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Dominican Republic: Letter of Intent and Technical Memorandum of Understanding

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LETTER OF INTENT



Banco Central de la República Dominicana
Ministerio de Hacienda
Ministerio de Economía, Planificación y Desarrollo

Santo Domingo, Dominican Republic
March 19, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Mr. Strauss-Kahn:

1. **Background.** The government's economic program announced in our letter of intent (LOI) of October 6, 2009 is generating immediate results and performing better than expected. Economic growth is beginning to pick up preventing a sharp increase in unemployment while confidence has firmed up. The purpose of this letter is to: (i) update and supplement our October 2009 letter and Memorandum of Economic and Financial Policies (MEFP); (ii) describe performance under the government's economic program for end-2009; (iii) propose marginal revisions to the macroeconomic program for 2010 to adjust to the changing regional and international realities; (iv) set structural benchmarks in the electricity sector for 2010; (v) request two waivers for a minor delay and a small deviation in implementing our policies; and (vi) request completion of the first review under the Stand-by Arrangement (SBA). Revised targets and benchmarks for 2010 are included in tables 1 and 2.

2. **Economic performance.** There are early signs of improvement in the economy, but external and domestic risks to recovery are still high.

- **Growth.** Real GDP rebounded in the last quarter of 2009 and it is estimated to have grown by 3.5 percent for 2009 as a whole, helped by swift action on monetary policy in the first half of the year and an important fiscal impulse at the end of the year. For 2010 we expect growth to continue between 3 and 4 percent, but risks remain high. In particular, the international economy may not recover as quickly as expected, and domestic private demand may continue to be weak.

- ***Inflation.*** Headline and core inflation have remained subdued, below the target range of the central bank. Headline inflation came in at 5.7 percent for 2009 and is expected to be in the range of 6-7 percent in 2010, whereas core inflation (which excludes food and energy prices) remained low and stable at around 3 percent.
 - ***Balance of payments.*** The external current account deficit reached about 5 percent of GDP for 2009, around 1 percent of GDP lower than expected, and private capital flows were higher than anticipated, which permitted the accumulation of international reserves beyond the level anticipated in the program. The exchange rate has remained relatively stable.
 - ***Financial system.*** Financial soundness indicators continue to point to a healthy financial system with low levels of non-performing loans, high liquidity and solvency and an adequate capital base, although the economic slowdown is being felt by banks.
3. **Performance under the program.** Most targets were observed but there was a transitory deviation in one fiscal target and a short delay in clearing domestic arrears:
- ***Fiscal.*** The government met the target for the overall balance of the consolidated public sector, but there was a deviation of about 0.4 percent of GDP in the deficit of the Central Administration, which is mostly explained by higher-than-anticipated transfers to the public electricity company (CDEEE) facing higher costs (partly related to higher international oil prices) that were not passed to the customers. At the consolidated public sector level, the higher transfers to the electricity company were offset by lower quasi-fiscal losses of the Central Bank and higher profits of the oil refinery (REFIDOMSA), which could not be transferred to the budget before the end of the year. More importantly, access to external financing under the program allowed for a significant increase in expenditures on important investment projects, from 2.1 percent of GDP through the third quarter of 2009, to 3.6 percent of GDP for the year as a whole, providing a timely fiscal impulse which has helped to reactivate the economy, while allowing the construction of important infrastructure projects to further support the economic recovery and productive capacity. Social expenditures also increased to meet the target under the program of increasing the coverage of the conditional cash transfer program by 70,000 families living in extreme poverty. At the same time, the government met its obligations under the Central Bank recapitalization law by transferring about 1 percent of GDP to the Central Bank in 2009.
 - ***Monetary.*** The central bank maintained an accommodative monetary policy stance to support the economic recovery, keeping reserve requirements on domestic currency deposits at 17 percent (after lowering them from 20 percent in early-2009) and maintaining the policy rate unchanged at a low of 4 percent. These policies allowed for an expansion of bank lending to the private sector, especially in the last quarter of

2009, which helped the recovery of economic activity. At the same time, the target on net international reserves (NIR) was exceeded by some \$650 million due to a better-than-expected performance in the balance of payments, some of which is expected to be transitory.

- **Debt.** The performance criterion on the non-accumulation of external arrears was met, but the performance criterion on the non-accumulation and clearance of domestic arrears with electricity generators was not met mostly due to higher-than-estimated fuel costs. The public electricity company (CDEEE) finished the year with arrears amounting to some US\$100 million to the electricity generators under the program definition (i.e., allowing for a 45 day delay to pay due bills). However, these arrears were cleared during March 2010. The government is now current in its obligations to the private electricity generators.
- **Structural benchmarks.** The two structural benchmarks for end-December 2009 (the design of an electricity sector reform strategy; and the increase in the coverage of the conditional cash transfer program) were met.
- **Waiver.** On the basis of corrective actions taken to achieve our objectives, we request a waiver for the non-observance of two performance criteria, one on the fiscal balance of the Central Administration, and the other on the non-accumulation and clearance of arrears with private electricity generators.

4. **Policies for 2010.** The government will continue to follow the guidelines of its program, as presented in the Memorandum of Economic and Financial Policies of the Dominican Republic attached to the Letter of Intent signed on October 6, 2009. However, based on the economic outcome for 2009, and the recent devastating earthquake in Haiti, we propose the following limited revisions to the program:

- **Quantitative targets.** To demonstrate the authorities' commitment to the program, we propose to strengthen the fiscal target for the Central Administration by about RD\$2,700 million in 2010 (about 0.2 percent of GDP), which is about one-half of the deviation in 2009 and to leave the target for the consolidated public sector at the same level (table 1).
- **Fiscal policy.** The 2010 Budget approved by Congress in December 2009 broadly reflects the fiscal policy envisaged in the October 2009 letter of intent. We reiterate our commitment to the original target for the overall balance of the consolidated public sector of 4 percent of GDP, independently of the adjustments to the Central Bank Recapitalization Law. Risks to the implementation of this budget include: (i) timely access to financing; and (ii) additional expenditure related to the Haitian disaster relief and reconstruction. With regard to the former, the government intends to issue at least \$600 million of sovereign bonds during the year, as originally

planned in our MEFP of October 2009. With regard to the latter, the government has provided budgetary support during the first quarter of 2010 on hospitals in border towns to assist injured Haitians after the earthquake and provide other relief, including donations of food and fuel. We expect to provide further assistance to Haitian citizens during the rest of the year. Looking ahead, the government will work closely with the international community to assist Haiti in its relief and reconstruction efforts without compromising macroeconomic management in the country. We continue to recognize the need to maintain an appropriate countercyclical fiscal stance, and intend to continue using economic stabilizers in the upswing by saving excess revenues that might materialize should the economy grow considerably faster than expected during 2010 or early signs of overheating be observed. Once we have achieved an adequate level of taxation consistent with fiscal sustainability, we would devote additional revenues derived from improvements in tax administration to continue expanding priority spending, mostly in the social and investment areas.

- **Monetary policy.** Although the economy remains weak and there are no inflationary pressures, the Central Bank remains prepared to act flexibly and in a timely manner (as demonstrated during 2008 and 2009) to respond to a more rapid closing of the negative output gap. The Central Bank does not anticipate unwinding the reduction in reserve requirements that took place in early-2009, and is expected to maintain its interest rate policy. However, given the large reserve accumulation in December 2009 and the relatively low level of international reserves in the country, we propose saving part of the NIR over-performance. Our conservative estimates, agreed with Fund staff, indicate that about one third of the excess reserve accumulation in 2009 represents a permanent gain which would warrant increasing the floor on the NIR target by \$200 million for 2010 (although there are significant upside risks), and we propose to change the performance criterion for 2010 accordingly (Table 1).
- **Structural policies.** The government has developed a strategy for the reform of the electricity sector, which includes the following concrete actions that will serve as structural benchmarks for the implementation of the electricity reform (Table 2):
 - **Tariff reform.** The Government will implement a more flexible pricing mechanism for electricity tariffs with a view to adopt a “technical tariff” (which will cover the cost of generation, transmission and distribution, and the efficiency losses in the system). As an intermediate step, the government will eliminate gradually the gap between the current tariffs and the “indexed tariff” (which covers existing generation costs) as published by the Superintendency of Electricity, starting in the second half of 2010, with a view to eliminate the gap by the end-December 2010 (structural benchmark).
 - **Improving invoicing.** The electricity distribution companies (EDEs) will increase the number of their regulated clients by about one-third from 1.4 million in 2009 to 1.9 million by end-September 2010 (structural

benchmark); this would entail attaining a (redefined) Cash Recovery Index (CRI) of about 70 percent, which takes into account the customers in former PRA areas.

- **Targeted subsidies.** The government will increase the coverage of the BONOLUZ program from 11 thousand clients at end-2009 to 50 thousand by end-December 2010 (structural benchmark).
- **Social policy.** In line with the original aims of the program, the government will continue to increase expenditures on public education and health services to cover the increase in the demand for these services that results from the expansion of the conditional cash transfer program to a larger percentage of families living in extreme poverty. In particular, the government will increase spending on the construction and rehabilitation of public schools and medical services in poor areas, and on nutritional supplements for poor children.

5. **Ownership.** The government believes that the policies set forth in the MEFP attached to the LOI of October 6, 2009, and the modifications indicated above, are adequate to achieve the objectives of its program, but it will take any further measures that may become appropriate for this purpose. The government will maintain the productive and fruitful dialogue we have had with the Fund in the past. In this spirit of cooperation, the government will consult with the Fund on the adoption of these measures (and in advance of revisions to the policies contained in the MEFP), and will continue providing Fund staff with all the relevant information required to complete program reviews and monitor performance.

6. **Publication.** As part of our communication policy, we intend to publish this letter on the websites of the Central Bank, the Ministry of Finance, and the Ministry of Economy, Planning and Development to maintain our citizens and domestic economic agents informed about our policy actions and policy intentions. We also authorize the Fund to publish this letter to facilitate a wider access and review of our policies by the international community.

Sincerely yours,

_____/s/_____
Héctor Manuel Valdez
Governor of the Central Bank

_____/s/_____
Vicente Bengoa
Minister of Finance

_____/s/_____
Temístocles Montás
Minister of Economy

Table 1. Dominican Republic: Quantitative Performance Criteria 2010 1/

	2010			
	Mar	Jun	Sep	Dec
Fiscal Targets				
1. Overall balance of the central administration (floor) 2/ 3/	-73.7	-88.4	-95.8	-102.3
2. Overall balance of the consolidated public sector (floor) 2/ 3/	-97.5	-119.5	-133.0	-147.0
Monetary Targets				
3. Net international reserves (floor) 4/	1,765	1,765	1,865	2,015
4. Net domestic assets (ceiling) 3/	65.0	80.0
Debt Targets				
5. Accumulation of public arrears with electricity generators (ceiling) 2/ 4/	0.0	0.0	0.0	0.0
6. Accumulation of external public debt arrears 4/ 5/	0.0	0.0	0.0	0.0

1/ Targets for end of the month, defined in the Technical Memorandum of Understanding.

2/ Cumulative flows from December 2008.

3/ In billions of Dominican Republic pesos.

4/ In millions of U.S. dollars.

5/ Continuous target.

Table 2. Dominican Republic: Structural Benchmarks for 2010

Measure	Timing
Public Sector Reform	
A. Design a strategy to rationalize and limit tax exemptions, strengthen tax administration, and continue modernizing customs to achieve the medium-term revenue objectives of the program	Mar 2010
Financial Sector Reform	
B. Design a plan to achieve compliance with all Basel core principles for effective bank supervision by 2012	Mar 2010
C. Design a plan to formally adopt a full-fledged inflation targeting framework by early 2012	Jun 2010
Recovery and Growth Enhancement	
D. Design a strategy to develop domestic capital markets and debt management including by lowering the country risk and the borrowing costs for the economy	Sep 2010
E. Increase the number of regulated clients of the distribution companies (EDEs) to 1.9 million	Sep 2010
F. Adopt a flexible pricing mechanism for electricity tariffs with a view to eliminate the gap between current tariffs and the "indexed" tariff as defined by the Superintendency of Electricity	Dec 2010
Social Safety Net	
G. Increase the coverage of the BONOLUZ program to 50 thousand clients	Dec 2010

ATTACHMENT 1: TECHNICAL MEMORANDUM OF UNDERSTANDING

This Technical Memorandum Understanding (TMU) presents the definitions of the variables included in the quantitative performance criteria annexed to the *Memorandum of Economic and Financial Policies (MEFP)*, and the information requirements needed to ensure adequate monitoring of economic and financial developments.

I. Quantitative Performance Criteria: Definition of Variables

A. Cumulative Floor on the Central Government Balance

The overall balance of the central government covers government activities as specified in the budget.

Revenues are recorded when the funds are deposited in the Treasury account. Revenues will also include grants. Central government expenditures are recorded on an accrual basis and will include transfers to other government units as well as all transfers to the electricity sector. Interest payments, however, will be recorded on a due basis. Capital expenditure will include any in-kind capital expenditures defined as the externally financed investment projects (through loans and grants) in case they are not included in the execution of the budget.

The balance of the central government will be measured from “below the line” as the change in the central government’s net financial position (assets minus liabilities). The net financial position of the central government includes: (a) non-bank central government debt, external and domestic, including debt with the IMF for budgetary support and short-term debt approved by the Ministry of Finance; (b) external and domestic bank borrowing (net of deposits), including deposits in the central bank; and (c) any other nonbank financing, domestic or external, including the sale of public assets and the net change in the stock of domestic and external arrears, including arrears to electricity distributors. Domestic arrears of the nonfinancial public sector are defined as delays in the payment of contractual obligations beyond the grace period set in the respective loan or debt contract or 30 days in case the grace period is not specified. Capitalizations or purchases of equity in public companies will be treated as an above-the-line expenditure transaction. External debt flows (i.e., disbursements and debt service), will be converted to Dominican Republic pesos at the exchange rate of the day in which the transaction takes place.

The following uses of funds will not affect the deficit and will be recorded below the line in 2009: (i) clearance of central government domestic arrears incurred before end-December 2008; (ii) amortization of loans and bonds; (iii) bonds issued for the recapitalization of the Central Bank and Banco de Reservas; and (iv) other arrears with suppliers incurred by end-December 2008. A memorandum line in the information reporting the Central Government fiscal operations will report items (i) to (iv) in this paragraph.

In the event of a change in the central bank recapitalization law that affects interest payments from the central administration to the central bank, the target on the overall balance of the central government will be adjusted accordingly. Any decline (increase) in interest payments relative to the program value will result in a higher (lower) overall balance target by the same amount.

1. Targets on the Overall Balance of the Central Government

Cumulative Balance (from December 31, 2008)	Floor (In billions of RD\$)
End-October 2009 (actual)	-28.3
End-November 2009 (actual)	-37.9
End-December 2009 (actual)	-58.0
End-January 2010 (program projection)	-58.4
End-February 2010 (program projection)	-62.4
End-March 2010 (performance criterion)	-73.7
End-April 2010 (program projection)	-72.8
End-May 2010 (program projection)	-75.8
End-June 2010 (performance criterion)	-88.4
End-July 2010 (program projection)	-92.6
End-August 2010 (program projection)	-94.1
End-September 2010 (performance criterion)	-95.8
End-October 2010 (program projection)	-96.5
End-November 2010 (program projection)	-98.6
End-December 2010 (performance criterion)	-102.3

B. Cumulative Floor on the Consolidated Public Sector Balance

The consolidated public sector comprises: (i) the operations of the nonfinancial public sector; and (ii) the quasi-fiscal operations of the central bank. The balance of the nonfinancial public sector comprises the overall balances of the central government (as defined before) and the rest of the nonfinancial public sector (municipalities, decentralized entities, social security entities, and public enterprises).

The rest of the nonfinancial public sector includes the following non financial public enterprises: Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE, including Empresa de Generación Hidroeléctrica Dominicana), Empresas Distribuidoras de Electricidad del Norte (EDENORTE), Empresas Distribuidoras de Electricidad del Sur (EDESUR), Empresas Distribuidoras de Electricidad del Este (EESTE) , Consejo Estatal del Azúcar, Corporación de Fomento Hotelero y Desarrollo Turístico, Corporación de Acueducto y Alcantarillado de Santo Domingo, Acueducto y Alcantarillado de Santiago, Acueducto y Alcantarillado de Moca, Acueducto y Alcantarillado de la Romana, Instituto Nacional de Aguas Potables y Alcantarillados, Corporación de Acueducto y Alcantarillado de Puerto Plata, Proyecto de la Cruz de Manzanillo, Instituto Postal Dominicano, Corporación Estatal de Radio y Televisión, Instituto Nacional de la Vivienda, Lotería Nacional, Autoridad Portuaria Dominicana, Refinería Dominicana de Petróleo.

The overall balance of the rest of the nonfinancial public sector will be measured from “below the line” as the change in the net financial position (assets minus liabilities) on the basis of changes in: (i) domestic bank credit and deposits; (ii) domestic and external arrears, and (iii) external disbursements less amortizations.

The quasi-fiscal balance of the central bank included in the consolidated public sector balance is measured as all the administrative and financial revenues minus costs (including costs of monetary policy and interest on the central bank debt and operational expenditures). Given uncertainties on interest payments of the central bank by the end of 2009, the cumulative floor on the consolidated public sector will be adjusted downward by up to a limit of RD\$0.5 billion for interest payments in excess of RD\$27.5 billion for 2009. No adjustments will be applied for 2010 unless agreed between the authorities and the Fund staff in case there is a change in the recapitalization plan of the central bank. Changes in the recapitalization law will be reflected in a lower interest bill for the central government and a higher quasi-fiscal deficit for the central bank in the same amount, so that the overall deficit of the combined public sector does not change. Profits and losses arising from valuation changes of foreign currency denominated assets and liabilities will not be considered to determine the balance of the nonfinancial public sector.

Fiscal targets for 2009 and 2010 will be measured as a cumulative floor measured from end-December 2008.

The information to compute the overall balance of the nonfinancial public sector will be provided to the Fund by the central bank, based on information provided by the government’s accounting office (expenditure) and various units of the Secretaría de Hacienda (revenue, nonbank domestic debt and arrears, external debt and arrears, and externally financed capital expenditure).

2. Targets on the Overall Balance of the Consolidated Public Sector

Cumulative Balance (from December 31, 2008)	Floor (In billions of RD\$)
End-October 2009 (actual)	-42.2
End-November 2009 (actual)	-52.6
End-December 2009 (actual)	-74.2
End-January 2010 (program projection)	-76.7
End-February 2010 (program projection)	-82.9
End-March 2010 (performance criterion)	-97.5
End-April 2010 (program projection)	-98.9
End-May 2010 (program projection)	-104.2
End-June 2010 (performance criterion)	-119.5
End-July 2010 (program projection)	-125.6
End-August 2010 (program projection)	-128.8
End-September 2010 (performance criterion)	-133.0
End-October 2010 (program projection)	-135.9
End-November 2010 (program projection)	-140.1
End-December 2010 (performance criterion)	-147.0

C. Floor on Central Bank Consolidated Net International Reserves (NIR)

For program monitoring purposes, the consolidated NIR is defined as the difference between gross international reserves of the central bank and reserve liabilities, including debt of the Ministry of Finance with the IMF as follows:

Gross international reserves include claims against non-residents, denominated in foreign convertible currencies that are in the direct effective control of the central bank and are readily available for such purposes as foreign exchange market intervention. Such assets include gold (valued in dollars at end-2008 prices), cash, deposits abroad (excluding funds used as collateral for central bank or other nonfinancial public sector liabilities), holdings of SDRs, and the IMF reserve position.

Reserve liabilities include debt with the IMF, including that of the Ministry of Finance, and short-term (up to one year) foreign-currency-denominated liabilities, including commitments to sell foreign exchange from derivatives or other contracts, and other guarantees or contingent liabilities.

The consolidated NIR definition does not modify the central bank balance sheet accounting rules. The consolidated NIR as defined above differs from the NIR definition included in the previous 2005 Stand-By Arrangement that excluded reserve requirements on foreign currency deposits, and government and bank deposits in foreign currency as they were considered part of the reserve liabilities.

To meet this performance criterion at each relevant date, the 5-day average of daily consolidated NIR values must be above the floor. The 5-day average will be calculated on the basis of the last five working days of each relevant month.

3. Targets on the Consolidated Net International Reserves

Outstanding Stock	Floor (In millions of US\$)
End-October 2009 (actual)	2075
End-November 2009 (actual)	1901
End-December 2009 (actual)	2538
End-January 2010 (actual)	2305
End-February 2010 (actual)	2123
End-March 2010 (performance criterion)	1765
End-April 2010 (program projection)	1765
End-May 2010 (program projection)	1765
End-June 2010 (performance criterion)	1765
End-July 2010 (program projection)	1799
End-August 2010 (program projection)	1832
End-September 2010 (performance criterion)	1865
End-October 2010 (program projection)	1915
End-November 2010 (program projection)	1965
End-December 2010 (performance criterion)	2015

Consolidated NIR targets will also be adjusted upward (*downward*) by the surplus (*shortfall*) in program disbursements up to US\$300 million. Program disbursements are defined as uncommitted external disbursements, and external sovereign bond issuance, that are usable for the financing of the overall central government budget.

4. External Program Disbursements

Cumulative Flows (from December 2008)	(In million US\$)
Actual	
End-October 2009	104
End-November 2009	104
End-December 2009	794
Program Projections	
End-January 2010	794
End-February 2010	830
End-March 2010	830
End-April 2010	1430
End-May 2010	1437
End-June 2010	1437
End-July 2010	1793
End-August 2010	1793
End-September 2010	1793
End-October 2010	1793
End-November 2010	1819
End-December 2010	1819

D. Ceiling on Central Bank Net Domestic Assets (NDA)

Central Bank net domestic assets (NDA) are defined as the difference between the monetary base and Consolidated NIR, as defined above. For the purposes of the program the monetary base is defined as equivalent to *emisión monetaria*, which includes currency issue (currency in circulation plus cash in vault) plus peso reserve requirements held by financial institutions at the central bank.

To meet this performance criterion at each relevant date, the 5-day average of daily NDA values must be below the ceiling. The 5-day average will be calculated on the basis of the last working days of each relevant month.

5. Targets on the Net Domestic Assets

Outstanding Stock	Ceiling (In billions of RD\$)
End-October 2009 (actual)	44
End-November 2009 (actual)	55
End-December 2009 (actual)	45
End-January 2010 (actual)	45
End-February 2010 (actual)	51
End-March 2010 (program projection)	64
End-April 2010 (program projection)	65
End-May 2010 (program projection)	66
End-June 2010 (program projection)	67
End-July 2010 (program projection)	66
End-August 2010 (program projection)	67
End-September 2010 (performance criterion)	65
End-October 2010 (program projection)	70
End-November 2010 (program projection)	75
End-December 2010 (performance criterion)	80

For accounting purposes, dollar accounts will be converted to *pesos* at the accounting exchange rate of RD\$36.5 per dollar.

NDA targets will be adjusted upward (*downward*) for any *increase (decrease)* in reserve requirement deposits (*encaje*) associated with peso deposits at the central bank. NDA targets will be adjusted downward (*upward*) by the surplus (*shortfall*) in program disbursements up to US\$300 million.

E. Ceiling on the Accumulation of Arrears of Public Electricity Distributors with Generators

The government will regularize all outstanding domestic arrears (as defined in section IA above) with electricity generators using the available financial mechanisms before the end of the year. Arrears to private energy generating companies are defined as the balance of current invoices for energy sales to electricity distribution companies for which no payment has been made within 45 days following the contractual due date.

F. Continuous Ceiling on the Gross Accumulation of Public Sector External Arrears

The central government and any other entity of the nonfinancial public sector, as defined above, as well as the central bank, will not incur new arrears in the payment of their external obligations at any time during the program. Arrears are defined as a delay in the payment of contractual obligations beyond the grace period set in the respective loan or debt contracts or 30 days in case the grace period is not specified.

II. Information Requirements

To ensure adequate monitoring of economic variables and reforms, the authorities will provide the following information:

A. Daily

- Deposits in the banking system, exchange rate in the official and free markets, interest rates on bank loans and deposits, Consolidated NIR, currency in circulation, deposits held by financial institutions at the central bank, excess reserves of the banking sector in local and foreign currency, liquidity assistance to banks, central bank certificates, and all other remunerated liabilities of the central bank. These data will be provided with a lag of no more than 5 working days.
- Deposit of, and liquidity assistance to, troubled institutions, by institution.
- Central bank purchases and sales of foreign currency.
- Central bank intervention operations in domestic currency, including results of auctions of central bank paper (interest rates, details of bids, including minimum and maximum rates, volumes, and maturities).

B. Monthly

- Tax collection and expenditure of the central government, with a lag of no more than two weeks after the closing of each month.
- Starting in September 2009, revenue, expenditure, and financing of the nonfinancial public sector, including decentralized agencies and public enterprises of the previous month. These data, and all other data required to assess the performance criteria on the overall balance of the consolidated public sector as specified in Section I.B, will be provided with a lag of no more than five weeks.
- Saving-investment account of the central government.
- Net financial position of the central government (as defined in section I.A.) with a lag of no more than two weeks after the end of each month.

- Central government's domestic interest, contractually due in the period and effectively paid, with a lag of no more than two weeks after the end of each month.
- Authorizations and stock of administrative debt, including the economic classification of the expenditure that has been financed with such debt, with a lag of no more than two weeks after the end of each month.
- Value of outstanding checks issued by the Treasury with a lag of no more than two weeks after the end of each month, starting in September 2009.
- Legal measures that affect the revenue of the central government (tax rates, import tariffs, exemptions, etc).
- In-kind capital expenditure statistics.
- Balance sheet of the central bank, including the net domestic assets as specified in Section I.D, *Banco de Reservas*, and deposit money banks (cable file), will be provided with a lag of no more than two weeks.
- Balance sheet of the central bank excluding operations related to the recapitalization of the central bank and quasi fiscal.
- Quasi-fiscal balance of the central bank.
- Stock of central bank certificates, notes and bills each by type of holder.
- Maturity of certificates, detailing amortizations in the following 12 months (i.e., following the end of the current month).
- Public external debt service for the preceding month and revised monthly projections for the forthcoming year, with a lag of no more than two weeks.
- Monthly external public disbursements and revised monthly projections for the forthcoming year, with a lag of no more than two weeks.
- Monthly contracting of external public debt and monthly stock of contracted, but not disbursed external public debt, with projections of the stock of debt contracted, but not disbursed for the forthcoming year.
- Foreign exchange cash flow of the central bank (la balanza cambiaria).
- Electricity sector collections, losses, cash recovery index and central government transfers to the electricity sector, according to the following definitions: Collection rate: is defined as the ratio between the electricity invoices effectively paid (collected) and electricity invoices issued by electricity distributors in any given period. Loss rate: is defined as the ratio between electricity lost and electricity purchased by electricity distributors in any given period. Electricity lost is the difference between electricity invoiced and electricity purchased. Central government transfers to the electricity sector: is the sum of all transfers to the sector from the central government, including remaining PRA subsidies, FETE (*Fondo de Estabilización de la Tarifa*)

Eléctrica) and transfers to electricity companies, and all payments related to Bono Luz. The CDEEE will provide on a monthly basis (with a maximum 21-day lag) information on the arrears of the immediate past month that CDEEE and other distributors accumulate with the generation companies on energy purchases and transmission fees.

- Price of each fuel as set in the contracts for the purchase of electricity by each distributor and CDEEE from each producer for the next 6 months for coal and 3 months for other fuels.
- Purchases of electricity by each of the three distributors and CDEEE from each generator. This includes quantity of electricity purchased (in KWh) and the unit price of each fuel charged by type of fuel and the quantity used in electricity generation. In addition report the quantity and unit price of electricity purchased by each distributor and CDEEE in the spot market.

C. Quarterly

- Revised balance of payments outturn for the preceding quarter and quarterly projections for the forthcoming year, with a lag of no more than four weeks.
- Revised estimates of the stock of short-term and medium- and long-term public external debt, by creditor, at the end of quarter, with a lag of no more than four weeks.
- Stock of public sector domestic debt, including public sector debt in the electricity sector.
- Stock of *avales* and any other guarantees or contingent liabilities of the public sector.
- Revised estimates of the quarterly disbursements, debt service and stocks of short-term and medium- and long-term private external debt, by debtor, at the end of quarter, with a lag of no more than two weeks.
- Stock of public external late payments and arrears (program definition), by debtor and creditor, with details on new arrears incurred in the last month and clearance of old arrears, with a lag of no more than 5 working days.
- Stock of domestic arrears, starting with figures for December 2008, with details on new arrears incurred in the period and clearance of old arrears.