survey ENCFT, Tourist Expenditure and Motivation Survey, National Health Survey, and External Sector Statistics. The new data increases the coverage and disaggregation of productive sectors from 35 (including coverage of 175 products) in the previous reference year to 70 (182 products) in the latest. The methodological changes were also applied to the higher frequency monthly economic activity indicator (IMAE).

Key Structural Changes

2. Tables 1 and 2 present the changes in the shares in economic activity for both expenditure categories and production sectors. On the expenditure side, while private consumption and gross capital formation remain the largest expenditure categories in GDP at 69 and 25.2 percent, their importance in the economy declined by 1.9 and 2.4 percentage points. Likewise, the estimated degree of openness, measured by the shares of exports and imports, declined, notably that of imports. The only expenditure category to have risen was public consumption (1 percentage point (pp) to 10.1 percent).

Table 1. Dominican Republic: Nominal Expenditure Shares
(Percent)

Component	2007	2018	Difference
Private Consumption	70.9	69.0	-1.9
Public Consumption	9.2	10.1	1.0
Gross Capital Formation	27.6	25.2	-2.4
Gross Fixed Capital Formation	27.0	24.8	-2.2
Change in Inventories	0.6	0.4	-0.2
Exports	26.8	24.0	-2.8
Imports	34.5	28.3	-6.1
GDP	100.0	100.0	0.0

Source: BCRD and IMF staff calculations

3. On the production side, services remain the largest production sector, followed by industry and agriculture. The largest subsectors are construction (11.6 percent), commerce (10.9 percent), local manufacturing (9 percent), real estate (8.7 percent), other services (8.5 percent) and hospitality (8.0 percent) which together represent more than half of GDP (around 57 percent). In terms of trends, the service share in GDP increased by 5.6pp in 2018 vs 2007 to 62.5 percent at the expense of lower shares from agriculture (1.9pp decrease to 4.6 percent in 2018) and industry (3.1pp to 25.5 percent in 2018). In the service sector, there were increases in the shares of commerce (1.8pp to 10.9 percent), education (1.8pp to 5 percent), public services (1.2pp to 4.6 percent), real estate (1pp to 8.7 percent), health (0.6pp to 2.9 percent), other private services (0.5pp to 8.5 percent) and transportation and storage (0.3pp to 7.4 percent), with declining shares in utilities (0.6pp to 1.4 percent), communication (0.8pp to 2.1 percent) and financial services (0.2pp to 3.7 percent), while hotels, bars and restaurants (hospitality) remained flat at 8 percent.

Component	2007	2018	Difference
Agriculture	6.5	4.6	-1.9
Industry	28.6	25.5	-3.1
Mining	2.0	1.8	-0.1
Local Manufacturing	12.2	9.0	-3.2
Free Trade Zones	4.0	3.1	-0.9
Construction	10.4	11.6	1.2
Services	56.9	62.5	5.6
Utilities	2.0	1.4	-0.6
Commerce	9.1	10.9	1.8
Hospitality	8.0	8.0	0.0
Transport and Storage	7.1	7.4	0.3
Communication	2.1	1.4	-0.8
Financial Services	4.0	3.7	-0.2
Real Estate	7.7	8.7	1.0
Education	3.2	5.0	1.8
Health	2.3	2.9	0.6
Other Private Services	8.0	8.5	0.5
Public Services	3.5	4.6	1.2
Value Added	92.0	92.6	0.6
Taxes and Subsidies	8.0	7.4	-0.6
GDP	100.0	100.0	0.0

Source: BCRD and IMF staff calculations

Growth Performance Since 2018: Little Narrative Changes

4. The average real growth rate of GDP is 3.7 percent for the period 2019-2023 for the rebased national accounts against 3.6 percent for the national accounts referenced to the year 2007 (Table 3). The pandemic recession in 2020 and subsequent recovery in 2021 and 2022 were greater than previously anticipated, as was the cyclical slowdown in 2023. While the drivers of the recession and recovery remain private consumption, investment and exports, the incidence of private consumption is now greater, while that of exports and investment is lower. On the other hand, the positive contribution of public consumption partly offsets these declines. A similar story can be noted for the recovery, with a stronger private consumption and investment recovery, while the export growth is now marginally smaller. The cyclical slowdown in 2023 continues to be driven by slowing private consumption, investment and weak exports; and in the case of the latest data, which reflects a larger slowdown, this is largely driven by weaker net exports.

	2019	2020	2021	2022	2023
2018 Base					
Private Consumption	4.9	-4.3	8.3	5.5	2.7
Public Consumption	7.6	9.9	-2.4	8.5	2.4
Gross Capital Formation	5.5	-8.3	24.3	5.1	2.0
Exports	1.8	-28.5	35.3	13.1	-1.6
Imports	3.3	-10.6	21.3	14.0	0.1
GDP	4.9	-7.9	14.0	5.2	2.2
2007 Base					
Private Consumption	4.6	-3.4	6.6	5.1	2.5
Public Consumption	6.3	4.9	0.1	3.9	2.3
Gross Capital Formation	8.1	-12.1	22.1	4.0	2.0
Exports	1.5	-30.3	36.2	13.7	-0.5
Imports	5.8	-14.5	25.7	14.4	0.4
GDP	5.1	-6.7	12.3	4.9	2.4

Source: BCRD and IMF staff calculations



DOMINICAN REPUBLIC

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

October 27, 2025

Prepared By

Western Hemisphere Department
(In consultation with other Departments)

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FUND RELATIONS

(As of September 30, 2025)

Membership Status: Joined: December 28, 1945; Article VIII

General Resources Account:	SDR Million	Percent Quota
Quota	477.40	100.00
Fund holdings of currency (Exchange Rate)	412.77	86.46
Reserve Tranche Position	64.63	13.54
SDR Department:	SDR Million	Percent Allocation
Net cumulative allocation	666.39	100.00
Holdings	33.10	4.97

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	November 9, 2009	March 8, 2012	1,094.50	766.15
Stand-By	January 31, 2005	January 30, 2008	437.80	437.80
Stand-By	August 29, 2003	January 31, 2005	437.80	131.34

Outright Loans:

Type	Date of Commitment	Date Drawn	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RFI	April 29, 2020	April 30, 2020	477.40	477.40

Projected Payments to Fund

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2025	2026	2027	2028	2029
Principal					
Charges/Interest	4.56	17.86	17.86	17.86	17.85
Total	4.56	17.86	17.86	17.86	17.85

Implementation of Enhanced HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangement. The currency of the Dominican Republic is the Dominican Peso. The Dominican Republic's *de jure* exchange rate arrangement is classified as "managed floating", while the *de facto* exchange rate arrangement is classified as "floating" based on the assessment of the April 7-October 6, 2025 period, reflecting greater exchange rate flexibility along with participation in the foreign exchange by the Central Bank largely limited to smooth excessive volatility. The Central Bank is committed to limit its participation to smoothing large shocks.

The Dominican Republic has accepted the obligations under Article VIII, Section 2, 3, and 4 of the IMF's Article of Agreements, and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions.

Article IV Consultation. The previous round of Article IV consultation discussions took place in Santo Domingo during July 10-23, 2024. The consultation was concluded by the Executive Board on September 10, 2024 under its lapse-of-time procedure. The Dominican Republic is on the standard 12-month consultation cycle.

FSAP Participation. An FSAP update was completed in February 2009. The corresponding report was issued in November 2009.

Technical Assistance. Technical assistance (TA) delivery to the Dominican Republic takes place through a mix of short-term HQ expert missions and visits from regional advisors based in the IMF Regional Technical Assistance Center for Central America, Panama, and the Dominican Republic (CAPTAC-DR). See Annex III of the main report for details of the key areas of current focus.

Resident Representative: The Fund representative office in the Dominican Republic was closed on July 1, 2014. Mr. Peraza (based in Guatemala) is the Regional Resident Representative for Central America, Panama, and the Dominican Republic.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank: <http://www.worldbank.org/en/country/dominicanrepublic>

Inter-American Development Bank: <https://www.iadb.org/en/countries/dominican-republic/overview>

Development Bank of Latin America (CAF): <https://www.caf.com/en/countries/dominican-republic/>

Central American Bank for Economic Integration: <https://www.bcie.org/en/member-countries/regional-non-founding-members/dominican-republic-1>

MAIN WEBSITES OF DATA

Central Bank of the Dominican Republic: <https://www.bancentral.gov.do/>

National accounts
Consumer Price Index
Monthly Indicator of Economic Activity (IMAE)
Balance of Payments
International reserves
Interest rates
Monetary and financial indicators
Tourism statistics
Labor and employment
Exchange rates

Ministry of Finance and Economy: <https://www.hacienda.gob.do/>

Fiscal accounts
Central government budget

Ministry of Economy, Planning and Development: <https://mepyd.gob.do/>

Household income and expenditure survey
Poverty and inequality
Construction sector statistics

Public Debt Office of the Treasury: <https://www.creditopublico.gob.do/>

Public debt

Superintendency of Banks: <https://sb.gob.do/>

Banks balance sheets and income statements
Financial Soundness Indicators

National Statistics Office: <https://www.one.gob.do/>

Population and social indicators
Producer price index

**Statement by Mr. André Roncaglia, Executive Director for the Dominican Republic,
and Mr. Frank Fuentes, Advisor to Executive Director
November 12, 2025**

1. On behalf of our Dominican authorities, we thank the new mission chief, Mr. Llaudes, and his team for the candid and constructive discussions during the 2025 Article IV consultation. The authorities appreciate the thorough analysis and sound policy recommendations outlined in the staff report, particularly given the ongoing challenges posed by the prevailing global macroeconomic and financial conditions.

Recent economic developments and outlook

2. **In light of significant external uncertainty and stringent international financial conditions, economic activity in 2025 has exhibited a notable moderation.** The monthly economic activity indicator (IMAE) registered a cumulative growth of 2.2% in January-September 2025, explained by a deceleration in sectors with high productive linkages, especially construction and manufacturing. As domestic financial conditions have started to ease and public infrastructure investment has accelerated, real GDP growth is projected to reach around 2.5 percent at year-end 2025. For 2026, real GDP is expected to return to potential growth between 4.0 and 5.0 percent in a lower interest rate environment.

3. **Inflation remains firmly within the target range.** Headline inflation (y-o-y) reached 3.76 percent in September with higher food prices being offset by low energy price inflation. Inflation has remained within the *Banco Central de la República Dominicana* (BCRD) target range of 4 percent \pm 1pp since May 2023. Furthermore, core inflation reached 4.35 percent in September and has remained within the target range since late 2024. Inflation expectations remain well-anchored at around the center of the target range.

4. **The monetary-easing cycle continues.** The BCRD reduced its monetary policy rate (MPR) by 25 basis points for the second consecutive month, reaching 5.25% in October. The reduction of the MPR reflects slightly softer international financing conditions fostered by the Federal Reserve's recent cuts. These conditions should help maintain stable interest-rate differentials with the US monetary policy rate in the short term.

Fiscal policy

5. **A prudent fiscal policy stance anchored by the fiscal rule is firmly in place.** The authorities remain strongly committed to continuing with the fiscal consolidation process in line with the medium-term fiscal framework and the Fiscal Responsibility Law (FRL) to strengthen sustainability. The deficit is expected to reach 3.5 percent of GDP at year-end 2025, narrowing to 3.2 percent in 2026 supported by restrained current expenditure and measures to improve compliance and streamline tax administration. In light of the cyclical slowdown and continued infrastructure needs, authorities are leveraging available fiscal space to pursue counter-cyclical

capital spending, within the limits established by the FRL, with the aim of bolstering economic activity in the short-term.

6. **Public debt remains sustainable and on a steady downward trajectory.** The FRL establishes operational guidelines that restrict annual real primary spending growth to a maximum of 3 percent until the general government debt anchor limit of 40 percent is achieved by at least the year 2035. At this juncture, near-term and medium-term risks are mitigated by moderate levels of public debt and declining gross financing needs, driven by the authorities' commitment to a gradual fiscal consolidation. Additionally, the BCRD and the Ministry of Finance and Economy are collaborating with the support of IMF technical assistance to design a new mechanism to address the quasi-fiscal debt and the recapitalization of the BCRD.

Monetary policy, financial stability, and the external sector

7. **The BCRD maintains a data-dependent and forward-looking approach to its monetary policy stance amid high external uncertainty.** The inflation targeting (IT) regime implemented by the BCRD since 2012 has effectively promoted price stability and anchored inflation expectations. Going forward, as inflation remains firmly around the target and interest rates continue to fall, the monetary authorities are strategically winding down the existing exceptional liquidity measures while ensuring adequate systemic liquidity. In line with the inflation-targeting regime, the BCRD maintains its commitment to exchange rate flexibility and its role as a stabilizer. Foreign exchange interventions are focused on addressing disorderly market conditions and excessive volatility, given the peso's broad alignment with fundamentals. The recently approved regulations to enhance the monitoring of FX operators will further strengthen the FX market, while enhancing transparency and price formation capability.

8. **The financial sector is sound, and systemic risks are largely contained.** The financial system's primary indicators point to high levels of capitalization, liquidity, and profitability. As of the end of September, the return on equity (ROE) was 21.7 percent, and the return on assets (ROA) was 2.6 percent, while the non-performing loans rate stood at 1.9 percent. The authorities are proactively enhancing financial regulation and supervision to align with international standards. Key initiatives include implementing mark-to-market/IFRS9 rules for banks in January 2026, strengthening consumer protection, and introducing macroprudential measures for financial stability. The new Cooperatives Law improves AML/CFT oversight, with the largest cooperatives now subject to supervision by the Superintendency of Banks. The ongoing reform program is designed to meet the standards of Basel II and III, with the recapitalization of the BCRD identified as a priority.

9. **The external position remains broadly in line with fundamentals.** The current account deficit is expected to narrow to 2.5 percent of GDP in 2025, driven by favorable terms of trade and

robust remittances and travel receipts, fully financed by FDI and portfolio inflows. While exports from free-trade zones (FTZs) have remained resilient thus far, the authorities are in dialogue with the U.S. government, the country's main trading partner, to negotiate the implementation of the new tariffs imposed on Dominican goods. They anticipate that nearshoring trends and the ongoing shift of FTZ towards higher-tech and higher-value-added products will continue to support manufacturing production and overall economic growth.

Structural reforms and governance

10. **The “*META RD 2036*” plan provides a medium-term roadmap for the structural transformation of the Dominican economy.** The project was initiated through Presidential Decree 337-24 and serves as the Dominican Republic's overarching economic development strategy, with the primary objective of doubling the national GDP by 2036. The strategy focuses on implementing a new generation of reforms to advance the country toward a more diverse and sophisticated economy while promoting social inclusion and resilience. The Inter-American Development Bank is providing technical assistance to support its implementation.

11. **Implementation of the electricity sector reform continues.** The authorities remain firmly committed to the complete implementation of the National Pact for the Reform of the Electricity Sector signed in February 2021 by the government, political parties, the private sector, labor unions, and civil society in order to address long-standing systemic issues. The authorities are working to reduce losses in the state-controlled distribution network, promote financial reliability, foster greater private-sector participation, and shift the country's energy matrix away from fossil fuels and toward renewable energy sources. The country's rising energy demand will be met by the integration of the 420 MW gas-fired Manzanillo Power Plant and the 130 MW ENER GAS 4 project into the system, as part of an additional 1,400 MW planned by 2028.

12. **The Dominican Republic is making progress in its efforts to join the OECD.** Presidential Decree 408-25 established an inter-institutional commission to develop a Public Integrity System and to coordinate OECD accession initiatives across key ministries. These measures underscore the importance of enhanced governance, transparency, and adherence to international standards. This initiative seeks to promote more inclusive and sustainable development, while attracting a greater volume of foreign investment. The country is currently collaborating with the organization on various initiatives, including the development of a National Integrity and Anti-Corruption Strategy and the review of the competition law and public integrity frameworks.

13. **Labor reform is currently under discussion in Congress.** The Dominican Republic is undertaking a comprehensive labor reform to modernize its 1992 Labor Code, with a bill approved by the Senate in October 2025 that will now go to the House of Representatives. The reform's

primary objectives are to align labor market institutions and practices with international standards, enhance labor market flexibility, and reduce informality. The reform also aims to boost women's labor force participation and promote youth employment while striking a balance between worker protection and economic competitiveness by updating regulations for new work realities like remote work, strengthening social protection, and promoting job creation.

14. **Mitigating climate vulnerability is a high government priority.** Owing to its position in the Caribbean, the Dominican Republic is highly exposed to adverse natural disasters and the consequences of climate change. The recent path of Hurricane Melissa, considered one of the most erratic and catastrophic weather events of recent decades, heavily impacted the Dominican Republic, and left a trail of devastation in Jamaica, Cuba, and Haiti. In light of the country's exposure to climate change, the authorities have demonstrated a strong commitment to mitigation and adaptation efforts, making significant progress in implementing climate change policies, particularly in the institutional framework and governance of its disaster risk management policies, along with the social safety nets to protect the most vulnerable households. Nevertheless, they are acutely aware of the urgent need to ramp up efforts to close the climate investment gap, with a significant contribution from the private sector given the limited fiscal space.

Concluding Remarks

15. **The authorities reaffirm their commitment to implementing sound policy frameworks, ensuring transparency, and aligning closely with international best practices.** The Dominican economy continues to demonstrate robust fundamentals and a proven resilience that will enable it to continue to withstand external shocks, thereby contributing to maintaining macroeconomic stability and sustained growth. Furthermore, the authorities' strong track record and steadfast commitment to implement Fund policy advice and technical assistance recommendations will remain crucial to weathering a very challenging and uncertain international environment.