OFFERING MEMORANDUM

US$600,000,000

The Dominican Republic

9.04% Bonds due 2013

The bonds will mature on January 23, 2013. The bonds will bear interest at a rate of 9.04% per year, accruing from January 23, 2003. Interest will be payable on January 23 and July 23 of each year. The first interest payment will be on July 23, 2003.

The bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of the Republic and will rank equally with all other existing and future unsubordinated and unsecured public external debt of the Republic. The bonds will be backed by the full faith and credit of the Republic.

Application has been made to list the bonds on the Luxembourg Stock Exchange.

The bonds have not been registered under the U.S. Securities Act of 1933 or the securities laws of any other jurisdiction. The bonds will be offered only to qualified institutional buyers in the United States under Rule 144A of the Securities Act and to persons outside the United States under Regulation S of the Securities Act.

Price: 100% plus accrued interest, if any.

The Republic expects that delivery of the bonds will be made to purchasers in book-entry form through The Depository Trust Company, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme on or about January 23, 2003.

Joint Lead Managers and Joint Bookrunners

JPMorgan Salomon Smith Barney

Co-Managers

Deutsche Bank Securities Morgan Stanley

January 16, 2003

DOMINICAN REPUBLIC
HAITI
Monte Cristi
Puerto Plata
CORDILLERA SEPTENTRIONAL
Yaque del Norte
Dajabón
Mao
Sabaneta
Santiago
Moca
Salcedo
Nagua
Cape Samaná
Samaná
La Vega
Camú
San Francisco de Macorís
Samaná Bay
Sabana de La Mar
Elias Pina
Pico Duarte
Cotuí
CORDILLERA CENTRAL
Yuna
San Juan
Bonao
Monte Plata
El Seibo
Yaque del Sur
Ozama
Hato Mayor
Higüey
Cape Engaño
Lake Enriquillo
SANTO DOMINGO
San Pedro de Macorís
Jimaní
Neiba
Azua
La Romana
Mona Passage
Duvergé
Ocoa Bay
Baní
San Cristóbal
Barahona
Saona I.
Pedernales
Enriquillo
Caribbean Sea
Beata I.
Cape Beata
Alto Velo I.

You should rely only on the information contained in this offering memorandum. The Republic has not authorized anyone to provide you with different information. The Republic is not, and the initial purchasers are not, making an offer of the bonds in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

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This offering memorandum has been prepared by the Republic solely for use in connection with the proposed offering of the bonds. This offering memorandum does not constitute an offer to the public generally to subscribe for or otherwise acquire securities. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to herein.

After having made all reasonable inquiries, the Republic confirms that:

- the information contained in this offering memorandum is true and correct in all material respects and is not misleading as of the date of this offering memorandum;
- changes may occur in the Republic's affairs after the date of this offering memorandum;
- certain statistical information included in this offering memorandum reflects the most recent reliable data readily available to the Republic as of the date hereof;
- the Republic holds the opinion and intentions expressed in this offering memorandum;
- to the best of its knowledge and belief, the Republic has not omitted other facts the omission of which makes this offering memorandum, as a whole, misleading; and
- the Republic accepts responsibility for the information it has provided in this offering memorandum.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future. The Republic has furnished the information contained in this offering memorandum. The initial purchasers have not independently verified any of the information contained herein and assume no responsibility for the accuracy or completeness of any such information.

Neither the U.S. Securities and Exchange Commission, any state securities commission nor any other U.S. regulatory authority has approved or disapproved the bonds, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

In making an investment decision, prospective investors must rely on their own examination of the Republic and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum, as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and as to whether it is legally permitted to purchase the bonds under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the initial purchasers and may also be obtained at the office of the Luxembourg Listing Agent.

NOTICE TO NEW HAMPSHIRE RESIDENTS

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Uniform Securities Act with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State that any document filed under Chapter 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

ENFORCEMENT OF CIVIL LIABILITIES

The Republic is a sovereign state. Consequently, it may be difficult for investors to obtain or realize in the United States or elsewhere upon judgments against the Republic. To the fullest extent permitted by applicable law, the Republic will irrevocably submit to the non-exclusive jurisdiction of any New York State or U.S. federal court sitting in The City of New York, and any appellate court thereof, in any suit, action or proceeding arising out of or relating to the bonds or the Republic's failure or alleged failure to perform any obligations under the bonds, and the Republic will irrevocably agree that all claims in respect of any such suit, action or proceeding may be heard and determined in such New York State or U.S. federal court. The Republic will irrevocably waive, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any suit, action or proceeding and any objection to any proceeding whether on the grounds of venue, residence or domicile. To the extent that the Republic has or hereafter may acquire any sovereign or other immunity from jurisdiction of such courts with respect to any suit, action or proceeding arising out of or relating to the bonds or the Republic's failure or alleged failure to perform any obligations under the bonds (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), the Republic has, to the fullest extent permitted under applicable law, including the U.S. Foreign Sovereign Immunities Act of 1976, irrevocably waived such immunity in respect of any such suit, action or proceeding; provided, however, that under the U.S. Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment, and that under the laws of the Republic, the property and revenues of the Republic are exempt from attachment or other form of execution before or after judgment. See "Description of the Bonds—Governing Law" and "—Submission to Jurisdiction."

Notwithstanding the preceding paragraph, the Republic has not consented to service or waived sovereign immunity with respect to actions brought against it under the U.S. federal securities laws or any state securities laws. In the absence of a waiver of immunity by the Republic with respect to such actions, it would not be possible to obtain a judgment in such an action brought in a U.S. court against the Republic unless such court were to determine that the Republic is not entitled under the U.S. Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such action. Further, even if a U.S. judgment could be obtained in any such action under the U.S. Foreign Sovereign Immunities Act, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment. Execution upon property of the Republic located in the United States to enforce a U.S. judgment may not be possible except under the limited circumstances specified in the U.S. Foreign Sovereign Immunities Act of 1976.

DEFINED TERMS AND CONVENTIONS

Certain Defined Terms

All references in this offering memorandum to the "Republic" are to the issuer, and all references to the "Government" are to the central government of the Dominican Republic and its authorized representatives.

The terms set forth below have the following meanings for the purposes of this offering memorandum:

- Gross domestic product (which we refer to in this offering memorandum as "GDP") is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. In this offering memorandum, real GDP figures are based on constant 1970 prices, the year used by *Banco Central de la República Dominicana* (which we refer to in this offering memorandum as the "Central Bank") for purposes of maintaining real GDP statistics. GDP growth rates and growth rates for the various sectors of the Dominican economy are based on real figures.

- For balance of payments purposes, imports and exports are calculated based upon statistics reported to the Republic's customs agency upon entry and departure of goods into the Dominican Republic on a free-on-board basis at a given point of departure (which we refer to in this offering memorandum as "FOB" basis).
- The inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. The Republic measures the inflation rate by the percentage change between two periods in the consumer price index (which we refer to in this offering memorandum as the "CPI"), unless otherwise specified. The CPI is based on a basket of goods and services identified by the Central Bank that reflects the pattern of consumption of Dominican households. The price for each good and service that makes up the basket is weighted according to its relative importance in order to calculate the CPI. The annual percentage change in the CPI is calculated by comparing the index as of a specific December against the index for the immediately preceding December. The annual average percentage change in the CPI is calculated by comparing the average index for a twelve-month period, against the average index for the immediately preceding twelve-month period. The Republic does not compile statistics to calculate a producer price index or a wholesale price index, which are other indices often used to measure inflation.

Currency of Presentation and Exchange Rate

Unless we specify otherwise, references to "U.S. dollars," "dollars" and "US$" are to United States dollars, and references to "pesos" and "DOP" are to Dominican pesos. Unless otherwise indicated, we have converted pesos into dollars and dollars or any other denomination into pesos for each year at the weighted average exchange rate for such year, as used by the International Monetary Fund (which we refer to in this offering memorandum as the "IMF") in calculating the Republic's GDP in U.S. dollars, using information published in the Central Bank Monthly Bulletin. This weighted average exchange rate is based on both the official and private-market foreign exchange rates. For monetary aggregates, we have used the weighted end-of-period exchange rate. We have done all currency conversions, including conversions of pesos to U.S. dollars, for the convenience of the reader only and you should not construe these conversions as a representation that the amounts in question have been, could have been or could be converted into any particular denomination, at any particular rate or at all.

On December 31, 2002, the official DOP/U.S. dollar exchange rate for the sale of dollars was DOP17.86 per US$1.00. The official exchange rate is used for transactions involving the Central Bank and the Government, particularly in connection with external debt payments, disbursements of external loans, and payments for crude oil imports and certain oil derivatives. On December 31, 2002, the private-market DOP/U.S. dollar exchange rate for the sale of dollars was DOP21.52 per US$1.00. On January 15, 2003, the private-market DOP/U.S. dollar exchange rate for the sale of dollars was DOP22.48 per U.S.$1.00. See "The Monetary System—Foreign Exchange and International Reserves—Foreign Exchange."

Presentation of Financial and Economic Information

The Republic has presented all annual information in this offering memorandum based upon January 1 to December 31 periods, unless we have indicated otherwise. Totals in some tables in this offering memorandum may differ from the sum of the individual items in those tables due to rounding.

The Central Bank conducts a review process of the Republic's official financial and economic statistics. Accordingly, certain financial and economic information presented in this offering memorandum may be subsequently adjusted or revised. In particular, certain information and data contained in this offering memorandum for 1998, 1999, 2000, 2001 and 2002 are preliminary and subject to routine revisions and possible adjustments by the Central Bank to ensure their accuracy. The Government believes that this review process is substantially similar to the practices of industrialized nations. The Government does not expect revisions of the data contained in this offering memorandum to be material, although it cannot assure you that it will not make material changes.

The Government currently is in the process of compiling financial and economic statistics and other information for full year 2002. As a result, this offering memorandum does not include comprehensive financial and economic statistics and other information for 2002. However, this offering memorandum includes, to the extent available, selected statistics and information for certain interim periods in 2002. Statistics and information for interim periods in 2002 may not be indicative of the results for the full year 2002.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Forward-looking statements are statements that are not historical facts, including statements about the Republic's beliefs and expectations. These statements are based on current plans, estimates and projections, and, accordingly, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made. The Republic undertakes no obligation to update any of these statements in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. The Republic cannot assure you that actual events or results will not differ materially from any forward-looking statements contained in this offering memorandum. In particular, a number of important factors could cause actual results to differ materially from the Republic's expectations. Such factors include, but are not limited to:

- adverse external factors, such as:
  - changes in the international prices of commodities and/or international interest rates, which could increase the Republic's current account deficit and budgetary expenditures;
  - changes in import tariffs and exchange rates, recession or low economic growth affecting the Republic's trading partners, all of which could lower the growth or the level of exports of the Dominican Republic, reduce the growth or the level of income from tourism of the Dominican Republic, reduce the growth rate or induce a contraction of the Dominican economy and, indirectly, reduce tax revenues and other public sector revenues, adversely affecting the Republic's fiscal accounts;
  - increased costs of crude oil resulting from political or social instability or armed conflict in oil-producing states, such as Venezuela and countries in the Middle East;
  - a decline in foreign direct investment, which could adversely affect the Republic's balance of payments, the stability of the exchange rate and the level of the Central Bank's international reserves; and
  - a decrease in remittances from Dominicans residing and working abroad;
- adverse domestic factors, such as lower than expected fiscal revenues, which could induce higher domestic interest rates and an appreciation of the real exchange rate. These factors could lead to lower economic growth, a decline in exports and income from tourism and a decrease in the Central Bank's international reserves; and
- other adverse factors, such as climatic or political events.

SUMMARY

The following summary highlights information contained in this offering memorandum. The summary is not intended to be complete and does not contain all the information that you should consider before investing in the bonds.

Selected Economic Information
(in millions of US$, except as otherwise indicated)

	1997	1998[1]	1999[1]	2000[1]	2001[1]
Domestic economy					
GDP (at current prices)	US$ 15,153	US$ 16,031	US$ 17,457	US$ 19,725	US$ 21,390
GDP (in millions of DOP, at current prices)	DOP 214,863	DOP 241,910	DOP 277,908	DOP 321,516	DOP 359,560
Real GDP (in millions of DOP, at constant 1970 prices)	5,308	5,702	6,147	6,593	6,772
Real GDP growth rate[2]	8.2%	7.4%	7.8%	7.3%	2.7%
Consumer price index (annual rate of change)	8.4%	7.8%	5.1%	9.0%	4.4%
Unemployment rate (annual average)[3]	16.0%	14.4%	13.8%	13.9%	15.6%
Open unemployment rate (annual average)[4]	6.6%	5.9%	5.9%	5.8%	6.5%
Balance of payments					
Total current account	US$ (163)	US$ (338)	US$ (429)	US$ (1,027)	US$ (751)
Of which:					
Trade balance	(1,995)	(2,617)	(2,905)	(3,742)	(3,485)
Income from tourism	2,099	2,153	2,483	2,860	2,781
Workers' remittances	1,247	1,486	1,699	1,877	1,999
Total capital account	452	690	1,073	1,597	1,591
Of which:					
Foreign direct investment	421	700	1,338	953	1,015
Errors and omissions[5]	(194)	(339)	(480)	(618)	(327)
Overall balance of payments, excluding impact of gold valuation adjustment[6]	95	13	163	(48)	513
Change in Central Bank net international reserves (period end)	110	100	193	(105)	520
Central Bank net international reserves (period end)	254	354	547	442	962
Public sector balance					
Central government revenue[7]	US$ 2,452	US$ 2,581	US$ 2,759	US$ 3,171	US$ 3,586
As a % of GDP	16.2%	16.1%	15.8%	16.1%	16.8%
Central government expenditure[8]	US$ 2,642	US$ 2,738	US$ 3,320	US$ 3,587	US$ 3,952
As a % of GDP	17.4%	17.1%	19.0%	18.2%	18.5%
Central government balance	US$ (205)	US$ (164)	US$ (561)	US$ (416)	US$ (366)
As a % of GDP	(1.4%)	(1.0%)	(3.2%)	(2.1%)	(1.7%)
Overall consolidated public sector balance[9]	US$ (318)	US$ (339)	US$ (529)	US$ (400)	US$ (415)
As a % of GDP	(2.1%)	(2.1%)	(3.0%)	(2.0%)	(1.9%)
Public sector debt					
Public sector external debt[10]	US$ 3,572	US$ 3,550	US$ 3,661	US$ 3,685	US$ 4,180
As a % of GDP	23.5%	22.1%	21.0%	18.7%	19.5%
Public sector domestic debt[11]	US$ 567	US$ 539	US$ 459	US$ 466	US$ 601
As a % of GDP	3.8%	3.5%	2.6%	2.4%	2.8%
Total public sector debt	US$ 4,139	US$ 4,089	US$ 4,120	US$ 4,151	US$ 4,781
As a % of GDP	27.3%	25.5%	23.6%	21.0%	22.4%
Public sector external debt service:					
Amortizations	US$ 259	US$ 209	US$ 210	US$ 281	US$ 421
Interest payments	179	161	163	217	201
Total external debt service	US$ 438	US$ 370	US$ 373	US$ 498	US$ 622
As a % of exports of goods and services	6.2%	4.9%	4.7%	5.6%	7.5%

(1) Preliminary data.
(2) % change from previous year.
(3) Refers to population at or above working age that is not employed and is willing to work (even if not actively seeking work), as a percentage of the total labor force (*i.e.*, the total population that is above working age and employed or willing to work).
(4) Refers to population at or above working age that is not employed and is actively seeking work, as a percentage of the total labor force.
(5) Represents errors and omissions in compiling balance of payment accounts based on double-entry accounting resulting from incomplete or overlapping coverage, different prices and incomplete times of recording and conversion practices.
(6) As presented in this chart, gold reserves have been valued at their corresponding market prices as of December 31 of each year.
(7) Includes total revenue and foreign cash or in-kind transfers to support public sector expenditure.
(8) Includes unidentified expenditures that consist of non-cash items, such as food, clothing and other items received by the Government as aid. Also includes expenditures made in periods different than the current period and that were not currently registered.
(9) The consolidated public sector includes the central government, non-financial public sector institutions (such as state-owned enterprises and other decentralized government-owned institutions) and financial public sector institutions (such as the Central Bank).
(10) External debt is defined as all public sector foreign-currency denominated debt, independent of the holder's nationality.
(11) Excludes intra-governmental debt.

Source: Central Bank, Ministry of Finance and IMF.

Recent Developments

The performance of the Dominican economy and the Government's public sector finances in 2002 were affected by external shocks, including the aftermath of the terrorist attacks of September 11, 2001, high oil prices and the global economic downturn. Nevertheless, the Dominican economy continued to grow during 2002, and the Government has adopted policies and targets which it believes will enhance the country's economic performance, and the Government's financial position, in 2003. Among the most important of these measures was the elimination, in September 2002, of the government subsidy to the general population for electricity consumption, a decision that the Government estimates should generate public sector savings of approximately 1.2% of GDP in 2003.

GDP increased by 4.7% during the first nine months of 2002, as compared with the same period in 2001. The Government estimates that GDP grew at an annual rate of 4% for full year 2002. The Government believes that the Dominican economy was one of the fastest growing economies in the western hemisphere in 2002.

The peso depreciated against the dollar by 9.8% during the first nine months of 2002 and by an additional 14.3% in the last three months of the year. The depreciation of the peso in the private (*i.e.*, free) foreign exchange market thus totaled 25.5% for full year 2002. The Government believes that this depreciation will correct the real appreciation of the peso during the 1991-2001 period, a development that could reduce the current account deficit within the balance of payments in 2003.

The Central Bank's gross international reserves totaled US$828.9 million as of December 31, 2002 as compared to US$1.34 billion as of December 31, 2001, which latter amount included the net proceeds of the Republic's inaugural US$500 million sovereign bond offering in September 2001. The decline in international reserves reflected the use of the proceeds from the sovereign bond offering during 2002, but it also reflected sales of part of the Central Bank's international reserves during the first nine months of 2002 in an effort to moderate the depreciation of the peso.

Inflation reached 10.5% in 2002, compared to 4.4% in 2001. This increase in inflation principally reflected the 25.5% depreciation of the peso, a 35% increase in the prices of gasoline and other oil products, as well as a 49% increase in the average electricity tariff as a result of the elimination of the government subsidy for electricity consumption.

The balance of payments experienced some deterioration in the first nine months of 2002. The current account deficit reached US$651.4 million in the first nine months of 2002 as compared to US$497.2 million in the same period in 2001. An increase in the trade balance deficit was partially offset by increased remittances from Dominicans residing and working abroad. Foreign direct investment totaled US$658.8 million in the first nine months of 2002, as compared with US$888.9 million in the same period in 2001. For full year 2002, the Government estimates that the current account deficit will reach US$915.1 million, or 4.1% of GDP, compared with US$750.9 million, or 3.5% of GDP, in 2001. The Government estimates that foreign direct investment totaled US$935 million in 2002, compared with US$1.0 billion in 2001.

The central government's fiscal surplus, on a cash basis, totaled US$65 million during the first eleven months of 2002, compared to a fiscal surplus of US$232 million for the same period in 2001. The Government estimates that the fiscal deficit, on an accrual basis, totaled US$266 million, or 1.2% of GDP, for full year 2002, compared to a fiscal deficit of US$366 million, or 1.7% of GDP, for 2001. As part of its strategy to reduce budget deficits, the Government issued, in September 2002, a decree prohibiting additional government purchases of goods and services from private sector suppliers without the prior authorization of the Ministry of Finance.

The Government has targeted improved economic and financial performance in 2003, including reductions in inflation, the current account deficit and the central government fiscal deficit and an increase in the international reserves of the Central Bank.

For additional information concerning the country's economic performance and the Government's financial position in 2002 and targets for 2003, see "The Economy – Recent Developments" and "—The Economic Policies of the Mejía Administration".

The Offering

The following summary contains basic information about the bonds and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the bonds, see "Description of the Bonds."

Issuer	The Dominican Republic.
Securities Offered	US$600,000,000 principal amount of 9.04% Bonds due 2013.
Maturity Date	January 23, 2013.
Interest Payment Dates	Each January 23 and July 23, commencing on July 23, 2003.
Form and Denominations	The Republic will issue the bonds in the form of global bonds, without coupons, registered in the name of a nominee of DTC, as depositary, for the accounts of its participants (including Clearstream Banking and Euroclear). Bonds in definitive certificated form will not be issued in exchange for the global bonds except under limited circumstances. See "Book-Entry Settlement and Clearance." The Republic will issue the bonds only in denominations of US$10,000 and higher integral multiples of US$1,000 in excess thereof.
Redemption or Sinking Fund	None.
Ranking	The bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of the Republic, will rank equally in right of payment with all of the Republic's existing and future unsubordinated and unsecured Public External Debt (as defined) and will be backed by the full faith and credit of the Republic. See "Description of the Bonds—Ranking."
Withholding Tax and Additional Amounts	The Republic will make all interest payments on the bonds without withholding or deducting any Dominican taxes, unless required by law. If Dominican law requires the Republic to withhold or deduct taxes, the Republic will pay bondholders, subject to certain exceptions, additional amounts to provide the equivalent of full payment of interest to bondholders. See "Description of the Bonds—Additional Amounts" and "Taxation."
Covenants	The Republic will not allow any Lien (other than Permitted Liens) on its assets or revenues as security for any of its Public External Debt, unless the Republic's obligations under the bonds are secured equally and ratably with that Public External Debt. See "Description of the Bonds—Negative Pledge Covenant" and "—Defined Terms." The Republic has agreed to comply with several other covenants as described under "Description of the Bonds."

Use of Proceeds	The Republic will use the net proceeds from the sale of the bonds to repay short-term domestic public debt, to repay short-term external public debt and to increase the international reserves of the Central Bank.
Listing	Application has been made to list the bonds on the Luxembourg Stock Exchange.
Transfer Restrictions; Absence of a Public Market for the Bonds	The bonds have not been registered under the U.S. Securities Act of 1933 and will be subject to restrictions on transferability and resale. The bonds will be new securities, and there is currently no established market for the bonds. The Republic and the initial purchasers cannot assure you that a liquid market for the bonds will develop. The initial purchasers have advised the Republic that they currently intend to make a market in the bonds. However, they are not obligated to do so, and any market making with respect to the bonds may be discontinued without notice.
Fiscal Agent, Registrar, Transfer Agent and Principal Paying Agent	JPMorgan Chase Bank.
Luxembourg Transfer Agent and Paying Agent	J.P. Morgan Bank Luxembourg S.A.
Luxembourg Listing Agent	Kredietbank S.A. Luxembourgeoise.
Governing Law	State of New York.

USE OF PROCEEDS

The net proceeds from the sale of the bonds will be approximately US$597,660,000.

The Republic will use the net proceeds to:

- repay short-term domestic public debt;
- repay short-term external public debt; and
- increase the international reserves of the Central Bank.

Pending application, the net proceeds of the offering will be deposited with *Banco de Reservas de la República Dominicana* (the Dominican Republic Reserve Bank, which we refer to in this offering memorandum as the *"Banco de Reservas"*), a commercial bank owned by the Government.

THE DOMINICAN REPUBLIC

Territory and Population

The Dominican Republic is located on the eastern two-thirds of the Caribbean island of Hispaniola, which lies between the islands of Cuba to the west and Puerto Rico to the east, and is situated approximately 670 miles southeast of Florida. Its territory covers an area of approximately 48,442 square kilometers, including a 1,600-kilometer coastline and a 275-kilometer land frontier that it shares with Haiti, which occupies the western portion of the island. The Dominican Republic's major cities are Santo Domingo de Guzmán (the nation's capital), Santiago de los Caballeros, La Vega, La Romana and Puerto Plata.

The Dominican Republic has a tropical maritime climate, with average annual temperatures of about 77 degrees Fahrenheit (equivalent to approximately 25 degrees Celsius), and only slight seasonal temperature variations throughout the year. The location of the Dominican Republic often puts it in the path of hurricanes that sweep the Caribbean region between the months of June and November. Hurricane Georges, in September 1998, was the last major hurricane to strike the Dominican Republic, causing considerable damage throughout the country. The occurrence of a major hurricane, and the threat of future hurricanes in the region, could adversely affect the Dominican economy. However, many medium and large businesses and industries in the Dominican Republic are insured against catastrophic risk, and the Dominican insurance industry reinsures in the international markets more than 80% of its catastrophic risk policies. In 1998, after Hurricane Georges, international reinsurance companies made compensation payments totaling US$486 million, representing approximately 90% of the total amount claimed by policyholders in damages. In 1998, despite the effect of Hurricane Georges, the Dominican economy grew at a real rate of 7.4%.

The Dominican Republic's population of approximately 8.7 million is multi-racial and multi-cultural, with a predominant Spanish cultural influence. Approximately 34% of the population resides in rural areas. The population grew at an estimated average annual rate of 1.9% in the period from 1993 to 1997 and 2.1% in the period from 1997 to 2001.

The Dominican Republic's adult literacy rate is approximately 84.4%. The education system consists of public and private schools that offer pre-school (ages 3-5), primary (ages 6-13), and secondary (ages 14-17) education. There is one public university in the country – the Autonomous University of Santo Domingo, founded in 1538 and the oldest university in the Western Hemisphere – and 33 private universities, which offer undergraduate programs lasting three to five years. The Autonomous University of Santo Domingo, and several private universities, also offer graduate programs that typically last one to two years. In addition, various private and public institutions offer vocational programs for students who have not completed their secondary education. In the 1999-2000 school year, approximately 90.2% of children aged 6 to 13 attended primary school, while enrollment at the secondary school level was approximately 53.3%. Approximately 10% of Dominicans between the ages of 18 and 29 pursued higher education during the 1998-1999 school year.

The World Bank classifies the Dominican Republic as a middle-income developing country. The following table sets forth comparative GNP figures and selected other comparative statistics for the periods indicated.

	Jamaica	Guatemala	El Salvador	Dominican Republic	Panama	Colombia	Costa Rica	Mexico	United States
Per capita GNI[(1)]	US$3,650	US$3,850	US$4,500	US$5,870	US$5,720	US$5,984	US$8,080	US$8,770	US$34,870
United Nations index of human development (world ranking)[(2)]	86	120	104	94	57	68	43	54	6
Life expectancy at birth (in years)[(2)]	75.3	64.8	69.7	67.3[(5)]	74.0	71.2	76.4	72.6	77.0
Infant mortality (% of live births)[(3)]	2.0%	3.9%	2.9%	3.0%[(5)]	2.0%	2.0%	1.0%	2.9%	0.7%
Adult literacy rate[(3)]	86.9%	68.6%	78.7%	84.4%[(6)]	91.9%	91.7%	95.6%	91.4%	99%
% of population below the poverty line[(4)]	25.2%[(7)]	33.8%[(8)]	44.5%[(8)]	25.8%[(9)]	25.1%[(8)]	36.0%[(8)]	26.0%[(8)]	37.7%[(8)]	N/A

(1) Formerly referred to by the World Bank as GNP. 2001 data, adjusted to reflect differences in purchasing power. *Source*: World Bank.
(2) 2000 data. *Source*: United Nations Development Program.
(3) 2000 data. *Source:* World Bank.
(4) The poverty line used in this offering memorandum is defined as a monthly income of US$60 per capita per household (or a daily income of US$2 per capita per household), adjusted to reflect differences in purchasing power.
(5) 2000 estimates. *Source*: Ministry of Public Health and Social Assistance.
(6) 2000 estimates. *Source*: Ministry of Education.
(7) 1996 data. *Source:* World Bank.
(8) 1998 data. *Source*: World Bank.
(9) 1998 data. *Source*: Central Bank.
N/A = Not available.

History, Government and Political Parties

History

Founded as a colony of Spain in 1492, the Dominican Republic was under Spanish rule until 1821, when it declared its independence from Spain. Following a month-long period of independence, the Dominican Republic was invaded by Haiti, which occupied the country until 1844. After successfully waging a battle for independence against Haiti, political factions within the Dominican Republic battled for control, and the country underwent various changes of government, including voluntary annexation to Spain in the 1860s. Factional infighting continued until the United States occupied the country from 1916 to 1924. A democratic government established in 1924 was followed by the military dictatorship of Rafael Leonidas Trujillo, who ruled the Dominican Republic from 1930 until he was assassinated in 1961.

Juan Bosch, then leader of the *Partido Revolucionario Dominicano* (the Dominican Revolutionary Party, which we refer to in this offering memorandum as the "PRD"), and a reformist social-democratic politician, was elected president in 1962. In September 1963, the military, backed by the business elite and factions of the Dominican Catholic Church unhappy with Bosch's reformist orientation, deposed Bosch's government in favor of a civilian junta led by Donald Reid Cabral, a member of the country's business elite. The ruling junta soon became unpopular, and in April 1965, a civil-military coup attempted to return Bosch to power. The United States, propelled by fears of the spread of communism in the region, invaded the Dominican Republic four days after the attempted coup. Shortly thereafter, conservatives and PRD members signed an agreement that established a provisional government and called for new elections.

Conservative Joaquín Balaguer, of the center-right *Partido Reformista*, later transformed into the *Partido Reformista Social Cristiano* (the Christian Social Reform Party, which we refer to in this offering memorandum as the "PRSC"), was elected president in 1966. Balaguer governed for 12 years (1966-78) and went on to become a dominant political figure in the Dominican Republic for the next decades. Balaguer's administration was based on a compromise among the traditional agrarian and industrial elites, the rising urban middle class and the military. The United States supported Balaguer's administration, guaranteeing its stability. In 1978, Antonio Guzmán, of the PRD, was elected president. Guzmán was followed in 1982 by Salvador Jorge Blanco, also of the PRD.

In 1986, Balaguer regained the presidency, and was reelected in 1990 and again in 1994 after defeating José Francisco Peña Gómez, of the PRD, in a hotly-contested election. Controversy surrounding the legitimacy of the reelection of Balaguer in 1994 and charges of election fraud led to a political compromise by which Balaguer agreed to shorten the term for which he was elected, from four to two years. This compromise also led to major constitutional reforms that, among other things, instituted pivotal changes in the electoral and judicial systems.

These changes secured the autonomy of the judiciary and enhanced the Dominican electoral process. For a description of the 1994 amendments to the Constitution see "—Government."

In the 1996 presidential elections, Leonel Fernández, of the *Partido de la Liberación Dominicana* (the Dominican Liberation Party, which we refer to in this offering memorandum as the "PLD"), a party founded by Juan Bosch following his split from the PRD, defeated Peña Gomez as a result of an alliance with Balaguer and the PRSC. Hipólito Mejía, of the PRD, won the presidency in 2000.

Government

The Dominican Republic is politically organized as a representative democratic government, and is geographically and administratively divided into 31 provinces and one district, each with its own civil government. The 1966 Constitution, last amended in July 2002, provides for a presidential system of government in which national powers are divided among independent executive, legislative and judicial branches.

Executive power is exercised by the president, who appoints the cabinet, enacts laws passed by the legislative branch, and is the commander-in-chief of the armed forces. The president and vice president run for office on the same ticket and are elected by direct majority vote to one four-year term. Pursuant to the 2002 amendments to the Constitution, a president may be elected for only two consecutive terms. In addition, the 1994 constitutional amendments require that a second electoral round be held if the first round does not result in a majority vote for any one presidential candidate (a majority in the first round constitutes 50% plus one of the total votes cast). Presidential elections are held separately from legislative and municipal elections.

The legislative branch is composed of a 32-member Senate and a 150-member Chamber of Deputies, which together constitute the Congress. Each province and the *Distrito Nacional* (the National District of the capital city, Santo Domingo) is represented by one senator and two or more deputies, depending on the size of its population. Members of Congress are elected by popular vote to four-year terms, with congressional elections taking place in the middle of the presidential term. All congressional seats are up for election at the end of each four-year cycle. The next congressional elections will be held on May 16, 2006.

Most legislative initiatives originate with the executive power. In matters of monetary policy and banking law, legislative initiatives that do not originate with the Central Bank must be approved by a qualified majority of senators and deputies.

As a result of the 1994 constitutional reforms, the 15 members of the Supreme Court are appointed for life by the *Consejo Nacional de la Magistratura* (the National Council of the Judiciary), a body that was created solely for this purpose. The National Council of the Judiciary is composed of the President of the Republic, the president of the Senate, a senator from a political party different from that of the president of the Senate, the president of the Chamber of Deputies, a deputy from a party different from that of the president of the Chamber of Deputies, the president of the Supreme Court, and another Supreme Court judge appointed by the Supreme Court. The Supreme Court has sole jurisdiction over actions against the President, designated members of the cabinet and members of Congress. The Supreme Court may also hear appeals from lower courts. The Dominican judicial system is also composed of the following courts:

- Peace Courts, which handle a broad variety of small cases;
- Courts of First Instance, which have jurisdiction over all cases the jurisdiction of which is not expressly granted to other courts; and
- Appeals Courts, which review judgments rendered by the Courts of First Instance.

In addition, specialized courts handle administrative, labor, traffic and land registration disputes. Under the 1994 constitutional amendments, lower court judges are appointed by the Supreme Court.

Political Parties

The principal political parties in the Dominican Republic are the PRD (social democratic), the PRSC (conservative) and the PLD (liberal). The following is a brief explanation of the history and orientation of each principal party.

Partido Revolucionario Dominicano. The PRD is a social democratic party with socially-oriented market policies. Its leader, José Francisco Peña Gómez, died in 1998. The current President of the Dominican Republic, Hipólito Mejía, is one of the PRD's principal leaders. Other important leaders include Vice President Milagros Ortiz Bosch, party president Hatuey De Camps, and Secretary of the Interior and Police Rafael Suberví Bonilla. The PRD has approximately one million members, the largest membership of any political party in the Dominican Republic. The PRD derives its political support primarily from the lower and lower-middle classes because its platform and policies generally advocate measures to alleviate poverty. As a result of the absolute majority it currently holds in the Senate and the support of its allies in the Chamber of Deputies, the PRD has been able to advance its economic and institutional initiatives with relative ease.

Partido Reformista Social Cristiano. The PRSC is a conservative Christian democratic party which advocates free-market principles. Its principal leader, the late President Joaquín Balaguer, died in July 2002. Other important leaders are former Vice Presidents Jacinto Peynado and Carlos Morales Troncoso, Federico Antún Batlle, Luis Toral and Victor Gómez Bergés. Since President Balaguer's death, the PRSC has been undergoing a process of reorganization and a new party leadership is expected to emerge for the next presidential elections scheduled for 2004. The PRSC derives its supporters from the lower, middle and upper classes. The prolonged rule of former President Balaguer permitted the PRSC to establish close ties with certain business sectors, particularly in the fields of industry and construction.

Partido de la Liberación Dominicana. The PLD has a liberal social orientation and supports socially-oriented market policies. The PLD was founded by former President Juan Bosch, who died in November 2001, after his split with the PRD. Its principal leaders are former President Leonel Fernández, former presidential candidate Danilo Medina, and former Vice President Jaime David Fernández Mirabal. The Fernández administration (1996-2000) emphasized macroeconomic stability, modernization of the Dominican economy and of governmental institutions, economic and political integration with the Caribbean region and the global economy, strengthening of the judiciary, and modernization of the education system. The PLD derives its political support from the middle class, certain professional groups and some intellectual circles.

Congressional representation of each of the political parties since the most recent election in 2002 is as follows:

	Senate		Chamber of Deputies	
	Seats	**%**	**Seats**	**%**
Partido Revolucionario Dominicano and allied parties(1)	29	90.6%	72	48.0%
Partido Reformista Social Cristiano	2	6.3%	36	24.0%
Partido de la Liberación Dominicana and allied parties(2)	1	3.1%	42	28.0%
Total	32	100.0%	150	100.0%

(1) Allies: *Partido de los Trabajadores Dominicanos, Partido de Unidad Nacional* and *Alianza Social Dominicana.*
(2) Allies: *Bloque Institucional Social Demócrata, Fuerza Nacional Progresista* and *Alianza por la Democracia.*
Source: Congress of the Dominican Republic and *Junta Central Electoral*.

Foreign Policy and Membership in International and Regional Organizations

The Dominican Republic has not been involved in any significant international conflicts in recent years. This has allowed the country to focus its foreign policy principally on developing economic ties with other nations. The Republic maintains diplomatic relations with more than 73 countries and is a member of 17 regional and international organizations, including:

- the United Nations (founding member), including many of its specialized agencies;
- the Organization of American States;

- the Caribbean Forum of African, Caribbean and Pacific States;
- the World Trade Organization (which we refer to in this offering memorandum as the "WTO");
- the Economic Commission for Latin America and the Caribbean;
- the Inter-American Development Bank (which we refer to in this offering memorandum as the "IDB");
- the Inter-American Investment Corporation;
- the IMF;
- the International Bank for Reconstruction and Development (which we refer to in this offering memorandum as the "World Bank");
- the Multilateral Investment Guaranty Agency;
- the International Finance Corporation; and
- the International Centre for Settlement of Investment Disputes.

The Dominican Republic joined the General Agreement on Tariffs and Trade (which we refer to in this offering memorandum as the "GATT") in 1950 and is a founding member of the WTO, which was established in January 1995. In addition, the Dominican Republic participates in several regional initiatives designed to promote trade and foreign investment. The most significant of these initiatives are the following:

- In April 1998, the Republic signed a free trade agreement with the members of the Central American Common Market, which lowered tariffs and established trade rules in areas such as foreign investment, public procurement, rules of origin, customs procedures, safeguard measures, sanitary requirements, technical barriers to trade, unfair trade practices, promotion of competition, intellectual property and dispute resolution. This agreement was approved by the Dominican Congress in March 2001, and became effective for each of the signatory Central American countries once approved by their respective governments. In August 2002, Nicaragua was the last country to approve the agreement.
- In August 1998, the Republic signed a free trade agreement with the Caribbean Community (which we refer to in this offering memorandum as "Caricom") covering areas similar to those addressed by the free trade agreement with the Central American Common Market. This agreement was approved by the Dominican Congress in February 2001 and took effect for three of the five principal member states (Trinidad and Tobago, Jamaica and Barbados) on December 1, 2001. Guyana and Surinam have not yet approved the agreement.
- Since 1983, the Dominican Republic has been one of the 24 beneficiaries of the Caribbean Basin Initiative, a program of unilateral trade preferences granted by the United States and intended to promote economic development in the region. The Dominican Republic supplies approximately 25% of the products that enter the U.S. market under this trade program.
- In May 2000, the United States expanded its Caribbean Basin Initiative. The resulting U.S.-Caribbean Textile Parity Agreement (which we refer to in this offering memorandum as the "Textile Parity Agreement"), in effect until 2008, grants certain textiles and garments produced in the Dominican Republic and other Caribbean countries preferential access similar to that granted to products from Mexico and Canada under the North American Free Trade Agreement (which we refer to in this offering memorandum as "NAFTA").
- Since 1989, the Republic has been a party to the Cotonou Agreement (formerly known as the Lomé IV Agreement), pursuant to which the European Union offers economic cooperation and assistance to former colonies in Africa, the Caribbean and the Pacific. Under this agreement, the Dominican Republic benefits from donations, development loans and technical cooperation provided by the European Union.
- In 1994, the Republic participated in the establishment of the Association of Caribbean States, whose purpose is to promote regional economic integration and cooperation. Through its involvement in this association, the Republic has been able to establish dialogues and working relationships with its

neighbors on a series of important issues, such as trade liberalization, tourism, disaster relief, transportation and foreign investment.

- In 1994, the Republic participated in the Summit of the Americas in Miami, which led to the establishment of the Free Trade Agreement of the Americas. This trade agreement seeks to create a free trade zone in the western hemisphere by 2005, which, if implemented, would grant preferential treatment to Dominican goods and services exported to other member countries. Between December 15, 2002 and February 13, 2003, the Republic will submit a list of goods that will be subject to tariff reductions under this agreement.

The free trade agreements signed with Caricom and the Central American Common Market are part of a process that the Republic initiated in 1998 to develop free trade with its trading partners. Two governmental bodies, the National Commission for Trade Negotiations, established in February 1997 and headed by the Secretary of Foreign Relations, and the National Council of Foreign Trade, established in March 2001 and headed by the Secretary of Industry and Trade, are responsible for conducting trade negotiations. In June 2001, the President appointed the Ministry of Foreign Relations as the leading institution to conduct all trade negotiations in which the Republic is involved.

The Republic has entered into preliminary discussions with the United States regarding a possible bilateral free trade agreement. In addition, the Republic is currently negotiating free trade agreements with Panama, Venezuela, Canada and Haiti.

The Republic has also worked closely with the World Bank and the IDB to promote economic development. Currently, these multilateral organizations are financing several projects in the Republic in areas such as education, agriculture, public sector reform, transportation, telecommunications, disaster relief, public health, environmental reform and financial sector reform. The aggregate amount of the loans extended by the World Bank and the IDB for these projects is approximately US$1.2 billion.

The Republic currently is negotiating a sectoral loan of up to US$250 million with the World Bank, the proceeds of which will be used for:

- the repayment of short-term debt incurred by *Corporación Dominicana de Electricidad* (the National Electricity Company, which we refer to in this offering memorandum as "CDE") with local banks to cover certain obligations to private companies that generate electricity (which in this offering memorandum we refer to as "independent power producers") and distribution companies; and

- the payment of amounts owed by CDE to independent power producers of electricity in connection with the termination of power purchase agreements. See "The Economy—Secondary Production—Electricity, Gas and Water."

Relations with Haiti

The Republic generally maintains friendly relations and close ties with Haiti. The two countries have entered into several bilateral agreements in areas of mutual interest such as immigration, reforestation of the border region, agriculture and livestock and education. In addition, Haiti and the Dominican Republic are seeking to develop free trade zones on the Dominican Republic-Haiti border. On April 8, 2002, the Presidents of these two countries inaugurated the first free trade zone on that border.

National and international agencies have estimated that between 300,000 and 500,000 Haitians currently live in the Dominican Republic. This population is generally comprised of three distinct subgroups: seasonal agricultural workers; undocumented immigrants; and political refugees. Most Haitians living in the Dominican Republic are undocumented.

Although the Government has not made any explicit commitment towards Haitian immigrants in terms of healthcare, education or social security, the Haitian population in the Dominican Republic generally benefits from the Government's social services, particularly in respect of healthcare. Additionally, the Government seeks to improve living conditions in the *bateyes*, which are communities inside the sugar cane areas that are inhabited principally by Haitian immigrants.

Haitians in the Dominican Republic work mainly in the construction and agricultural sectors. The Haitian labor force is generally comprised of unskilled workers earning low wages. The increased availability of low-wage Haitian workers may have an adverse effect on the living conditions of low-wage Dominican workers, with whom they compete.

THE ECONOMY

History and Background

In the 1930s and after the end of World War II, many countries in Latin America pursued policies of industrialization through import substitution. These policies were based on the following tenets:

- protection of certain local industries;
- broadening of domestic markets; and
- state intervention in the economy through the creation of barriers to protect domestic production from foreign competition and through the expansion of state-owned enterprises that provided large numbers of jobs.

The policies of import substitution took strong hold in the Dominican Republic between 1945 and 1976. During this period, the Government promoted industrialization primarily through fiscal incentives and investments in infrastructure. The Dominican economy expanded through growth in several industry sectors, improvements in education, and increased government spending. This economic expansion, in turn, led to opportunities for upward social mobility and the rise of an urban middle class. At the same time, the urban working class expanded in number due to rural-urban migration.

In the late 1970s and 1980s, import substitution policies based on fiscal incentives to local industries generated significant economic structural weaknesses. These policies limited fiscal revenues and reduced productivity growth. The results were:

- fiscal deficits;
- current account deficits; and
- low economic growth as a result of limited domestic markets and lower productivity.

The 1979 oil crisis exacerbated these fiscal and current account imbalances. The situation deteriorated further with the decline in prices of Dominican export commodities and a worldwide recession. The Dominican Republic, along with most other Latin American economies, plunged into a debt crisis that led to a shift in development policies.

In the mid-1980s, the Government adopted policies to increase exports and improve the fiscal balance. Liberalization of the exchange rate, combined with the imposition of new taxes, contributed to the improvement of the external accounts and the fiscal balance. The dynamism in tourism and export manufacturing in industrial parks called *zonas francas*, or "free trade zones," stimulated economic growth, employment and income. For a description of the free trade zones, see "—Secondary Production—Manufacturing." Workers' remittances also increased dramatically during the 1980s, becoming one of the country's main sources of foreign currency. By the late 1980s, however, high government spending on infrastructure projects (principally roads, highways, dams and tourism facilities) resulted in a public sector deficit which was domestically financed, and, in turn, resulted in an increase in inflation.

In 1990, the Government successfully implemented stabilization and economic reforms that resulted in a fiscal balance, and created the internal conditions for rapid and sustainable economic growth and price stability. The central elements of the Government's economic policy consisted of a series of structural reforms, including tariff, tax, financial and labor reforms, gradual adjustments in the price of oil and oil derivatives, interest rate liberalization, and improved banking supervision. On the basis of these policies, the IMF and the Republic agreed on two stand-by loan agreements.

The Government implemented further reforms in 1995, when the Dominican Congress passed a foreign investment law that dismantled various restrictions on foreign direct investment. These restrictions had included:

- a ban on foreign investments in certain sectors of the economy; and
- a limit on the profits that foreign investors could repatriate.

The 1995 foreign investment law also ensured the equal treatment of investors regardless of nationality, by eliminating requirements such as the need to obtain Central Bank approval before profits could be repatriated.

The various reforms that the Government adopted during the 1990s succeeded in curbing inflation and restoring growth, in part by controlling the expansion of public sector expenditures, reducing state intervention in the economy, increasing the competitiveness of the Dominican economy, and rationalizing the Government's fiscal and monetary policies. Additionally, economic growth, higher employment, stable prices and rising real wages led to modest improvements in income distribution, and to a decline in poverty for the period from 1992 to 1997.

1997-2001 Developments

During the period from 1997 to 2001, the Dominican Republic enjoyed economic growth and price stability, becoming the fastest growing economy in Latin America. Since 1997, the Republic's real GDP has grown at an average annual rate of 6.7%, despite the occurrence of several external shocks. These external shocks included:

- the Asian crisis in 1997;
- the Russian crisis and Hurricane Georges in 1998;
- the devaluation of the Brazilian real in 1999;
- the increase in oil prices and the depreciation of the euro in 2000; and
- the terrorist attacks of September 11, 2001 and their negative effect on the U.S. and global economies.

The sectors of the economy that exhibited the greatest real GDP growth during this period were:

- the communications sector, which grew at an average annual rate of 18.9%;
- the construction sector, which grew at an average annual rate of 11.9%;
- the electricity, gas and water sector, which grew at an average annual rate of 11.4%;
- tourism (hotels, bars and restaurants), which grew at an average annual rate of 8.0%; and
- the wholesale and retail sector, which grew at an average annual rate of 7.8%.

Among these sectors, construction contributed 18.7% to total real GDP growth during the period from 1997 to 2001, followed by communications (17.7%), wholesale and retail (13.3%), tourism (5.2%) and the electricity and water sector (4.9%).

Other sectors of the economy that have made significant contribution to GDP growth are public administration (contributing an average of 8.0% to GDP growth), and transportation (contributing an average of 5.4% to GDP growth), with these sectors growing at an average annual rate of 4.9% and 6.2% respectively. Free trade zones contributed only an average of 0.6% to GDP growth principally due to increased competition after NAFTA and, since September 2001, the negative impact of the terrorist attacks of September 11 on the U.S. and global economies. Between 1997 and 2001, traditional manufacturing (which excludes production in the free trade zones) contributed approximately 9.8% to GDP growth, and grew at an average annual rate of 5.6% as a result of the modernization of the industrial infrastructure that resulted from tariff reform and the liberalization of foreign investment undertaken in 1995.

With the expansion of the service and manufacturing sectors in the period from 1997 to 2001, the Dominican economy became less dependent on agriculture. Between 1997 and 2001, the services sector alone accounted for 54.9% of the Republic's GDP growth. Primary production (consisting of agriculture, livestock, mining and forestry), which in 1980 represented 20.6% of the Republic's GDP, accounted for only 11.4% of GDP in 2001. Secondary production (consisting of construction, manufacturing, and electricity, gas and water) and the service sector contributed 79.4% to GDP in 1980 compared to 87.0% in 2001.

Between 1997 and 2001, the consolidated public sector deficit (measured on an accrual basis) ranged from 1.9% to 3.0% of the Republic's GDP. During 2001, the consolidated public sector deficit increased in nominal terms to DOP6,976 million (US$415 million) from DOP6,519 million (US$400 million) in 2000, but declined as a percentage of GDP, from 2.0% in 2000 to 1.9% in 2001. The increase in the consolidated public sector deficit in nominal terms resulted from lower than projected tax revenues due to the slowdown in the Dominican economy.

The policies implemented by the Mejía administration reduced the current account deficit to 3.5% of GDP in 2001 compared to 5.2% of GDP in 2000. These policies minimized the decrease in international reserves, which together with the Republic's sovereign bond issue of September 2001, increased the Central Bank's net international reserves in 2001. At December 31, 2001, the Central Bank's net international reserves reached US$962 million, representing an increase of US$520 million from the level registered on December 31, 2000. In 2001, foreign direct investment reached US$1.0 billion, which more than offset the current account deficit (1.4 times the current account deficit). For the entire period from 1997 to 2001, foreign direct investment equaled 2.1 times the accumulated current account deficit.

Upon entering office in August 2000, President Mejía's administration established a ceiling on the growth of government expenditures and introduced an adjustment to fuel prices in an effort to restore fiscal revenues. President Mejía also submitted to Congress the *Ley de Impuestos a los Hidrocarburos* (which we refer to in this offering memorandum as the "Fuel Tax Law") which completely overhauled the method by which fuel was taxed and which is described in this offering memorandum under "Public Sector Finances—Tax Regime—Excise Taxes." Congress approved this new law on November 29, 2000.

The Government undertook various privatization initiatives in the period from 1996 to 2001. Between 1996 and 2000, the Fernández administration:

- privatized the non-hydroelectric power generation and distribution segments of CDE;
- opened other state enterprises to private investment; and
- adopted measures to facilitate foreign investment.

The Mejía administration has continued these privatization initiatives mainly in the form of concessions and leases to private entities.

Poverty continued to abate during the period from 1997 to 2001, as it had during the first part of the 1990s. The incidence of poverty declined from 31.7% of households in 1992 to 21.5% in 1998. In this offering memorandum, poverty is defined as monthly per capita household income of less than US$60, which is the definition of poverty used by the Central Bank and the World Bank. During this period, income distribution improved slightly. Other social indicators also improved during this period: illiteracy declined from approximately 19.0% in 1992 to 15.6% in 2000; and infant mortality rates (as a percentage of live births) decreased from approximately 4.9% in 1992 to 3.0% in 2000.

Recent Developments

The Dominican economy continued to grow during the first nine months of 2002 despite external shocks such as the terrorist attacks of September 11, 2001, high oil prices and the global economic downturn, which have had a negative impact on the Dominican economy, particularly on tourism and the free trade zones. During the first nine months of 2002, the Republic's GDP increased by 4.7% as compared with the same period in 2001, and is expected to grow 4% for 2002, exceeding the growth rate of 2.7% in 2001.

The external shocks also have had an adverse effect on the Central Bank's international reserves. In an effort to minimize the effects of these external shocks on the peso, during 2002, the Central Bank sold part of its international reserves. As a result, gross international reserves, which totaled approximately US$1.34 billion as of December 31, 2001 (and included US$497.5 million representing the net proceeds of the 2001 sovereign bond offering) decreased by 38.2% to US$828.9 million as of December 31, 2002. Excluding the net proceeds of the 2001 sovereign bond offering, gross international reserves decreased 1.7% from US$843 million registered at December 31, 2001 to US$829 million at December 31, 2002.

During the first nine months of 2002, the peso depreciated by 9.8% against the dollar. During the last three months of 2002, the Central Bank implemented a less restrictive monetary policy and significantly reduced the sale of international reserves, which caused the peso to depreciate an additional 14.3%. For 2002, the cumulative depreciation of the peso thus totaled 25.5%.

Inflation increased during 2002 to 10.5%, compared to 4.4% for 2001. This rise in inflation was principally due to the depreciation of the peso against the dollar and the elimination of government subsidies for the general population, particularly in the energy sector, which led to higher prices.

The following are other preliminary economic results for the most recent periods available in 2002:

- during the first eleven months of 2002, the central government's fiscal surplus was DOP1.2 billion (US$65.4 million), compared to a surplus of DOP3.9 billion (US$232 million) for the same period in 2001;
- during 2002, the net international reserves of the Central Bank decreased 60.9% to US$376 million, compared to US$962.3 million as of December 31, 2001 (which included US$497.5 million of the proceeds of the 2001 sovereign bond offering). Excluding the net proceeds of the 2001 sovereign bond offering, the net international reserves decreased 19% from US$465 million at December 31, 2001 to US$376 million at December 31, 2002;
- during the first nine months of 2002, the current account deficit reached US$651.4 million, compared to US$497.2 million for the same period in 2001;
- during the first nine months of 2002, foreign direct investment decreased 25.9% to US$658.8 million, as compared to US$888.9 million for the same period in 2001;
- during the first nine months of 2002, income from tourism totaled US$2.1 billion, 9.3% lower than the US$2.3 billion registered for the same period in 2001; and
- during the first nine months of 2002, workers' remittances totaled US$1.4 billion, 7.3% higher than the US$1.3 billion registered for the same period in 2001.

The Economic Policies of the Mejía Administration

The Mejía administration has established the following objectives for its economic policy:

- sustained economic growth;
- price stability;
- increased use of capital and labor resources; and
- social development, improvement in standards of living and alleviation of poverty, particularly through an overhaul of the Republic's social security system and investment in public health and education.

The Government believes these objectives can be achieved through increased access to global markets, balanced public sector finances, promotion of market competition, and investment in the education, health and well-being of the Dominican people. To this end, the Government is seeking to promote the participation of the private sector in areas such as construction of roads and highways and water provision fee collection, which traditionally have been closed to private sector investment.

The above economic policy objectives form the basis for the various structural reforms and initiatives that the Mejía administration has pursued since it assumed office. These reforms and initiatives include, among others, the following:

- tax reform, including changes to personal income tax brackets, adoption of a minimum corporate income tax, increase in the value-added tax and excise taxes, and adoption of the Fuel Tax Law (see "Public Sector Finances—Tax Regime");
- reform of import tariffs, consisting primarily of across-the-board reductions in the number of tariffs and in tariff levels (see "Balance of Payments and Foreign Trade—Foreign Trade");
- approval of free trade agreements with the Central American Common Market and Caricom (see "The Dominican Republic—Foreign Policy and Membership in International and Regional Organizations");
- social security reform, including adoption of a new pension system composed primarily of privately funded individual retirement savings accounts, supplemented by publicly subsidized pensions for disadvantaged segments of the community (see "Public Sector Finances—Social Security");
- adoption of a system of concessions to enable the private sector to participate in the construction of infrastructure projects;
- elimination of government subsidies to the general population for electricity, fuel and gas consumption;
- gradual reduction in foreign exchange commissions; and
- adoption of a new set of regulations governing the monetary and financial system (*Ley Monetaria y Financiera*).

As part of its on-going reform agenda, the Mejía administration has also sought to stem the growth of discretionary public spending, to continue a flexible currency exchange system and to maintain a monetary policy compatible with fiscal discipline. In addition, to improve fiscal discipline, in 2002 the Mejía administration introduced measures to curb public spending, which included:

- limits on amounts that financial institutions may lend to the public sector; and
- prohibitions on governmental institutions from incurring debt with private suppliers and banks without the approval of the Ministry of Finance.

In addition, to mitigate the negative impact of the external shocks that have affected the Dominican economy since the latter part of 2001, the Central Bank implemented a more restrictive monetary policy to minimize inflation and the depreciation of the peso against the dollar.

Due to a reduction in the growth rate in public spending and an increase in fiscal revenues expected for 2002, the consolidated public sector deficit is projected to be 1.7% of GDP in 2002, which is lower than the 1.9% of GDP reached in 2001.

For 2003, the Mejía administration has established several key economic targets, including the following:

- reduce the annual rate of inflation to 6.5% from 10.5% in 2002;
- reduce the consolidated public sector deficit to 0.2% of GDP from 1.7% of GDP expected in 2002;
- increase the net international reserves of the Central Bank to approximately US$626 million by the end of 2003 from US$376 million registered at the end of 2002;
- increase the gross international reserves of the Central Bank to approximately US$1.1 billion by the end of 2003 from the US$829 million at the end of 2002; and

- reduce the current account deficit to 2.9% of GDP from 4.1% of GDP expected for 2002.

Gross Domestic Product and Structure of the Economy

The Dominican economy has been driven primarily by private sector investment and consumption and by growth in exports. In particular, private consumption accounted for approximately 75.5% of GDP in 2001, compared to government consumption of 9.0% of GDP. Private investment was approximately 18.1% of total GDP while public sector investment, which decreased steadily from 1997 to 2000, increased slightly in 2001, to 5.3% of total GDP.

The following tables set forth GDP by expenditure for the periods indicated.

Gross Domestic Product by Expenditure
(in millions of US$ and as % of total GDP at current prices)(1)

	1997		1998		1999(2)		2000(2)		2001(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Government consumption	1,156.7	7.6	1,286.8	8.0	1,416.5	8.1	1,665.1	8.4	1,932.6	9.0
Private consumption	11,715.5	77.3	12,429.4	77.5	13,110.9	75.1	15,213.8	77.1	16,147.3	75.5
Gross investment:										
Public sector	1,068.8	7.1	1,092.9	6.8	1,107.7	6.3	861.7	4.4	1,131.1	5.3
Private sector	1,932.7	12.8	2,666.1	16.6	3,125.6	17.9	3,867.9	19.6	3,864.9	18.1
Total gross investment	3,001.5	19.8	3,759.0	23.4	4,233.3	24.2	4,729.6	24.0	4,996.0	23.4
Exports of goods and services	7,088.4	46.8	7,538.2	47.0	8,033.1	46.0	9,003.0	45.6	8,402.0	39.3
Imports of goods and services	(7,809.5)	51.5	(8,982.3)	(56.0)	(9,337.2)	(53.5)	(10,886.6)	(55.2)	(10,088.2)	(47.2)
Net exports (imports)	(721.2)	(4.7)	(1,444.0)	(9.0)	(1,304.1)	(7.5)	(1,883.6)	(9.5)	(1,686.2)	(7.9)
GDP	15,152.6	100.0	16,031.1	100.0	17,456.6	100.0	19,724.9	100.0	21,389.7	100.0

(1) Based on the weighted average exchange rate for each year.
(2) Preliminary data.
Source: Central Bank.

Gross Domestic Product by Expenditure
(in millions of DOP and as % change from previous year, at constant 1970 prices)

	1997		1998		1999(1)		2000(1)		2001(1)	
	DOP	%	DOP	%	DOP	%	DOP	%	DOP	%
Government consumption	466.9	1.3	497.5	6.6	517.2	4.0	510.1	(1.4)	581.9	14.1
Private consumption	3,514.8	8.3	3,831.4	9.0	3,932.3	2.6	4,252.9	8.2	4,402.0	3.5
Gross investment:										
Public sector	550.3	(5.9)	576.0	4.7	576.0	-	429.8	(25.4)	540.2	25.7
Private sector	916.3	40.0	1,272.6	38.9	1,523.1	19.7	1,814.0	19.1	1,757.8	(3.1)
Total gross investment	1,466.6	18.3	1,848.6	26.1	2,099.1	13.6	2,243.8	6.9	2,298.0	2.4
Exports of goods and services	2,734.6	8.9	2,919.2	6.8	3,130.2	7.2	3,360.1	7.3	3,038.2	(9.6)
Imports of goods and services	(2,875.2)	12.8	(3,394.8)	18.1	(3,531.7)	4.0	(3,773.9)	6.9	(3,547.8)	(6.0)
Net exports (imports)	(140.6)	-	(475.6)	-	(401.5)	-	(413.8)	-	(509.6)	-
Real GDP	5,307.6	8.2	5,702.0	7.4	6,147.2	7.8	6,593.0	7.3	6,772.3	2.7

(1) Preliminary data.
Source: Central Bank.

The growth of the Dominican economy in recent years can be attributed primarily to the following factors:

- the growth in capital investment, principally in:
    - construction of tourism facilities, infrastructure projects and residential homes; and
    - machinery and equipment used by businesses in sectors such as manufacturing (including the free trade zones), construction and communications, among others.

      These investments led to improvements in technology and the existing capital stock of the country, resulting in increased employment and worker productivity;
- the relatively high savings rate in the Dominican economy during the period from 1997 to 2001; and
- increased productivity due to increased efficiency resulting from the structural reforms that the Government implemented in the 1990s.

During the period from 1997 to 2001, the Dominican Republic experienced an increase in total gross investment, primarily as a result of increased investment in the private sector.

Domestic investment increased from 19.8% of GDP in 1997 to 24.3% of GDP in 1999. In 2000, investment declined to 24.0% of GDP as a result of fiscal and fuel price adjustments implemented in August 2000 by the Mejía administration, and further decreased to 23.4% of GDP in 2001 as a result of the domestic economic slowdown resulting from the downturn in the global economy beginning in 2001. During the first nine months of 2002, domestic investment increased to 31.4% of GDP as a result of the increase in economic growth experienced during the period.

Investment and Savings
(% of current GDP)

	1997	**1998**	**1999**	**2000**	**2001**
Domestic investment	19.8%	23.4%	24.3%	24.0%	23.4%
Domestic savings:					
Public savings	4.7	5.7	4.5	3.3	3.4
Private savings	14.1	15.6	17.3	15.5	16.5
Total domestic savings	18.8	21.3	21.8	18.8	19.9
External savings	1.1	2.1	2.4	5.2	3.5
Total savings	19.8%	23.4%	24.3%	24.0%	23.4%

Source: IMF and Central Bank.

Domestic savings increased between 1997 and 1999 due to the high economic growth during the period. In 2000, public savings experienced a decline due to the loss of fiscal revenues that resulted from the increase in the international prices of oil and the Government's decision not to increase domestic fuel prices during the first eight months of 2000. Private savings as a percentage of GDP also declined in 2000 as a result of an increase in private consumption. In 2001, public savings increased due to the tax law initiatives implemented in December 2000, which changed significantly the Dominican tax system, in particular with respect to income, value-added and excise taxes. Private savings also increased in 2001 as a result of a decrease in private consumption. During the first nine months of 2002, domestic savings decreased as a percentage of GDP to 26.8%, as compared to 27.2% of GDP during the same period in 2001. This decrease was primarily due to a 1.6% reduction in private savings and a 1.2% increase in public savings as a percentage of GDP during the first nine months of 2002, as compared to the same period in 2001.

During the period from 1997 to 2001, economic growth and increased employment led to an improvement in the well-being of the population. The following table sets forth annual per capita GDP and per capita income in U.S. dollars for the years indicated.

Per Capita GDP[(1)] and Per Capita Income[(2)]
(in US$ at current prices)[(3)]

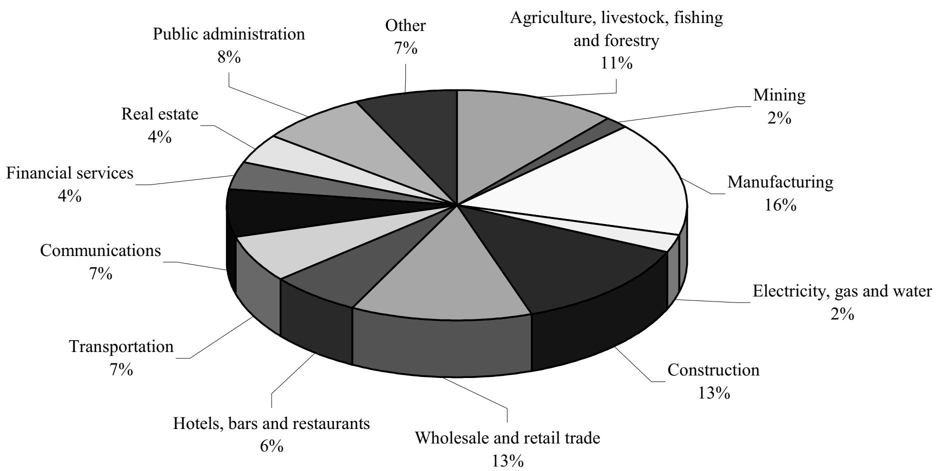
	1997	1998	1999[(4)]	2000[(4)]	2001[(4)]
Per capita GDP	US$1,896	US$1,961	US$2,087	US$2,305	US$2,451
Per capita income	1,966	2,096	2,192	2,406	2,559

(1) Without adjustment to reflect changes in purchasing power.
(2) Per capita national disposable income, which is equal to GDP plus net investment and financial income from abroad plus foreign remittances divided by the country's population.
(3) Based on the weighted average exchange rate for each year.
(4) Preliminary data.
Source: Central Bank.

Principal Sectors of the Economy

The principal economic activities in the Dominican Republic are manufacturing, construction, wholesale and retail trade, agriculture and livestock, transportation, communications and tourism (which impacts various sectors of the economy). Manufacturing, tourism, communications and construction have grown in the past five years. The contribution of these sectors to GDP, coupled with the value they added to other sectors, helped drive the overall growth of the Dominican economy during the period from 1997 to 2001. The following chart sets forth graphically the principal sectors of the economy.

Sectors of the Dominican Economy
(as % of GDP for 2001, at constant 1970 prices)



The following tables set forth the distribution of GDP in the Dominican economy, indicating for each sector its percentage contribution to GDP and its annual growth rate for the years indicated, in each case as compared to the previous year.

Gross Domestic Product by Sector
(in millions of DOP and as % of GDP, at constant 1970 prices)

	1997		1998		1999		2000		2001(1)	
	DOP	%	DOP	%	DOP	%	DOP	%	DOP	%
Primary production:										
Agriculture, livestock, fishing and forestry	650.4	12.3	657.4	11.5	701.5	11.4	736.3	11.2	774.0	11.4
Mining	132.6	2.5	111.5	2.0	109.8	1.8	124.4	1.9	105.5	1.6
Total primary production	783.0	14.8	768.9	13.5	811.3	13.2	860.7	13.1	879.5	13.0
Secondary production:										
Manufacturing:										
Traditional	733.8	13.8	772.0	13.5	839.1	13.7	908.1	13.8	903.6	13.3
Free trade zones	188.0	3.5	202.4	3.5	193.9	3.2	202.9	3.1	193.5	2.9
Total manufacturing	921.8	17.4	974.3	17.1	1,033.0	16.8	1,110.9	16.9	1,097.0	16.2
Electricity, gas and water	106.0	2.0	120.7	2.1	130.5	2.1	139.5	2.1	165.2	2.4
Construction	587.2	11.1	702.1	12.3	826.2	13.4	872.8	13.2	881.1	13.0
Total secondary production	1,615.0	30.4	1,797.2	31.5	1,989.7	32.4	2,123.2	32.2	2,143.3	31.6
Services:										
Wholesale and retail trade	664.2	12.5	743.3	13.0	805.7	13.1	875.8	13.3	878.9	13.0
Hotels, bars and restaurants	343.6	6.5	359.7	6.3	392.4	6.4	450.0	6.8	430.4	6.4
Transportation	356.6	6.7	389.8	6.8	414.7	6.7	449.1	6.8	447.5	6.6
Communications	221.5	4.2	266.7	4.7	308.3	5.0	355.7	5.4	442.0	6.5
Financial services	236.2	4.4	245.7	4.3	256.0	4.2	264.4	4.0	271.9	4.0
Real estate	249.3	4.7	254.5	4.5	260.4	4.2	266.4	4.0	272.4	4.0
Public administration	422.7	8.0	444.9	7.8	458.7	7.5	478.4	7.3	520.8	7.7
Other	415.3	7.8	431.5	7.6	450.0	7.3	469.2	7.1	485.4	7.2
Total services	2,909.4	54.8	3,136.1	55.0	3,346.2	54.4	3,609.0	54.7	3,749.3	55.4
Total GDP	5,307.6	100.0	5,702.0	100.0	6,147.2	100.0	6,593.0	100.0	6,772.3	100.0

(1) Preliminary data.
Source: Central Bank.

Gross Domestic Product by Sector
(% change from previous year, at constant 1970 prices)

	1997	1998	1999	2000	2001[1]
Primary production:					
Agriculture, livestock, fishing and forestry	3.3%	1.1%	6.7%	5.0%	5.1%
Mining..	3.1	(15.9)	(1.5)	13.3	(15.2)
Total primary production............................	3.2	(1.8)	5.5	6.1	2.2
Secondary production:					
Manufacturing:					
Traditional	6.7	5.2	8.7	8.2	(0.5)
Free trade zones	10.7	7.7	(4.2)	4.6	(4.6)
Total manufacturing	7.5	5.7	6.0	7.5	(1.3)
Electricity, gas and water	10.1	13.9	8.1	6.9	18.4
Construction	17.1	19.6	17.7	5.6	1.0
Total secondary production	11.0	11.3	10.7	6.7	0.9
Services:					
Wholesale and retail trade.................................	10.0	11.9	8.4	8.7	0.4
Hotels, bars and restaurants	17.4	4.7	9.1	14.7	(4.4)
Transportation	7.5	9.3	6.4	8.3	(0.4)
Communications	19.3	20.4	15.6	15.4	24.3
Financial services..	3.2	4.0	4.2	3.3	2.8
Real estate	2.4	2.1	2.3	2.3	2.3
Public administration	3.1	5.3	3.1	4.3	8.9
Other..	4.5	3.9	4.3	4.3	3.5
Total services	8.0	7.8	6.7	7.9	3.9

(1) Preliminary data.
Source: Central Bank.

Primary Production

Agriculture, Livestock, Fishing and Forestry

The Dominican agriculture, livestock, fishing and forestry sector is dominated by small-scale producers of sugarcane, grains (such as rice and beans), coffee, cocoa, fruits, vegetables, root crops, milk, poultry and beef. This sector grew in the period from 1997 to 2001 at an annual average rate of 4.2% (although it declined in 1998 as a result of the damage caused by Hurricane Georges) but, due to the faster growth of other sectors, decreased slightly in importance as a component of the Dominican economy, representing 11.4% of GDP in 2001 compared to 12.3% in 1997.

Total exports of primary agricultural goods declined as a percentage of total exports in the period from 1997 to 2001, representing 4.0% of total exports in 2001 compared to 8.0% in 1997. The damage caused by Hurricane Georges in 1998 adversely affected growth of agricultural output which caused an increase in local prices of primary goods. Nonetheless, the output of basic foods for domestic consumption has increased during the last two years.

During the first nine months of 2002, primary production as a whole experienced a contraction of 1.2% as compared to the same period in 2001. This decrease was primarily due to a reduction in the production of tobacco, tomatoes, potatoes and beans. Nonetheless, during the first nine months of 2002, the production of rice, bananas, oranges and root crops increased on average by 13.2%, as compared to the same period in 2001.

Trade liberalization and newly implemented microeconomic reforms should lead to a gradual decline in the cost of agricultural production and help lower consumer prices. As a result, exports of both traditional and non-traditional crops are expected to rise in the medium term. While historically the Government has intervened substantially in the agricultural sector, its involvement in the past decade has been limited to establishing price-stabilization arrangements for small producers and to providing financing for small producers, through *Banco Agrícola de la República Dominicana* (the Agricultural Bank of the Dominican Republic, which we refer to in this offering memorandum as the "Agricultural Bank").

The following table sets forth the production of selected primary goods for the years indicated.

Selected Primary Goods Production(1)
(in millions of US$, at current prices)

	1997	1998	1999	2000(2)	2001(2)
Crops:					
Rice	US$ 181.5	US$ 155.9	US$ 181.5	US$ 198.5	US$ 221.9
Corn	10.2	8.0	6.3	5.7	7.7
Sugar cane	178.2	133.3	103.5	108.1	122.8
Tobacco	113.9	180.2	19.4	4.2	4.6
Coffee	172.4	178.2	133.4	115.1	62.6
Cocoa	64.3	88.3	25.3	27.9	45.2
Oleaginous	1.4	4.7	3.0	1.9	1.7
Cotton	0.1	0.1	0.1	0.1	0.1
Leguminous plants	46.4	39.7	41.1	35.3	44.0
Root crops	113.7	106.4	122.8	114.4	136.5
Fruits	111.3	150.7	233.8	216.9	265.3
Vegetables	93.9	120.6	129.8	137.3	121.0
Other agricultural	137.5	132.6	121.9	105.1	107.7
Total crops	US$1,224.6	US$1,298.7	US$1,121.9	US$1,070.3	US$1,141.1
Livestock:					
Beef	US$ 123.0	US$ 142.4	US$ 145.0	US$ 152.0	US$ 163.5
Pork	9.6	9.9	12.0	24.1	26.3
Lamb	3.5	3.8	3.2	3.8	5.0
Poultry	179.4	162.6	150.3	232.3	225.7
Milk	112.7	122.7	136.7	147.2	163.5
Eggs	53.8	61.2	59.5	61.4	66.6
Total livestock	US$ 482.0	US$ 502.6	US$ 506.7	US$ 620.8	US$ 650.0
Honey and bees' wax	US$ 2.0	US$ 1.8	US$ 1.8	US$ 1.8	N/A
Fishing and forestry	17.0	22.8	22.1	21.0	21.6

(1) Value of total production based on producer prices. Conversion to U.S. dollars based on the weighted average exchange rate for each year.
(2) Preliminary data.
N/A = Not available.
Source: Central Bank.

The following table sets forth the annual percentage change in production of selected primary goods for the years indicated, based on constant 1970 prices.

Selected Primary Goods Production
(% change from previous year, at constant 1970 prices)

	1997	1998	1999(1)	2000(1)	2001(1)
Crops:					
Rice	7.2%	(6.7)%	19.4%	4.8%	23.1
Corn	(16.0)	0.9	(11.3)	(21.1)	47.2
Sugar cane	3.6	(20.1)	(11.4)	1.4	10.0
Tobacco	0.8	47.9	(62.0)	(83.1)	72.2
Coffee	(8.2)	7.4	(10.2)	3.8	(3.0)
Cocoa	(2.8)	16.1	(50.1)	69.1	46.7
Oleaginous	(38.2)	163.0	(19.6)	(42.6)	15.5
Cotton	(16.1)	(16.0)	(16.6)	(16.4)	(0.9)
Leguminous plants	(18.8)	(1.0)	6.2	(2.6)	10.7
Root crops	(10.3)	10.1	22.2	(3.9)	7.1
Fruits	1.9	(20.2)	18.8	13.8	22.0
Vegetables	24.5	5.5	39.4	(4.4)	(2.5)
Other agricultural	(9.5)	(0.5)	(14.0)	33.0	2.0
Livestock:					
Beef	(1.4)	1.0	3.4	5.3	7.2
Pork	3.0	(0.5)	22.6	54.9	12.9
Lamb	(0.7)	(0.7)	0.1	0.4	29.0
Poultry	5.1	0.9	12.1	9.5	(3.4)
Milk	(0.7)	2.7	4.8	4.0	6.6
Eggs	5.0	2.9	5.0	10.0	12.3
Honey and bees' wax	0.7	N/A	0.7	3.1	N/A
Fishing and forestry	1.0	30.9	4.5	(4.5)	5.1

(1) Preliminary data.
Source: Central Bank.
N/A = Not Available.

Mining

The mining sector is concentrated in the production of nickel-iron, marble and quarry products, such as sand, coarse sand and lime sulfate. This sector showed modest growth of approximately 3.1% in 1997, and a major contraction of 15.9% in 1998, as a result of a sharp decline in the international price of nickel-iron. This sector recovered in 2000 with a growth rate of 13.3% compared to a decline of 1.5% in 1999. In 2001, the mining sector declined by 15.2% mainly due to the sharp decrease in the international price of nickel-iron. In response to such low prices, Falconbridge Dominicana, a local private mining company temporarily ceased operations. In addition, a slowdown in construction resulted in lower consumption of quarry products. The mining sector represents a relatively small part of the Dominican economy, accounting for only 1.6% of GDP in 2001, as compared to 2.5% in 1997.

The production of *doré* (an alloy of gold and silver) ceased altogether in 1999 due to technical and financial problems faced by *Rosario Dominicana*, a mining company owned by the Central Bank. These problems were aggravated by the lack of a strategic private partner which could contribute capital and needed technology. However, in July 2001, two international companies submitted proposals to the Mineral Licensing Commission of the National Council for Mineral Development for the right to develop the sulfide deposits at the Pueblo Viejo mine (owned by *Rosario Dominicana*) where *doré* is contained. On July 12, 2001, the concession was awarded to the Canadian company Placer Dome Inc. The Dominican Congress ratified the contract in August 2002. The company has begun conducting feasibility studies and, after their completion, will restore production of *doré*.

Secondary Production

Manufacturing

The principal components of the manufacturing sector are:

- traditional manufacturing, principally flour, vegetable oils, fertilizers, cement, sugar, alcoholic beverages (beer, rum and whiskey), cigarettes, steel bars, plastic derivatives, and pharmaceutical products; and
- manufacturing and assembly in the free trade zones, primarily of textiles, electronics, tobacco and its derivatives, and footwear.

The manufacturing sector grew consistently during the period from 1997 to 2001, with an average annual growth rate of 5.1%. In 2001, the manufacturing sector declined by 1.3%, mainly because of the decrease in free trade zone activity that year. Traditional manufacturing also declined in 2001 due to the decrease in the production of cigarettes, beer and rum, which resulted from higher excise and value-added taxes as well as the slowdown in economic activity. The production of sugar increased by 10.1% in 2001 due to improvements in production processes and the emergence of new sugar producers. Further expansion of the manufacturing sector was thwarted by a limited and unreliable supply of electricity. Between 1997 and 2001, the average contribution of the manufacturing sector to GDP was approximately 16.9%.

During the first nine months of 2002, the manufacturing sector increased by 5.4%, as compared to the same period in 2001. This increase was primarily due to the growth of traditional manufacturing during this period.

Traditional Manufacturing. Traditional manufacturing grew at an average annual rate of 5.6% during the period from 1997 to 2001, as a result of the modernization of the industrial infrastructure induced by the tariff reform implemented in 1990, liberalization of foreign investment implemented in 1995, and increased domestic demand. During this period, traditional manufacturing contributed approximately 13.6% annually to GDP.

The quality of domestically manufactured goods has improved in recent years in response to competition from imports. Domestic marketing strategies have also improved in the past decade. Large local companies have established strategic alliances to enhance marketing and product distribution.

The following tables set forth information regarding traditional manufacturing production for the years indicated.

Production of Selected Manufacturing Goods
(in volumes as specified)

	1997	1998	1999(1)	2000(1)	2001(1)
Raw sugar (in metric tons)	689,596	510,127	374,267	435,883	480,022
Refined sugar (in metric tons)	113,410	103,640	81,484	100,939	112,859
Beer (in thousands of liters)	259,323	299,301	330,138	366,622	317,595
Cigarettes (in thousands of boxes of 20 units)	198,616	205,185	209,200	194,884	166,896
Rum (in thousands of liters)	42,729	41,448	43,395	48,581	45,246
Milk (in thousands of liters)	28,397	32,754	39,658	59,464	65,164
Flour (in thousands of pounds)	2,456,382	2,702,435	2,211,819	2,452,144	2,721,625
Cement (in metric tons)	1,822,336	1,871,455	2,283,290	2,520,752	2,757,644
Paint (in metric tons)	20,950	22,628	25,125	22,397	29,393

(1) Preliminary data.
Source: Central Bank.

Production of Selected Manufacturing Goods
(% change from previous year, by volume)

	1997	1998	1999(1)	2000(1)	2001(1)
Raw sugar	11.4%	(26.0)%	(26.6)%	16.5%	10.1%
Refined sugar	1.4	(8.6)	(21.4)	23.9	11.8
Beer	17.8	15.4	10.3	11.1	(13.4)
Cigarettes	(2.3)	3.3	2.0	(6.8)	(14.4)
Rum	(4.4)	(3.0)	4.7	12.0	(6.9)
Milk	11.9	15.3	21.1	49.9	9.6
Flour	1.9	10.0	(18.2)	10.9	11.0
Cement	11.0	2.7	22.0	10.4	9.4
Paint	11.4	8.0	11.0	(10.9)	31.2

(1) Preliminary data.
Source: Central Bank.

Between 1998 and 1999, the sugar sector suffered from damage caused by Hurricane Georges, financial difficulties at the *Consejo Estatal del Azúcar* (which we refer to in this offering memorandum as the "National Sugar Board"), which at the time controlled nearly all national sugar production, and electricity shortages. It was not until 2000 that this sector showed strong growth of 16.5% after the state-owned sugar mills were leased to private investors for 30-year terms. This arrangement increased the productivity of the Republic's sugar mills due to the greater resources private operators were able to invest to modernize the mills' facilities and optimize their production capacity. This expansion continued during 2001 as the production of raw sugar grew 10.1%.

During the first nine months of 2002, the sugar sector experienced a decline of 1.1%, as compared to the same period in 2001. In addition, during the first nine months of 2002, the production of other manufacturing goods (beer, cigarettes, rum, milk, flour and cement) increased by 10.7%, as compared to the same period in 2001.

Free Trade Zones. The free trade zones are industrial parks that are set aside for manufacturing of a variety of products exclusively for export. These industrial parks operate in a nearly free trade environment. Some of the manufacturing in the free trade zones consists of assembly manufacturing, with the raw materials imported into the Dominican Republic, free of import duties, and then assembled to produce finished goods. Intermediate and capital goods entering the free trade zones are likewise not subject to import tariffs, and goods manufactured in the free trade zones enter the United States free of import duties or with preferential duties under the Caribbean Basin Initiative. Exports from the free trade zones have also benefited from the preferential trade treatment accorded by the United States to certain textile products under the U.S.-Caribbean Textile Parity Agreement, which was approved by the U.S. Congress in May 2000. The free trade zones also offer companies the added benefit of being exempt from Dominican income taxes through the year 2003 with respect to revenues generated by the plants they operate in these zones. This usually is most beneficial to Dominican companies since foreign companies have to pay income taxes in their country of origin.

As of December 31, 2001, there were 51 free trade zones located throughout the country. Textiles accounted for 51.7% of exports from the free trade zones, followed by jewelry (11.8%), electronics (10.8%), and tobacco and its derivatives (8.0%).

The free trade zones did not grow consistently during the period from 1997 to 2001, contracting in 1999 and 2001, but exhibiting strong growth in each of 1997, 1998 and 2000. The contraction experienced by this sector during 2001 can be explained by the slowdown of the U.S. economy, given that the United States purchases approximately 96% of the Republic's free zone exports. Between 1997 and 2001, the average annual growth rate of the free trade zones was approximately 2.6%. The contribution of these industrial parks to the Dominican economy was approximately 3.2% during this period.

An increase in purchase orders during the first nine months of 2002 suggested that the performance of the free trade zone sector is beginning to recover slightly. While during the first nine months of 2002, the sector experienced a decline of 9.3%, as compared to the same period in 2001, during the third quarter of 2002 (July through September), the decline was 4.3%, reflecting a slight recovery in the sector. The Government anticipates that this recovery will continue through the end of 2002.

The free trade zones have been a strong source of employment, directly creating 13,088 jobs between 1997 and 2000 for a total of 195,262 jobs at December 31, 2000. At December 31, 2001, total employment in the free trade zones declined to 175,078 due to the decrease in production activity in this sector. Between 1997 and 2001, the free trade zones also became the third largest source of foreign currency in the Dominican economy. For 2001, free trade zones accounted for US$1.7 billion of foreign exchange earnings, compared to US$2.8 billion from tourism and US$2.0 billion from workers' remittances. Exports from free trade zones totaled US$4.5 billion in 2001.

The performance of the free trade zones, in terms of their contribution to employment and exports, can be explained by the exchange rate liberalization implemented in 1985 and the nearly free trade environment in which they operate. The delay in the approval of the Textile Parity Agreement by the U.S. Congress until May 2000 and the downturn in the U.S. economy negatively affected the growth of the free trade zones, particularly in 1999 and 2001.

The following table sets forth principal economic indicators for the free trade zones for the years indicated.

Principal Economic Indicators of the Free Trade Zones

	1997	1998	1999	2000	2001
Existing parks	40	43	44	46	51
Employees	182,174	195,193	189,458	195,262	175,078
Exports (in millions of US$)	US$3,596.4	US$4,100.2	US$4,331.5	US$4,770.6	US$4,481.6
As a percentage of GDP	23.7%	25.6%	24.8%	24.1%	21.2%
Of which:					
Textile exports (in millions of US$)	US$2,185.0	US$2,349.0	US$2,393.4	US$2,495.3	US$2,336.6
Net foreign exchange earnings (in millions of US$)	1,180.0	1,400.0	1,497.0	1,708.0	1,691.0
Average monthly salary (in US$)(1)					
Technicians	445.6	458.3	434.2	456.1	477.7
Workers	196.1	187.9	191.8	194.0	202.8

(1) Calculated according to the weighted average exchange rate for each year.
Source: *Consejo Nacional de Zonas Francas* (National Council of Free Trade Zones) and Central Bank.

During the first nine months of 2002, exports from the free trade zones totaled US$3.3 billion, representing a 6.5% decrease from the same period in 2001. This decrease was primarily due to decreased U.S. demand for exports from the Republic resulting from the slowdown in the U.S. economy.

Electricity, Gas and Water

In the period from 1997 to 2001, the electricity, gas and water sector grew at an average annual rate of 11.4%, driven by increased demand resulting from the economic expansion. The contribution of this sector to GDP held steady at approximately 2.1%. During the first nine months of 2002, the electricity sector grew 10.6%, as compared to the same period in 2001, primarily as a result of an increase in electricity consumption.

The electricity sector, which was entirely state-owned until 1998, suffered for many years from lack of resources and capital investment. These conditions led to a shortfall in energy-generation capacity and to frequent blackouts, which severely affected economic activity. To mitigate this adverse situation, in 1993 the CDE began to buy energy from private generators. During the 1990s, many industries, retail businesses and hotel chains also acquired back-up generators, which lessened the effects of the energy shortages. Back-up generators also protect the most important sectors of the Dominican economy from the considerable damage that hurricanes may cause to transmission lines. For example, even though Hurricane Georges severely battered the Dominican Republic in September 1998, free trade zones were able to continue production and shipments to the United States as programmed because they were able to rely on their back-up generators.

Since 1996, as a result of the Government's increased investment, and the opening of power generation and distribution to private investment, the electricity sector has grown significantly. In 1999 the Government privatized the CDE's thermoelectric plants and distribution facilities. On December 31, 1998, approximately 88% of all Dominican households had electricity, compared to 76% in 1984. At the end of 2001, the country's generation capacity was 2,859 megawatts, which exceeded 2001 demand by approximately 1,190 megawatts. Preliminary estimates show that in 2002, the generation capacity increased to 3,004 megawatts, which exceeded demand by 1,156 megawatts.

The electricity sector is currently divided into three subsectors: generation, transmission and distribution. There are five types of electricity generators in the Dominican Republic:

- independent power producers,
- privatized thermoelectric plants in which the Government holds a 50% share of equity,
- hydroelectric plants operated and owned by CDE,
- merchant plants which are private producers without power purchase agreements, and
- back-up generators owned by commercial and service businesses.

In 2001, 92.0% of the total electricity production was generated by gas- and coal-fuel thermoelectric plants, and the balance by hydroelectric plants.

CDE controls the country's power grid and is the only company that offers transmission services. The CDE charges US$0.0062 per kilowatt hour to transmit electricity produced by generation companies at high voltage through the country's power grid.

Distribution is provided by companies that purchase electricity from generation companies to sell in regulated and unregulated markets to end users. At present, 100% of distribution and 90% of generation is controlled by the private sector. The remaining 10% of generation is controlled by CDE.

On July 26, 2001, the Mejía administration enacted the *Ley General de Electricidad* (the General Electricity Law) establishing a legal framework for the electricity sector. This law is expected to promote competition and efficiency, and improve the regulatory capacity of the Superintendency of Electricity. Among other things, the law creates a framework for participation in electricity generation based on the principle of free entry. In addition, the law gives large energy consumers (and, later, medium-sized energy consumers) the option to buy energy directly from the generators. Finally, the law establishes that private agents in the market can be penalized for unjustified blackouts.

Prior to the privatization of CDE, Government institutions failed to pay for electricity services. During the period following the partial privatization of CDE, Government institutions continued to accumulate arrears with private distributors, which, in turn, failed to make payments to CDE for transmission services and electricity purchased from CDE. In addition, especially during the transition period following the privatization, the financial condition of the electricity sector was adversely affected by the inability of the distribution companies to improve collections. This situation resulted in continuous blackouts throughout the country.

During 2002, the electricity sector underwent a financial crisis due to:

- annual losses of approximately US$121 million incurred by CDE as a result of its agreements with independent power producers to purchase energy at prices higher than CDE's selling prices to distribution companies. As of September 30, 2002, CDE's total debt to independent power producers reached US$178 million;
- a government subsidy regime which prohibited distribution companies from increasing prices to consumers to cover their increased costs. This subsidy regime, in turn, led the distribution companies to deduct these cost increases from payments to CDE. In addition, the inability to pass on increased

costs to consumers caused distribution companies to accumulate arrears with generation companies; and

- the failure of public institutions to fully pay for their energy consumption, which also caused distribution companies to withhold payments to CDE.

In order to resolve the financial crisis in the electricity sector, in May 2002 the Government appointed an electricity commission and the following actions were taken:

- CDE terminated almost all of its power purchase agreements with independent power producers and is currently paying its accrued debt with these producers. The independent power producers are now selling, and CDE is purchasing, electricity in the spot market.
- The Government and the distribution companies reached an agreement to adjust the indexation formula used to set electricity prices charged to consumers. The new formula now allows for price adjustments for changes in fuel costs, inflation and exchange rates.
- CDE's role as the financial intermediary between public entities and distribution companies was eliminated. As a result, distribution companies now charge these public entities directly for their electricity consumption.

During 2002, CDE paid a total of approximately US$184.1 million in amounts owed to independent power producers and distribution companies as part of the Government's initiatives to resolve the operational and financial crisis affecting the electricity sector. CDE borrowed from *Banco de Reservas* and other local commercial banks on a short-term basis in order to make these payments. The Government is negotiating a loan with the World Bank in a principal amount of up to US$250 million to refinance CDE's short-term borrowings from these banks and to provide funds for a settlement in respect of remaining amounts owed to the independent power producers and distribution companies. CDE has one remaining contract to be renegotiated, with *Compañia de Electricidad de San Pedro de Macorís* (the Electricity Company of San Pedro de Macorís, which we refer to in this offering memorandum as "Cogentrix"). Under the terms of the existing agreement with Cogentrix, CDE would incur annual losses in 2003 of either US$62.2 million (assuming that its generation plant is in operation) or US$35 million (assuming that this plant is not in operation). The Cogentrix plant is not operating as of the date hereof.

In addition, distribution companies, with assistance from the Government, are taking measures to improve collections from delinquent consumers.

Despite the current surplus in generation capacity and the actions taken to improve conditions in the electricity sector, some blackouts have occurred throughout the Republic as a result of the following:

- decisions taken by distribution companies to limit their purchase of electricity in the spot market when prices are high, thereby limiting the supply of electricity to consumers.

  Currently, distribution companies purchase electricity from generators under previously agreed contracts and in the spot market. Under the contracts, the purchase price is determined by a formula that takes into account certain cost variations. In the spot market, price is determined by supply and demand. Since the indexation formula used by distribution companies to fix consumer prices is not adjusted to reflect the variation in energy prices in the spot market, distributors limit their spot purchases when prices are high. This causes distribution companies to limit the supply of electricity to consumers;

- payment disputes between the Government and Cogentrix, an independent power producer that services approximately 5% of the Republic's total demand for electricity. As a result of these disputes, the Government has delayed payments to Cogentrix, which has, in turn, suspended the provision of electricity. The parties are currently negotiating to resolve their disputes. It is expected that the parties will reach an agreement on their disputes in the short term; and
- operational problems experienced by the electricity generator, *Empresa Generadora de Electricidad Itabo, S.A.*, after its plant recently adopted coal as a source of fuel.

It is anticipated that these power failures will be reduced significantly in the short-term as two new plants generating electricity are expected to become operational between March and April of 2003. These plants, as well as the upgrading of plants that are currently in operation, are expected to increase the generation capacity by 700 megawatts during the first quarter of 2003.

In addition, the Republic anticipates that blackouts will be reduced since, under the General Electricity Law, beginning on January 1, 2003, distribution companies will be penalized for unjustified blackouts.

Historically, the energy sector has experienced significant losses which have generally exceeded 40% of total production in the period from 1997 to 2001. During 2001, as a result of significant improvements in, and extensions of, the transmission lines, this loss was reduced to 32.3% of total energy production.

Propane gas is a widely used energy source in the Dominican Republic. Propane gas is imported primarily through three terminals: *Refinería Dominicana de Petróleo*, *Operadora Puerto Viejo, S.A.* and Coastal Petroleum Dominicana. A large number of private companies distribute propane gas. The Dominican Republic consumes approximately 282 million gallons of propane gas annually, equivalent to 33.2 gallons per capita per year. This large level of consumption is due to government subsidies intended to reduce the use of wood as fuel and reduce the rate of deforestation. The Mejía administration eliminated these subsidies in February 2001, which represented 0.5% of GDP.

Since 1998, the water sector has grown, but remains in need of significant investment. At present, 15% of Dominican homes do not have access to potable water. The Mejía administration has targeted water distribution management and fee collection for privatization. However, the fact that the Government supplies water under a subsidized scheme poses a challenge to private sector participation, since customers are likely to object to the increase in rates that would accompany Government withdrawal from this sector. In July 2001, *Corporación de Acueductos y Alcantarillados de Santo Domingo*, a public company, began installing water meters in selected areas of Santo Domingo in order to increase collections. During the first ten months of 2002, revenues from water fees increased 30% as compared to the same period in 2001.

The Government made significant investments in sewage treatment during the period from 1991 to 1996, averaging approximately 8.1% of government expenditures annually. Nevertheless, since 1997, investment in sewage treatment has decreased as a percentage of total government expenditures to 4.0% in 1997, 3.1% in 1998, 3.0% in 1999, 2.2% in 2000 and 2.1% in 2001. Approximately 91% of Dominican homes has access to sewage treatment services.

The following table sets forth information with respect to the development of electricity and water sectors for the years shown.

Principal Economic Indicators of the Electricity and Water Sector

	1997	1998	1999	2000(1)	2001(1)
Production of electricity and water sector (in millions of US$)(2):					
Electricity	US$294.0	US$330.9	US$361.8	US$408.1	US$512.0
Water	8.6	8.4	8.7	9.4	9.8
Aggregate value	US$302.6	US$339.4	US$370.5	US$417.4	US$521.8
Energy Production:					
Generators and CDE (in MW/hr):					
Thermal	2,465,518	2,419,850	2,067,752	2,218,405	2,725,781
Hydroelectric	839,276	921,874	1,380,023	932,963	780,880
Gas	609,059	1,227,169	2,088,398	2,107,034	1,325,843
Diesel	4,501	10,993	7,374	7,281	7,554
Total generators and CDE	3,918,354	4,579,886	5,543,547	5,265,683	4,840,057
Independent private producers (in MW/hr)	3,628,137	3,348,459	3,740,533	4,439,563	4,833,125
Total energy production (in MW/hr)	7,546,491	7,928,345	9,284,080	9,705,247	9,673,182
Losses, transmission and distribution (in MW)	3,312,481	3,097,837	4,071,130	4,143,857	3,113,718
Total energy loss/production, as % of total production	43.9%	39.1%	43.9%	42.7%	32.2%
Consumption by economic sector (in MW/hr):					
Residential	1,440,565	1,513,345	1,670,966	1,937,607	2,785,896
Industrial	1,392,073	1,582,015	1,739,196	1,864,164	1,908,906
Government	740,541	1,025,972	994,413	909,290	813,539
Commercial	449,465	473,674	568,508	613,883	819,642
Factory consumption	211,365	235,502	239,867	236,446	231,481
Total consumption	4,234,010	4,830,508	5,212,950	5,561,390	6,559,464
Energy sale income (in millions of US$)	US$475.8	US$526.4	US$544.0	US$620.7	US$708.1

(1) Preliminary data.
(2) Calculated using electricity and water sector percentage share of real GDP, multiplied by nominal GDP in U.S. dollars.
Source: Central Bank.

Construction

Between 1997 and 2001, the construction sector grew at an average annual rate of 11.9%. During this period, this sector's contribution to GDP fluctuated between 11.1% and 13.4%. Construction was the primary contributor to annual GDP growth, accounting on average for 18.7% of GDP growth in the period from 1997 to 2001. During the first nine months of 2002, this sector grew 7.1%, as compared to the same period in 2001. Construction of tourism-related facilities, as well as dams, highways, roads, bridges, tunnels, shopping centers, housing units and office buildings, contributed to the growth of this sector.

The recent growth has been fueled by an increase in the level of public and private investment. Private investment was directed mostly towards residential, commercial and hotel construction projects. The Government invested heavily in the construction of transportation infrastructures, of schools and hospitals, and of low-cost single-unit housing. The growth of the construction sector raised the per capita consumption of cement in the Dominican Republic to 345 kilograms in 2001, making it in that year second only to the cement consumption of the United States.

Services

Wholesale and Retail Trade

Between 1997 and 2001, wholesale and retail trade grew at an average annual rate of 7.8%, principally due to the following factors:

- an increase in per capita income;

- the effects of the 1990 tariff reform (see "Balance of Payments and Foreign Trade—Foreign Trade"); and
- the elimination of restrictions on foreign investment (see "The Economy—History and Background").

This sector's contribution to GDP increased from 12.5% in 1997 to 13.0% in 2001. In addition, during the period from 1997 to 2001, wholesale and retail trade accounted for an average of 13.3% of GDP growth, making it the third largest contributor to GDP growth. During the first nine months of 2002, this sector grew 6.7%, as compared to the same period in 2001 due to the overall growth in the Dominican economy.

Over the past few years, a number of multinational corporations have entered the Dominican retail market, some through the use of franchises, and have focused mostly on mega-store supermarkets and the fast-food and clothing businesses. Investment in these businesses has in turn spurred domestic investment in retail trade.

Hotels, Bars and Restaurants

Driven primarily by tourism, the hotels, bars and restaurant sector was an important contributor to growth of the Dominican economy between 1997 and 2001, accounting on average for 5.2% of GDP growth. During this period, the sector experienced an average annual growth rate of 8.0%, and represented between 6.3% and 6.8% of GDP. Nearly 13,500 hotel rooms were built, bringing the total to approximately 54,000 as of December 31, 2001. In 2001, this sector contracted 4.4% over 2000 due to the impact of the terrorist acts of September 11, 2001, which reduced by almost 3% the number of tourists that visited the Dominican Republic during the year.

During the first nine months of 2002, this sector decreased by 5.7%, as compared to the same period in 2001. This was mainly due to the decrease in the number of tourists that visited the Dominican Republic during this period, as well as a reduction in the average length of stay by tourists in the country.

On October 9, 2001, the Government enacted the *Ley de Fomento al Desarrollo Turístico* (Tourism Incentive Law). This law grants tax exemptions to entities that develop tourism-oriented projects in the less - developed regions of the country. This law is expected to promote investment and economic growth in the tourism sector.

Since the early 1980s, tourism has replaced sugar as the primary source of foreign currency for the Dominican economy. In 2001, 2.4 million tourists generated approximately US$2.7 billion in foreign currencies into the Dominican economy. See "Balance of Payments and Foreign Trade—Foreign Trade—Services Trade" for additional information on the tourism sector.

Transportation

The transportation sector, which consists of passenger and merchandise transportation by air, land and sea, exhibited considerable growth between 1997 and 2001, registering a 6.2% average annual growth rate and accounting on average for 5.4% of annual GDP growth. The sector's contribution to GDP remained stable at about 6.7% during the period from 1997 to 2001. Several factors contributed to the growth in this sector, including:

- higher per capita income that led to an increase in vehicle purchases;
- modernization of the transportation infrastructure;
- a renewed public transportation initiative; and
- a reduction of taxes applicable to purchases of certain foreign automobiles that facilitated imports of certain American cars.

During the first nine months of 2002, the transportation sector grew 4.4%, as compared to the same period in 2001 primarily due to the overall growth in the Dominican economy.

Communications

The Dominican Republic was one of the first countries in Latin America to have a privatized telephone service. Privatization of the telecommunications sector took place in 1930. From 1930 to 1992, *Compañía Dominicana de Teléfonos* (the Dominican Telephone Company), currently a subsidiary of Verizon, had a virtual monopoly in this sector. In 1992, the creation of Tricom introduced competition into the telephony market. Tricom is currently the only Dominican company listed on the New York Stock Exchange. Competition intensified in 2000 with the entry of France Telecom (Orange) and Centennial Dominicana (a subsidiary of Centennial Communication Corporation) into the Dominican wireless telephone market. Increased competition has expanded the variety of communication services offered and caused an appreciable reduction in rates.

Summary Communications Sector Information

	1997	1998	1999	2000	2001
Lines (per 100 inhabitants)					
Fixed wire	8.8	9.4	9.9	10.5	10.9
Cellular	1.8	2.6	5.1	8.2	14.5
Total lines	10.6	12.0	15.0	18.7	25.4
Internet accounts (number of accounts)	10,810	18,760	31,376	52,761	64,086

Source: Instituto Dominicano de Telecomunicaciones (Dominican Telecommunications Institute).

Between 1997 and 2001, the communications sector registered the highest rate of growth in the Dominican economy, with an average annual growth rate during this period of 18.9%. This sector was also one of the main contributors to annual GDP growth, accounting on average for 9.5% of annual GDP growth, even though as a percentage of GDP its share remained moderate, reaching 6.5% in 2001, from 4.2% in 1997. During the first nine months of 2002, the communications sector grew 22.5%, as compared to the same period in 2001, due primarily to the increase in the number of fixed wire and cellular telephones.

Phone service coverage in the Dominican Republic grew from 10.6 telephone lines for every 100 residents in 1997, to 25.4 telephone lines for every 100 residents by the end of 2001. By the end of 2001, the number of phones (fixed wire and cellular) and beepers had reached 2.4 million, from 806,000 in 1995, and the number of long distance calling offices had grown from 260 in 1993 to 580 in 2000. Internet access has also increased significantly in recent years, with the number of internet accounts growing on average 56.0% annually in the period from 1997 to 2001, to a total of 64,086 accounts as of December 31, 2001.

The Government has launched initiatives to enhance the communications systems, including:

- allocation of 60% of the 2% excise tax imposed on communication services to improve access to telephone and other communication services;
- development of a program to provide internet access in public schools;
- development of a program to increase access to telecommunications in rural areas; and
- a presidential decree which modified the tax regime applicable to telephone companies. Previously, telephone companies paid a tax of 10% on total revenues, regardless of whether such companies were profitable. Effective January 1, 2003, telephone companies have been required to pay 25% tax on net profits, as is generally required of companies in the Dominican Republic.

Financial Services

Between 1997 and 2001, the financial services sector grew at an average annual rate of 3.5%, which was lower than the average annual growth rate for the entire Dominican economy. This modest rate of growth resulted from the slow process of opening the Dominican financial sector to international competition. Financial services accounted for 4.0% of GDP in 2001, compared to 4.5% in 1997. During the first nine months of 2002, this sector grew 2.9%, as compared to the same period in 2001.

The Mejía administration is committed to continuing the process of opening up the financial services sector to foreign private investment with the goal of increasing the efficiency and solvency of the Dominican financial system. The Monetary and Financial Law, which was approved by Congress in November 2002, eliminated many existing barriers to entry for foreign banks seeking to enter the Dominican market. In the last two years, the financial sector has experienced significant mergers of commercial banks, as well as an increase in investment in local banks by foreign banks. These developments are expected to reduce intermediate margins and thus reduce interest rates, which should result in greater access to capital.

Per capita income growth has stimulated the use of credit cards in the Dominican economy. Consumption through the use of credit cards grew 64.9% in 2000 and 61.7% in 2001. At the same time, the number of automated teller machines (ATMs) increased from 947 at the end of 2000 to 1,273 as of June 30, 2002.

The Dominican insurance industry showed a favorable trend between 1997 and 2001 with revenues from insurance premiums increasing 14.5% in 1998, 28.4% in 1999, 22.4% in 2000 and 17.1% in 2001, in each case as compared to the prior year.

Public Administration

Between 1997 and 2001, the public administration sector exhibited an average growth rate of 4.9%, which was lower than the average growth rate for the entire Dominican economy. During this period, the Government's payroll grew at an average annual rate of 5.0%. In 2001, the public administration sector grew at a rate of 8.9% as compared to 2000. This growth was attributable to an increase in the payroll of some Government institutions, specifically those that provide social services, namely, the *Secretaría de Estado de Educación* (the Ministry of Education) and the *Secretaría de Estado de las Fuerzas Armadas* (Armed Forces). The increase in the payroll of the Ministry of Education was mainly due to the increase in the number of teachers and technicians needed for the new computer labs in public schools, as well as for the development of virtual classrooms (*Aulas Virtuales para la Enseñanza*). In the case of the Armed Forces, the increase in the payroll was attributable to the increase in new units such as the special border patrol, and programs for reforestation and preservation of forests. Also, in 2001, the office in charge of regulating higher education was converted into the *Secretaría de Educación Superior, Ciencia y Tecnología* (Ministry of Higher Education, Science and Technology) thereby further increasing personnel.

During the first nine months of 2002, the public administration sector increased by 4.9%, as compared to the same period in 2001. This increase represented a lower growth rate than that exhibited during the same period in 2001 due to the lower increase in government payroll experienced during 2002.

Real Estate and Other Services

Real estate expanded at a modest rate in the period from 1997 to 2001. The average growth rate for this sector was 2.3%, while its contribution to GDP declined from 4.7% in 1997 to 4.0% in 2001. During the first nine months of 2002, the real estate sector grew by 2%, as compared to the same period in 2001.

Other services supplied in the Dominican economy include personal services, cleaning services, services rendered to private companies and computer services. In the aggregate, these other services exhibited an average annual growth rate of 4.1% and accounted for 7.2% of GDP in 2001, down from 7.8% in 1997. During the first nine months of 2002, in the aggregate, these services grew 2.1%, as compared to the same period in 2001.

Privatization and Role of the State in the Economy

Privatization

The Mejía administration intends to continue the privatization agenda commenced by the previous administration of President Leonel Fernández. Pursuant to the *Ley General de Reforma de la Empresa Pública* (the

Public Enterprise Reform Law), the privatization of state-owned companies in the Dominican Republic must be effected primarily through a process of share purchases (which is referred to under Dominican law as "capitalization"). Under the capitalization process, private sector companies contribute a sum equal to or greater than the value of the state-owned company subject to privatization to create a new company, 50% of which is owned by the Government as required by law. This law also gives discretion to the *Comisión de la Reforma a la Empresa Pública* (the Commission for the Reform of Public Enterprises) to implement the Government's privatization initiatives through franchising, concessions, transfers of shares or assets, or the sale of assets. Under this law, funds obtained through the privatization process are placed in the *Fondo Patrimonial* (the Privatization Fund). The law concerning the use of these funds has not yet been approved by Congress. As of December 31, 2001, amounts in the Privatization Fund reached DOP167 million, or approximately US$9.9 million.

The state-owned companies and assets that have been subject to privatization include the following:

- the CDE;
- the sugar mills owned by the National Sugar Board;
- companies owned by the *Corporación Dominicana de Empresas Estatales* (the Dominican State Enterprises Corporation, which we refer to in this offering memorandum as "CORDE"), a holding company with interest in companies operating in a wide range of economic activities; and
- hotels owned by the *Corporación de Fomento de la Industria Hotelera* (the Hotel Industry Promotion Corporation, which we refer to in this offering memorandum as "CORPHOTELES").

The following summarizes the steps taken to privatize these companies:

- The privatization of the CDE, which was launched in 1999, divided the company into three separate parts, each dealing with a different segment of the electricity market – generation, distribution and transmission. As a result of these measures, three new mixed (private and state-owned) companies were established to assume the power distribution business, serving a total of approximately 1.1 million customers, and two new mixed (private and state-owned) companies – *Empresa Generadora de Electricidad Itabo, S.A.* and *Empresa Generadora de Electricidad Haina, S.A.* – were established to assume the power generation business conducted through thermoelectric plants.
- In June 1999, the Government decided to lease the sugar mills owned by the National Sugar Board to private sector operators, in an effort to improve their performance. To date, the National Sugar Board's ten sugar mills have been leased to four private consortiums, which have invested resources to optimize the mills' production capabilities, and to improve the quality of the mills' facilities.
- The privatization of CORDE was launched in 1999 with the privatization of two of its subsidiaries, *Molinos Dominicanos* and *Molinos del Norte*. These two companies merged into *Molinos del Ozama*, which was capitalized by *Malla y Cía* (a privately-owned company). In December 1999, the Government authorized the lease of two CORDE subsidiaries, *Minas de Sal y Yeso* and *Marmolería Nacional*, to two privately-owned companies, *Cementos Nacionales* (a subsidiary of *Cementos de Mexico, S.A. de C.V.*) and *Marmotech, S.A*. The privatization of CORDE continued in January 2000, when its three tobacco subsidiaries were merged into a single entity that was capitalized by *CITA Caribe* (a subsidiary of *CITA Tabacos de Canarias*). All, except for three of the CORDE companies, have been liquidated. The three that remain in existence are currently not in operation.
- In the case of CORPHOTELES, 13 of the company's 24 hotels have been leased to private operators. The remainder are either not in operation or have been donated to non-profit organizations.

In 1999, the Government also privatized the management of four of the country's international airports. *Aeropuertos Dominicanos Siglo XXI, S.A.* (a private consortium known as Aerodom) was selected through a competitive bidding process to operate the airports for a period of 25 years. In addition, Aerodom will build a new international airport in El Catey, near the Samaná resort area, and will complete construction of an airport in La Isabella, near Santo Domingo, which is expected to commence operation during the first quarter of 2003.

The Government is also promoting involvement of the private sector in other public endeavors, such as the development of sulfide deposits and the construction and management of highways. During 2001 and 2002, the Government granted concessions to private companies for the construction and management of five highways and is in the process of approving two additional concessions for this purpose.

Role of the State in the Economy

Following the enactment of the Public Enterprise Reform Law on June 24, 1997, the Government reduced its involvement in the Dominican economy. While in the early 1990s the Government maintained a 100% equity ownership in existing public enterprises, the Government has gradually been reducing its ownership stakes in those enterprises. Losses incurred by state-owned companies have been reduced from 3.1% of GDP in 1998 to 1.2% of GDP in 2000. After the elimination of generalized government subsidies in the electricity sector in September 2002, the losses incurred by state-owned companies are expected to decline substantially in 2003.

The Mejía administration supports the privatization process and the deregulation of the Dominican economy, and has promoted private sector involvement in areas that were previously restricted to the Government or to firms in which the Government was a stakeholder. These areas include fuel imports and the construction of roads and airports. With respect to fuel imports, the Fuel Tax Law authorized private companies to import oil and derivatives. The Government has submitted to Congress a legislative proposal that will allow competition in the "upstream" (which refers to oil exploration and extraction) and "downstream" (which refers to commercialization) markets. The Government is currently preparing a bill to be sent to Congress that will create the legal framework for the regulation of public concessions to the private sector.

As of the date of this offering memorandum, the Government holds the specified equity ownership interests in the following companies:

Company	Government Equity Ownership	Description
CDE (hydro-generation and transmission)	100%	Operates the Republic's hydroelectric generation plants and transmission lines.
CDE (generation and distribution)	50%	Ownership interest in privatized thermoelectric plants and distribution facilities.
National Sugar Board	100%	Owns the Republic's sugar mills and land. All sugar mills are leased to the private sector.
Corporación de Acueducto y Alcantarillado de Santo Domingo (Aqueduct and Sewer Corporation of Santo Domingo)	100%	Owns and operates the aqueducts and sewers of Santo Domingo.
Corporación de Acueducto y Alcantarillado de Santiago (Aqueduct and Sewer Corporation of Santiago)	100%	Owns and operates the aqueducts and sewers of Santiago.
Banco de Reservas de la República Dominicana	100%	Commercial bank.
Agricultural Bank	100%	Development bank that provides financing for small farmers.
Seguro Banreservas (Banreservas Insurance Company)	100%	Offers insurance services to the public; currently under the management of the *Banco de Reservas*.
AFP Banreservas	100%	Public Pension Administration Fund, currently being managed by *Banco de Reservas*.
CORDE	100%	Holding company of the Government's interest in three companies.
CORPHOTELES	100%	Owns 24 hotels throughout the country, 13 of which have been leased to private operators.
Refinería Dominicana de Petróleo (Dominican Petroleum Refinery)	50%	Imports oil and oil derivatives, operates the Republic's refinery and sells gasoline and other fuel products to oil derivative distributors.
Falconbridge Dominicana	10%	Operates the Republic's nickel-iron mines, and exports nickel-iron to foreign markets.

The Central Bank also owns 100% of the equity of the mining company *Rosario Dominicana*. See "—Principal Sectors of the Economy—Mining."

Employment and Labor

Employment

GDP growth during the period from 1997 to 2001 stimulated job creation although unemployment increased in 2001 due to a decrease in the economic growth rate in that year. The principal sectors in terms of number of jobs are wholesale and retail trade, construction, manufacturing, agriculture, transportation and communications.

The following table sets forth employment statistics for the years indicated.

Employment and Labor
(in %)

	1997	1998	1999	2000	2001	As of April 30, 2002
Participation rate[(1)]	54.1%	52.6%	53.5%	55.2%	54.3%	55.4%
Employment rate[(2)]	45.4	45.1	46.1	47.6	45.8	46.5
Unemployment rate[(3)]	16.0	14.4	13.8	13.9	15.6	16.1
Open unemployment rate[(4)]	6.6	5.9	5.9	5.8	6.5	6.1

(1) Labor force as a percentage of the total population at or above the minimum working age (including both active and inactive segments of the population).
(2) Employment as a percentage of the total population at or above the minimum working age.
(3) Refers to population at or above the minimum working age that is not employed and is willing to work (even if not actively seeking work), as a percentage of the total labor force (3.7 million people).
(4) Refers to population at or above the minimum working age that is not employed and is actively seeking work, as a percentage of the total labor force.
Source: Central Bank.

The following table sets forth information on employment by sector (as a percentage of total employment) for the years indicated.

Employment
(% by sector)

	1997	1998	1999	2000	2001
Agriculture, livestock, fishing and forestry	20.0%	17.1%	17.5%	16.3%	14.9%
Mining	0.3	0.3	0.3	0.2	0.2
Manufacturing	17.9	18.4	17.4	17.0	15.3
Construction	6.8	6.9	7.2	6.3	6.6
Electricity, gas and water	0.5	0.5	0.4	0.8	0.9
Transportation and communications	7.0	6.9	7.3	6.2	7.6
Wholesale and retail trade	20.0	21.7	21.9	21.7	21.6
Financial services	1.3	1.3	1.3	1.9	1.8
Public administration and defense	3.8	3.6	3.6	4.2	4.8
Hotels, bars and restaurants	4.8	4.8	4.8	5.2	5.7
Other services	17.6	18.5	18.3	20.4	20.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Central Bank.

The Dominican economy has a significant "informal sector" that provides employment to many people, including a significant number of women. The term "informal sector" refers to economic activities that take place outside of the formal norms for economic transactions established by the state or developed through formal business practices. The informal sector includes small businesses that are the result of individual or family initiatives. It generally involves the production and exchange of legal goods and services without the appropriate business permits, without reporting of tax liability, without complying with labor regulations, and without legal guarantees for suppliers and end users.

The informal sector provides economic opportunities, albeit limited, for the urban poor. According to private sector estimates, at December 31, 2000, there were approximately 360,000 small businesses that employed 1.1 million workers, representing 34.1% of total employment in the Dominican economy. In 2000, an estimated 45% of small businesses were dedicated to retail trade, an estimated 30% to other services and an estimated 25% to manufacturing. The Central Bank estimates that, in 2001, 52.8% of the total labor force was employed in the informal sector.

The following table sets forth statistical information relating to small businesses that operate in the informal sector.

Small Business Indicators[1]

	1997	1998	1999	2000
Number of businesses	327,137	333,515	353,325	359,304
Businesses by sector (as % of total):				
Manufacturing	28.5%	22.5%	24.9%	24.7%
Retail trade	51.0	48.4	46.8	44.8
Other services	20.6	29.1	28.2	30.5
Total	100.0%	100.0%	100.0%	100.0%
Employment (in number of persons)	859,225	955,683	1,010,736	1,080,810
Participation in total employment	32.4%	33.1%	33.9%	34.1%

(1) The survey for private sector small businesses was not conducted for 2001.
Source: *Fondo para el Financiamiento de la Microempresa* (Fund for the Financing of Small Business) and Central Bank.

Wages and Labor Productivity

The *Comité Nacional de Salarios* (the National Committee on Salaries) sets minimum wages by industry every two years in a process in which representatives from labor, management and the public sector participate. At present, the highest minimum wage in the private sector is DOP3,690 per month, equivalent to US$185, which represents an increase of 8.8% from the 1997 level of US$170 per month. From 1997 to 2001, the real minimum wage for private sector companies increased 6.2%, which is comparable to the 6.5% increase in labor productivity for the same period.

The following table sets forth information on real minimum wages by sector and labor productivity for the years indicated.

Index of Real Minimum Wages and Labor Productivity
(1997 = 100)

	1997	1998	1999	2000	2001	As of October 31, 2002
Private sector wages:						
Large size companies[1]	100	92.7	105.9	97.2	109.8	110.0
Medium size companies[2]	100	92.7	101.5	93.1	105.3	105.4
Small size companies[3]	100	92.7	99.7	91.5	103.5	103.5
Free trade zone wages	100	92.7	101.5	93.1	99.9	92.6
Public sector wages	100	92.7	88.2	80.9	85.3	79.0
Labor productivity[4]	100	98.6	103.1	103.3	106.5	N/A

(1) Capitalization greater than DOP500,000.
(2) Capitalization between DOP200,000 and DOP500,000.
(3) Capitalization less than DOP200,000.
(4) The labor productivity index is based on a ratio of real GDP to total employment (average productivity of labor).
N/A = Not available.
Source: Derived from information provided by the IMF.

Poverty and Income Distribution

The incidence of poverty in the Dominican Republic declined during the 1990s, primarily as a result of rapid economic growth during this period. Another factor that has helped to ameliorate poverty in recent years has been the considerable rise in remittances from workers living and working abroad. Poverty in the Dominican Republic results primarily from unemployment and underemployment, marked class disparities in access to education, health care and jobs, and the significant differences in income between skilled and unskilled workers. Poverty has also been exacerbated by the lack of an adequate social security system, although this problem has partially been offset by the availability of low wage employment in the public sector.

The Central Bank, based on international guidelines, classifies those households with earnings of less than US$60 per month per capita as falling below the poverty line. Using this standard, the incidence of poverty in the Dominican Republic declined from 31.7% of households in 1992 to 21.5% in 1998. Poverty continues to be more prevalent in rural areas (32.6% of households in 1998) than in urban areas (15.1% of households in 1998). Income distribution also improved slightly during the 1990s. While in 1992 the wealthiest 10% of the population earned 40.8% of the national income, in 1998 it earned 37.4%. The poorest 40% of the population, on the other hand, earned 13.9% of the national income in 1998 as compared to 12.9% in 1992.

The following table sets forth information regarding income distribution for the years indicated.

Evolution of Income Distribution
(% of total national income)

Income Group	1992	1998
Lowest 40%	12.9%	13.9%
Next 30%	21.2	21.8
Next 20%	25.2	27.0
Highest 10%	40.8	37.4

Source: Based on information made available by United Nations Development Program.

The Mejía administration has declared raising the standard of living of the Dominican population and remedying poverty to be among its most important goals. President Mejía intends to reduce poverty principally by promoting employment opportunities through economic growth and price stability. In addition, in May 2001, Congress approved a social security law that is designed to overhaul, and is expected to significantly improve, the Republic's social security system. For a discussion of the Republic's social security reform see "Public Sector Finances—Social Security."

The Government has also adopted a plan to improve the Dominican educational system, particularly as sub-standard education is considered one of the principal causes of poverty. The Dominican educational system has suffered from a lack of resources, out-of-date curricula and inadequate teacher training. The Government has taken steps to improve Dominican schools, including the following:

- continuing the *Plan Decenal de Educación* (the Decennial Plan for Education), a program started in 1992 with support from the IDB, the World Bank and private donors, which is aimed at increasing the efficiency of the school system and improving the coverage of public education for children;
- creating a pilot program to study the effects decentralization would have on public education (the Government believes that transferring school management directly to communities instead of maintaining municipal control may improve the quality of education and be more cost-effective);
- improving the student-breakfast program for children attending public schools;
- adopting a program to provide Internet access in public schools; and
- encouraging private companies to sponsor public schools.

In addition, the Mejía administration plans to increase public investment in education from 2.6% of GDP in 2000 to 4.0% by 2004. The additional funds will be directed towards improving the quality of the educational infrastructure, creating continuing education programs for teachers, and updating school curricula. In addition the Government has obtained a loan of US$80 million from the Inter-American Development Bank for the improvement of basic public education.

Other measures the Government has implemented to combat poverty include:

- subsidizing selected households living in poverty (*e.g.*, single-mother households and households where the wage earner is disabled or retired);
- investing in poor neighborhoods to improve sanitation, pave roads, and repair sub-standard housing;
- subsidizing public transportation;
- providing credits for small businesses; and
- reforming the public healthcare and workers' compensation systems.

Environment

The most serious environmental problems currently confronting the Dominican Republic are water contamination and deforestation. The Republic expects to address these environmental problems through greater supervision and regulation, as well as through community and private-sector awareness and involvement. In 2000, the Republic created the Environmental Ministry to centralize the various functions relating to the environment previously carried out by various governmental entities. The Mejía administration is seeking to enhance the legal framework for environmental regulation, and to develop better mechanisms to evaluate and monitor environmental problems. The 2003 budget for the Environmental Ministry is DOP2.7 billion (approximately 3.2% of the Government's total budget), with 50.4% of this budget to be provided by external financing from the World Bank, the IDB, the European Union, Japan and Spain.

The Government requests environmental impact studies before authorizing any public or private construction project. The Government undertook reforestation projects, beginning in the late 1990s, that involved community groups and private and public organizations. The drive for reforestation yielded favorable results. While in the period from 1980 to 1990 the annual rate of deforestation, as measured by the World Bank, reached 400 square kilometers per annum, that rate was reduced to 264 square kilometers per annum in the period from 1990 to 1995. Between 1997 and 2001, approximately 32 million trees have been planted as part of various public and private tree-planting programs.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The balance of payments is used to record the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of two accounts:

- the current account, which comprises:
  - net exports of goods and services (the difference in value of exports minus imports);
  - net financial and investment income; and
  - net transfers; and
- the capital account, which is the difference between financial capital inflows and financial capital outflows.

Current Account

One of the most important components of the current account is the trade balance. The four primary factors that drive the trade balance are:

- the relative rate of economic growth of a country as compared to that of its trading partners – generally, if a country's economy grows faster than that of its trading partners, its relative level of consumption of goods and services will tend to rise, and its level of imports will tend to increase more rapidly than its level of exports;

- the relative level of domestic prices against foreign prices, as reflected by the real exchange rate – generally, if a country's domestic prices rise relative to those of its trading partners, there is a tendency for the country's level of exports to decline, and for its level of imports to increase;

- changes in production costs, technology, and worker skills – more efficient production will tend to lower production cost, which in turn will tend to lower prices. As prices fall, there will be a tendency for the country's level of exports to increase; and

- changes in consumer tastes, which may affect the demand for a country's goods and services abroad, and the demand for foreign products in the domestic market.

Between 1997 and 2001, the Republic's current account registered moderate annual deficits, which were more than offset by yearly surpluses in the capital account in each year. During this period, the current account deficit fluctuated between 1.1% and 5.2% of GDP. In 2001, the current account deficit reached US$750.9 million, which equaled 3.5% of the Republic's GDP. This deficit level represented a decrease from 5.2% of GDP in 2000. The current account deficits experienced between 1997 and 2001 reflect the strong demand for foreign goods that resulted from the Republic's strong economic growth. Increases in aggregate domestic consumption increased demand for imported intermediate and consumer goods, while the rise in private investment through 2000 increased the demand for capital goods.

During the first nine months of 2002, the current account showed a deficit of 4.1% of GDP, compared to a deficit of 3.5% of GDP in the same period in 2001. This higher deficit in the first nine months of 2002 is mainly attributable to the adverse effect of the global economic downturn and higher oil prices on the Republic's exports of goods and services. The Republic estimates that the current account deficit was 4.1% of GDP for 2002.

Capital Account

The capital account reflects direct investment and monetary flows into and out of a nation's financial markets. The Dominican Republic attracted considerable foreign investment in the period from 1997 to 2001 based on the potential return on foreign direct investment, which is related to the economic, political and social stability and performance of the Dominican Republic during this period.

The Dominican Republic's incipient capital market has deterred portfolio investment, which contributes to the capital accounts of some countries. Modest portfolio investment, however, has had some positive side effects; the Dominican Republic, for instance, has not suffered from the volatility often associated with "hot money" capital inflows.

Between 1997 and 2001, the capital account registered annual surpluses. In 2001, the capital account surplus reached US$1.6 billion, which more than offset the current account deficit for that year. The capital account surpluses have offset the current account deficit in each year since 1997. Foreign direct investment, the most significant component of the Republic's capital account, totaled US$1.0 billion in 2001, which equaled 135% of the current account deficit for that year. During the period from 1997 to 2001, foreign direct investment was primarily directed towards tourism, communications, wholesale and retail trade, and electricity sectors.

During the first nine months of 2002, the capital account registered a surplus of approximately US$1.1 billion (which more than offset the current account deficit), an amount 0.6% higher than the surplus exhibited during the same period in 2001. Although foreign direct investment decreased during this period, private sector debt increased.

The following table sets forth information regarding the Republic's balance of payments for the years indicated.

Balance of Payments
(in millions of US$)

	1997	1998	1999	2000	2001
Current account:					
Trade balance:					
Exports (FOB):					
National	US$ 1,017	US$ 880	US$ 805	US$ 966	US$ 795
Free trade zones	3,596	4,100	4,332	4,771	4,482
Total exports	4,614	4,981	5,137	5,737	5,276
Imports (FOB):					
National	(4,192)	(4,897)	(5,207)	(6,416)	(5,934)
Free trade zones	(2,417)	(2,701)	(2,834)	(3,063)	(2,826)
Total imports	(6,609)	(7,597)	(8,041)	(9,479)	(8,761)
Trade balance	(1,995)	(2,617)	(2,905)	(3,742)	(3,485)
Services, net[(1)]	1,275	1,182	1,602	1,854	1,795
Of which:					
Income from tourism	2,099	2,153	2,483	2,860	2,781
Financial and investment income, net	(795)	(890)	(975)	(1,041)	(1,089)
Current transfers, net	1,352	1,987	1,848	1,902	2,028
Of which:					
Workers' remittances	1,247	1,486	1,699	1,877	1,999
Current account balance	(163)	(338)	(429)	(1,027)	(751)
Capital account:					
Foreign direct investment	421	700	1,338	953	1,015
Portfolio investment	(8)	(21)	(437)	265	604
Other medium- and long-term capital	(32)	-	110	184	275
Of which:					
Disbursements to the public sector	109	138	314	351	451
Other capital, including short-term capital	71	12	62	195	(302)
Capital account balance	452	690	1,073	1,597	1,591
Errors and omissions[(2)]	(194)	(339)	(480)	(618)	(327)
Total balance of payments	US$ 95	US$ 13	US$ 163	US$ (48)	US$ 513
Financing:					
Change in gross official reserves	US$ (40)	US$ (98)	US$ (194)	US$ 70	US$ (519)
Use of IMF resources	(63)	27	-	-	-
Exceptional financing, net [(3)]	7	58	31	(23)	5
Total financing	US$ (95)	US$ (13)	US$ (163)	US$ 48	US$ (513)
Memorandum item:					
Current account balance (as % of GDP)	(1.1)	(2.1)	(2.5)	(5.2)	(3.5)

(1) Includes income from tourism and other services, less expenses from tourism, freight and other services.
(2) Represents errors and omissions in compiling balance of payment accounts based on double-entry accounting resulting from incomplete or overlapping coverage, different prices and incomplete times of recording and conversion practices.
(3) Comprised of debt aid, debt restructuring and arrears, among others.

Source: Central Bank.

The Central Bank estimates that, for 2002, the current account deficit was US$915.1 million. The Central Bank is in the process of compiling data and information relating to the capital account surplus and total balance of payments for 2002. As of the date of this offering memorandum, no definitive or estimated capital account surplus or total balance of payments figures for 2002 are available.

Foreign Trade

In recent years, the Dominican economy has been one of Latin America's most open economies to foreign trade, due to its relatively low effective average import tariffs and the lack of import tariffs in the free trade zones. In 2001, the combined value of the Republic's imports and exports of goods and services equaled 87% of the country's GDP, reflecting the high level of openness of the Dominican economy to foreign trade.

Between 1997 and 2001, the trade deficit increased from US$2.0 billion to US$3.5 billion, due to increased imports of goods (in particular, capital goods) and more expensive refined petroleum products (reflecting the increase in the international price of oil in 2000 and 2001), and as a result of a sharp rise in imports in the aftermath of Hurricane Georges in 1998. Total exports (including exports from free trade zones) increased from US$4.6 billion in 1997 to US$5.3 billion in 2001, with an average annual growth rate of 5.4%. Total imports (including imports into free trade zones) increased from US$6.6 billion in 1997 to US$8.8 billion in 2001, with an average annual growth rate of 8.9%. During 2001, imports decreased compared to 2000 as a result of the slowdown in the Dominican economy.

During the first nine months of 2002, the trade deficit reached US$2.6 billion, reflecting an increase of 3.6% from the level for the same period in 2001. In addition, total exports reached US$3.9 billion, a decrease from US$4.0 billion for the same period in 2001. Imports, which totaled approximately US$6.5 billion, decreased 0.6%, as compared to the same period in 2001.

The Republic maintains close commercial ties with the United States, its principal trading partner. In 2001, approximately 87.4% of the Republic's total exports (including exports from free trade zones) were bound for the United States and Puerto Rico, while 58.7% of total imports (including imports into free trade zones) came from U.S. ports. During the first nine months of 2002, 87.4% of the Republic's total exports were bound for the United States and Puerto Rico, while 57.6% of total imports came from U.S. ports. The Dominican Republic is the fifth most important trading partner of the United States in Latin America, surpassed only by Mexico, Brazil, Venezuela and Colombia.

In 2001, exports from the Dominican Republic consisted primarily of:

- exports from free trade zones (such as textiles, electronics and jewelry) valued at US$4.5 billion, representing 84.9% of total exports;

- traditional exports (consisting of certain goods that the Dominican Republic has historically exported, such as sugar, tobacco and coffee) valued at US$318.0 million, representing 6.0% of total exports; and

- non-traditional exports (consisting of other products that the Dominican Republic currently exports, such as beer and fruits) valued at US$325.4 million, representing 6.2% of total exports.

The following tables set forth further information regarding exports for the years indicated.

Exports
(in millions of US$ and as % of total exports)

	1997		1998		1999		2000		2001(1)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Free trade zones:										
Textiles	2,185.0	47.4	2,349.0	47.2	2,393.4	46.6	2,555.4	44.5	2,315.1	43.9
Footwear	310.6	6.7	348.5	7.0	357.9	7.0	295.6	5.2	290.7	5.5
Electronics	300.2	6.5	362.3	7.3	445.7	8.7	564.7	9.8	485.3	9.2
Tobacco manufacturing	280.6	6.1	329.4	6.6	320.4	6.2	317.5	5.5	358.8	6.8
Jewelry	178.9	3.9	239.8	4.8	280.5	5.5	427.3	7.4	530.2	10.0
Medical drug products	190.6	4.1	228.5	4.6	270.5	5.3	339.7	5.9	326.3	6.2
Other	150.5	3.3	242.7	4.9	263.1	5.1	270.4	4.7	175.2	3.3
Total free trade zones	3,596.4	78.0	4,100.2	82.3	4,331.5	84.3	4,770.6	83.2	4,481.6	84.9
Traditional:										
Sugar and related products	203.8	4.4	142.2	2.9	89.6	1.7	89.6	1.6	88.7	1.7
Coffee	67.9	1.5	67.1	1.3	23.8	0.5	33.0	0.6	11.1	0.2
Cocoa	61.0	1.3	87.1	1.7	24.7	0.5	26.1	0.5	42.7	0.8
Tobacco	91.2	2.0	63.3	1.3	53.8	1.0	44.7	0.8	30.4	0.6
Nickel-iron	216.5	4.7	132.1	2.7	143.9	2.8	237.4	4.1	145.2	2.8
Doré	27.3	0.6	15.5	0.3	6.9	0.1	-	-		
Total traditional	667.7	14.5	507.3	10.2	342.7	6.7	430.8	7.5	318.1	6.0
Total non-traditional	100.1	2.2	140.6	2.8	177.6	3.5	137.4	2.4	142.3	2.9
Total other(2)	249.5	5.4	232.4	4.7	284.8	5.5	398.0	6.9	334.2	6.2
Total exports	4,613.7	100.0	4,980.5	100.0	5,136.6	100.0	5,736.7	100.0	5,276.2	100.0

(1) Preliminary data.
(2) Includes goods sold at port.
Source: Central Bank.

Geographic Distribution of Exports
(% of total exports)

	1997	1998	1999	2000	2001
United States[(1)]	86.3	87.1	88.5	87.9	87.4
Canada	0.8	0.8	0.9	0.7	0.6
México	0.2	0.3	0.2	0.2	0.1
Total North America	87.2	88.2	89.6	88.7	88.0
Argentina	-	-	-	-	0.1
Brazil	0.1	0.1	-	-	-
Colombia	-	-	-	-	-
Costa Rica	0.2	0.1	0.1	0.1	0.1
El Salvador	0.2	0.1	-	0.1	0.1
Guatemala	-	-	0.1	-	0.1
Haití	0.8	0.7	1.3	2.0	1.0
Honduras	0.5	0.3	0.3	0.3	0.4
Jamaica	0.4	0.3	0.2	0.2	0.2
Venezuela	0.1	-	0.1	0.1	0.2
Other	1.1	1.0	1.1	1.3	1.3
Total Latin America and the Caribbean	3.4	2.9	3.1	4.2	3.4
Belgium	2.9	2.1	2.1	1.8	1.7
France	0.4	0.4	0.3	0.6	1.1
Germany	0.4	0.6	0.4	0.7	0.8
Italy	0.6	0.5	0.4	0.5	0.5
The Netherlands	0.7	0.9	1.0	1.1	1.8
Spain	0.4	0.4	0.3	0.4	0.7
Other	1.7	2.4	1.1	0.9	1.3
Total Europe	7.1	7.3	5.6	5.9	7.9
Japan	0.6	0.4	0.2	0.2	0.5
Other	1.5	1.1	1.2	0.8	0.1
Total Asia	2.2	1.5	1.4	1.0	0.6
Africa	0.1	0.2	0.2	0.1	0.1
Total exports	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes Puerto Rico.
Source: Central Bank.

In 2001, imports into the Dominican Republic consisted of:

- consumer goods valued at US$2.9 billion, representing 32.5% of total imports;
- intermediate goods valued at US$1.8 billion, representing 20.4% of total imports;
- capital goods valued at US$1.3 billion, representing 14.6% of total imports; and
- imports into the free trade zones valued at US$2.8 billion, representing 32.4% of total imports.

The following table sets forth further information regarding imports for the years indicated.

Imports
(in millions of US$ and as % of total imports)

	1997		1998		1999		2000		2001[(1)]	
	US$	**%**	**US$**	**%**	**US$**	**%**	**US$**	**%**	**US$**	**%**
Consumer goods:										
Durable goods	425.3	6.4	541.1	7.1	542.8	6.8	631.8	6.7	576.0	6.6
Refined petroleum products	530.3	7.9	453.8	6.0	615.7	7.7	1096.3	11.6	926.3	10.5
Other	1,070.8	16.4	1,173.6	15.4	1,210.4	15.1	1,459.2	15.4	1,354.2	15.4
Total consumer goods	2,026.4	30.7	2,168.5	28.5	2,368.9	29.5	3,187.3	33.6	2,856.5	32.5
Intermediate goods:										
Crude oil and reconstituted fuel	293.9	4.4	194.1	2.6	255.3	3.2	408.9	4.3	307.4	3.5
Other	1,175.5	17.8	1,452.0	19.1	1,532.1	19.1	1,622.6	17.1	1,485.2	16.9
Total intermediate goods	1,469.4	22.2	1,646.1	21.7	1,787.4	22.2	2,031.5	21.4	1,792.6	20.4
Capital goods	696.2	10.5	1,082.1	14.2	1,050.5	13.1	1,197.2	12.6	1,285.3	14.6
Imports into the free trade zones	2,416.7	36.6	2,700.7	35.5	2,834.3	35.2	3,062.5	32.3	2,826.4	32.4
Total imports	6,608.5	100.0	7,597.4	100.0	8,041.1	100.0	9,478.5	100.0	8,760.8	100.0

(1) Preliminary data.
Source: Central Bank.

Geographic Distribution of Imports[1]
(% of total imports)

	1997	1998	1999	2000	2001[2]
United States[3]	64.9	65.3	65.2	60.8	58.7
Canada	1.0	0.8	0.5	0.5	0.6
México	4.7	3.9	3.3	4.7	4.5
Total North America	70.6	70.0	69.0	65.9	63.8
Argentina	0.9	1.2	0.5	0.2	0.4
Brazil	0.7	1.1	1.0	1.0	1.3
Chile	0.3	0.3	0.3	0.2	0.3
Colombia	1.0	0.8	0.9	0.8	1.0
Guatemala	0.4	0.4	0.4	0.3	0.3
Panama	1.8	1.5	1.5	1.7	1.6
Trinidad and Tobago	0.6	0.5	0.2	0.5	0.5
Venezuela	7.7	5.8	8.3	10.4	8.5
Other	1.8	1.7	1.5	1.7	3.0
Total Latin America and the Caribbean	15.2	13.4	14.7	16.9	17.1
Spain	1.5	2.3	2.7	2.7	2.7
Denmark	0.8	0.7	0.5	0.5	0.5
Germany	0.9	1.1	1.5	1.6	1.9
Italy	0.8	1.0	0.6	0.9	1.0
France	0.7	0.4	0.4	0.7	0.7
Belgium	0.2	0.3	0.3	0.3	0.4
Norway	0.2	0.3	0.2	0.2	0.2
Other	1.5	1.7	1.5	1.5	1.8
Total Europe	6.7	7.7	7.8	8.3	9.2
Japan	2.9	2.9	3.0	3.0	4.0
China and Taiwan	2.1	2.2	1.6	2.1	2.4
South Korea	0.7	1.5	2.2	1.6	1.4
Other	1.3	1.9	1.3	1.7	1.6
Total Asia	7.1	8.4	8.1	8.4	9.4
Africa	0.2	0.2	0.1	0.3	0.4
Oceania	0.2	0.4	0.3	0.2	0.2
Total imports	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Numbers are based on the country of origin specified by the importer upon entry of goods into the Dominican Republic. The origin specified usually refers to the last port the merchandise came from prior to arrival in the Dominican Republic.
(2) Preliminary data.
(3) Includes Puerto Rico.
Source: Central Bank.

The tariff reform approved in December 2000 reduced the maximum tariff from 35% to 20%, and the number of tariffs from nine to five. These changes represented the second of two tariff reforms that the Republic undertook in the last decade. In the first of these two reforms, which took place in 1990, the maximum tariff was set at 35% from a level that had previously exceeded 200%.

The current import tariff structure is as follows:

- 20% tariff (which replaced the 35%, 30% and 25% tariffs) applies to the large majority of consumer goods;
- 14% tariff (which replaced the 20% tariff) applies to certain intermediate goods;

- 8% tariff (which replaced the 15% and 10% tariffs) applies primarily to raw materials and capital goods;

- 3% tariff (which replaced the 10% and 5% tariffs) applies primarily to raw materials that are essential for the production of foods; and

- 0% tariff (which replaced the 1.5% tariff) applies to supplies, machinery and equipment used in the textile, agricultural and livestock sectors, and educational materials.

In 2001, the effective average import tariff reached 12.9%, which was lower than the 16.5% for 2000. The Government expects the effective average import tariff to be approximately 11% in 2002.

Services Trade

The Republic's services trade consists primarily of tourism. From 1997 to 2001, gross income from tourism increased at an average annual rate of 9.3% from US$2.1 billion (13.9% of GDP) in 1997 to US$2.8 billion (9.7% of GDP) in 2001. This increase was the result of greater investment that resulted in the construction of 13,511 new hotel rooms during this period, and an average hotel occupancy rate of 69.8%. The rise in revenues during the period from 1997 to 2001 made tourism the principal source of foreign currency in the Dominican economy, and resulted in increasing yearly surpluses in the Republic's services trade. Various sectors of the economy benefit significantly from tourism, including agriculture, wholesale and retail trade, restaurants, bars and hotels, construction, real estate, and transportation.

In the first nine months of 2002, income from tourism decreased by 9.3% as compared to the same period in 2001, mainly as a result of the September 11 terrorist attacks. Tourism started to recover in October 2002 and tourist arrivals increased 32.3% and 33.5% during November 2002 and December 2002, respectively, as compared to the same months in 2001.

The Government anticipates that tourism will continue to grow in the final three months of 2002 and expects income from tourism to reach US$2.6 billion by the end of 2002.

The Republic attracts visitors from Europe (56%), the United States and Canada (32%), Central and South America (5%) and other countries (1%), as well as Dominicans visiting from abroad (6%). The following table sets forth certain additional information on tourism in the Dominican Republic for the years indicated.

Tourism Statistics

	1997	1998	1999	2000	2001
Arrivals by airplane (number of passengers):					
Total arrivals	2,559,597	2,653,492	3,015,079	3,325,335	3,199,318
Foreign non-resident arrivals	1,812,275	1,890,458	2,147,742	2,463,497	2,394,823
Average length of stay (number of nights):					
Non-resident foreigners	10	10	10	10	10
Non-resident Dominicans	15	17	17	16	20
Hotel activity:					
Number of rooms available	40,453	44,665	49,623	51,916	53,964
Occupancy rate (in %)	76.2%	69.6%	66.9%	70.2%	66.3%
Aggregate value of hotels, bars and restaurants (in millions of US$)(1)	US$ 981	US$ 1,011	US$ 1,113	US$ 1,346	US$ 1,359
Income from tourism (in millions of US$)	US$ 2,099	US$ 2,153	US$ 2,483	US$ 2,860	US$ 2,781
Expenses from tourism (in millions of US$)	(221)	(254)	(264)	(309)	(287)
Balance (income less expenses)	US$ 1,878	US$ 1,899	US$ 2,219	US$ 2,551	US$ 2,494

(1) Calculated using this sector's percentage share of real GDP, multiplied by nominal GDP in U.S. dollars.
Source: Central Bank.

Remittances

Remittances consist of funds sent to people and institutions in the Dominican Republic by Dominicans residing and working abroad. Remittances have grown substantially in recent years, particularly from Dominicans living in the United States. An estimated 80% of total remittances come from Dominicans in the United States and the remaining 20% from Dominicans living in Europe and some Caribbean islands. The Republic estimates that between 800,000 and one million Dominicans live in the United States.

Between 1997 and 2001, remittances grew 67%, from US$1.2 billion in 1997 to US$2.0 billion in 2001. In 2001, remittances helped finance 57.3% of the trade deficit and equaled 166.2% of the Republic's short-term external debt and 107.7% of the Republic's external debt service and oil imports combined.

Remittances are also one of the most important sources of foreign exchange in the private currency exchange market and provide the foreign currency required to pay for imports that are not paid through the official currency exchange market (*i.e.*, all imports with the exception of crude oil imports). In addition, remittances have been one of the most stable variables in the Republic's balance of payments. Despite an economic slowdown in the United States, remittances in the first nine months of 2002 totaled US$1.4 billion, an 7.3% increase over the US$1.3 billion received in the first nine months of 2001.

The Government expects that recent regulations implemented in the United States requiring entities that transfer remittances from the United States to maintain better records of money transfers will not have a significant effect on amounts remitted to the Republic.

Foreign Direct Investment

Foreign direct investment in the Dominican Republic grew considerably after enactment of the foreign investment law in 1995, which dismantled practically all barriers to foreign direct investment. For a discussion of this law, see "The Economy—History and Background." Between 1997 and 1999, foreign direct investment increased significantly, from US$420.6 million in 1997 to US$1.3 billion in 1999. This increase resulted from various factors, including:

- the influx of foreign capital in connection with the Government's privatization program, especially in 1999, when some of the thermoelectric plants and distribution facilities owned by CDE were privatized; and

- the construction of new hotel facilities and the reconstruction efforts that took place (primarily in 1999) in the aftermath of Hurricane Georges in September 1998.

Foreign direct investment in 2000 totaled US$953 million, a 29% reduction as compared to the level for 1999. In 2001, foreign direct investment totaled US$1.0 billion, a 6.5% increase over the level in 2000 and an amount 1.4 times larger than the current account deficit for 2001.

The main recipients of foreign direct investment in recent years have been the electricity, communications, tourism, and wholesale and retail trade sectors. For 2002, the Government expects that, consistent with recent trends, most foreign direct investment will be directed towards the communications and electricity sectors. During the first nine months of 2002, foreign direct investment totaled US$658.8 million, a 25.9% decrease from the same period in 2001. This decrease was mainly due to an overall reduction in foreign direct investment in the Latin American region as a whole, to the economic slowdown in the United States and to the events of September 11, 2001.

The following table sets forth information on foreign direct investment by sector for the years indicated.

Foreign Direct Investment by Sector
(in millions of US$ and as % of total foreign direct investment)

	1997		1998		1999		2000		2001(1)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Electricity	42.9	10.2	33.4	4.8	631.4	47.2	281.9	29.6	407.1	40.1
Communications	32.8	7.8	117.1	16.7	98.0	7.3	272.2	28.6	179.4	17.7
Wholesale and retail trade	216.5	51.5	177.4	25.4	182.6	13.6	153.7	16.1	153.0	15.1
Tourism	114.2	27.2	312.2	44.6	296.9	22.2	73.7	7.7	153.2	15.1
Financial services	14.2	3.4	29.5	4.2	40.9	3.1	45.3	4.8	28.6	2.8
Other	-	-	30.2	4.3	88.1	6.6	126.2	13.2	93.3	9.2
Total	420.6	100.0	699.8	100.0	1,337.9	100.0	953.0	100.0	1,014.6	100.0

(1) Preliminary data.
Source: Central Bank.

Foreign direct investment in the Dominican Republic has mainly originated from the United States, Spain and Canada, which combined, on average, accounted for 71.1% of total foreign direct investment that entered the Dominican Republic each year from 1997 to 2001. Over the last four years, the percentage of foreign direct investment originating from these three countries, taken together, has remained stable.

The following table sets forth information on foreign direct investment by country of origin (as a percentage of total foreign direct investment) for the periods indicated.

Foreign Direct Investment by Country of Origin
(as % of total foreign direct investment)

	1997		1998		1999		2000[1]		2001[1]	
	US$	%	US$	%	US$	%	US$	%	US$	%
United States	157.8	37.5	180.4	25.8	181.2	13.5	201.6	21.2	560.7	55.3
Spain	52.4	12.5	205.6	29.4	457.1	34.2	190.1	19.9	196.7	19.4
Canada	199.0	47.3	127.8	18.3	94.8	7.1	133.2	14.0	3.4	0.3
Cayman Islands	45.6	10.8	45.5	6.5	179.2	13.4	37.0	3.9	-	-
England	41.4	9.8	22.9	3.3	75.7	5.7	17.4	1.8	0.1	-
Chile	-	-	-	-	88.9	6.6	21.6	2.3	0.3	-
Switzerland	14.7	3.5	7.7	1.1	16.5	1.2	14.0	1.5	4.1	0.4
The Netherlands	-	-	-	-	61.5	4.6	36.0	3.8	0.7	0.1
Italy	0.3	0.1	33.1	4.7	13.9	1.0	15.5	1.6	0.7	0.1
France	-	-	-	-	34.4	2.6	97.5	10.2	74.6	7.4
Other	(90.6)	(21.5)	76.8	11.0	134.6	10.1	189.0	19.8	173.3	17.1
Total	420.6	100.0	699.8	100.0	1,337.8	100.0	952.9	100.0	1,014.6	100.0

(1) Preliminary data.
Source: Central Bank.

With respect to portfolio investments, the Republic has not been a significant recipient of short-term speculative capital, mainly as a result of its incipient stock market. To discourage speculative capital from entering the country, the Central Bank has established a minimum reserve requirement with respect to foreign capital deposited in Dominican banks.

THE MONETARY SYSTEM

The Monetary and Financial Administration

In November 2002, the Government enacted the *Ley Monetaria y Financiera* (which we refer to in this offering memorandum as the "Monetary and Financial Law") which establishes a new set of rules and policies governing the monetary and financial systems. Under the new Monetary and Financial Law, the Monetary and Financial Administration regulates the monetary and financial systems. The Monetary and Financial Administration is composed of the *Junta Monetaria* (the Monetary Board), the Central Bank and the *Superintendencia de Bancos* (the Banking Superintendency). The Monetary Board oversees the Central Bank and the Banking Superintendency. The primary goal of the new Code is to maintain a stable currency and a sound financial system.

The Monetary Board

The Monetary Board consists of ten members appointed by the executive branch of the Government. At present, the majority of the members of the Monetary Board are experienced economists in the areas pertinent to the function of the Monetary Board. The Board establishes the monetary, exchange rate and credit policies implemented by the Central Bank. The members of the Monetary Board consist of:

- the governor of the Central Bank, who serves as president of the Monetary Board;
- two ex-officio members (the Secretary of Finance and the Secretary of Industry and Trade); and
- seven members selected on the basis of their experience and knowledge of the monetary and banking system, economics and economic sectors.

Under the new Code, the Monetary Board will be required to change its composition on August 17, 2004. The Board will consist of nine members: three ex-officio members (including the Governor of the Central Bank, the Secretary of Finance and the Banking Superintendent); and six members selected by the President on the basis of their experience and knowledge of the monetary and banking system.

The role of the Monetary Board is to establish the monetary, exchange rate and financial policies that are then implemented by the Central Bank.

Central Bank

The Central Bank was established in 1947 pursuant to the *Ley Orgánica del Banco Central* (the Central Bank Organic Law), as restated in 1962 and subsequently amended. The Central Bank is the sole issuer of Dominican currency, is responsible for implementing monetary policy, managing the country's international reserves and supervising foreign exchange. Maintaining a high degree of independence and autonomy of the Central Bank from the Government is a key policy issue for the Mejía administration.

In the 1980s, Central Bank financing of Government deficits led to inflation, devaluation of the currency and other significant economic problems. With the exception of 1994, when the Central Bank financing of the Government's fiscal deficit reached 2.0% of GDP, during the rest of the 1990s, the Central Bank generally provided only limited financing to the Government. From 1991 to 1993, the Government paid back credit, net of Government deposits received in previous years from the Central Bank and the *Banco de Reservas*, which averaged 0.87% of GDP. In 1995, these payments were 0.67% of GDP. From 1996 to 2000, Central Bank financing of the Government averaged 0.67% of GDP.

In 2001, the Government paid back credits to the Central Bank, net of Government deposits, of 1.9% of GDP. During the first nine months of 2002, Central Bank financing of the Government reached 1.7% of GDP. This was mainly due to the financing of several infrastructure projects in 2002 with the proceeds from the Republic's sovereign bond issue of September 2001, which were deposited at the Central Bank.

Under the new Monetary and Financial Law, Central Bank loans to the Government or any other public institution are prohibited, except in the case of national emergencies and other special circumstances.

In 2000, the increase in international oil prices and the Government's decision not to pass the increased cost to consumers by raising domestic retail prices for oil derivatives (effectively subsidizing the costs of those products) adversely affected public sector finances. The Government opted to absorb the higher costs through financing obtained from the banking system (the Central Bank, the *Banco de Reservas* and local commercial banks). The increase in the net domestic credit of the banking system to the public sector produced a decline in the Central Bank's net international reserves. To maintain a stable exchange rate and avoid additional decreases in international reserves, the Central Bank implemented a restrictive monetary policy through the issuance of certificates of participation (which we refer to in this offering memorandum as "COPs") that were sold to the private sector.

In November 2000, the Mejía administration approved the Fuel Tax Law to increase taxes on fuel and thereby recover the fiscal revenue losses that led to the need for Central Bank financing in 2000. The Fuel Tax Law removed administrative and political discretion from the determination of domestic fuel prices and assures the Government a steady source of revenues (approximately 2.2% of GDP for 2001). The Fuel Tax Law also requires that 95% of the revenue collected by virtue of the fuel tax be applied to service the Republic's external debt.

In addition, a 4.75% commission charged on foreign exchange transactions is completely earmarked to service the public sector external debt (3.00% to service the Government's external debt and 1.75% to service the Central Bank's external debt). In 2001, this foreign exchange commission generated revenues equivalent to 0.9% of GDP.

Both the Fuel Tax Law and the foreign exchange commissions have become sources of revenue that have eliminated the need for Central Bank financing of the Government for the purpose of servicing Government's public external debt. During 2001, the Government paid back credits due to the Central Bank which, together with the increase in Government deposits in the Central Bank following the Republic's sovereign bond issue in September 2001, led to a decrease in Central Bank credits to the Government, which reached 1.9% of GDP in 2001.

Monetary Policy

The Central Bank's monetary policy is intended to foster a stable macroeconomic environment and to counteract actual or anticipated adverse changes in the economy. Although the Central Bank does not have direct control over the pace of economic growth or over other economic factors, such as the value of the currency or price levels, it uses various policy tools to accomplish its goals. In the period from 1997 to 2001, the Central Bank balanced competing goals and objectives that included:

- fostering economic growth while forestalling significant inflation;
- maintaining currency values that permitted the Republic's exports and services to be priced competitively with those of Mexico and other countries in Central America and the Caribbean;
- setting banking reserves at levels that safeguarded the health and strength of the financial system while ensuring that there was, at any given time within the period, enough liquidity to foster economic growth; and
- increasing net international reserves to support the currency and the money supply.

These goals reflect the challenges that the Central Bank faced from economic growth experienced in the period from 1997 to 2001. The Central Bank managed these challenges through monetary policies that resulted in:

- single digit rates of inflation; and
- a stable real exchange rate.

Sudden or steep devaluation can trigger inflation, while overvaluation of the currency can hamper exports and economic growth. The increase in labor productivity of 8.0% during the period from 1998 to 2001 mitigated the impact that the appreciation of the peso and adverse external shocks had on the Republic's exports, especially during 2001.

In order to stabilize the real exchange rate, the Central Bank uses certain policy tools, such as:

- executing open-market operations, involving the buying and selling of COPs. The Central Bank sells COPs to reduce the money supply and thus avoid losses of reserves and a devaluation of the peso, and repurchases COPs to increase the liquidity of the local currency;
- executing foreign exchange transactions in the private exchange market to maintain the stability of the exchange rate and to avoid appreciation of the peso;
- modifying capital reserve requirements to safeguard the banking system against problem loans and unexpected withdrawals by customers; and
- reducing the interest rates payable by the Central Bank on short-term deposits, thereby establishing a lower benchmark for short-term interest rates.

The Central Bank's policies with respect to the exchange rate are also an important part of the implementation of monetary policy. See "—Foreign Exchange and International Reserves."

One of the principal challenges confronting the Central Bank is maintaining low domestic interest rates. During 2001, the Central Bank and the Monetary Board implemented a strategy to lower interest rates that included reducing the issuance of COPs. This strategy allowed for a reduction in weighted average interest rates on bank loans of 3.2 percentage points in 2001. However, during the first eleven months of 2002, interest rates for both loans and deposits increased to 25.8% and 16.3%, respectively, compared to 24.5% and 15.9%, respectively, during 2001. These increases were mainly due to the decision of the Central Bank to sell international reserves, which reduced the supply of local currency. See "—Financial Sector."

Supervision of the Financial System

The Banking Superintendency was created in 1947 and is part of the *Secretaría de Estado de Finanzas* (which we refer to in this offering memorandum as the "Ministry of Finance"). The Banking Superintendency supervises financial institutions in order to verify their compliance with regulations promulgated under the Monetary and Financial Law.

Since the crisis of the banking system in the late 1980s during which a number of banks became insolvent, the Banking Superintendency and the Monetary Board have worked to improve banking supervision standards. In 1992, the Banking Superintendency initiated a program with assistance from the IDB to reform the regulatory framework for banking supervision. As part of this program, the Banking Superintendency implemented measures that included the following:

- a capital adequacy ratio that requires capital and reserves as a percentage of risk-weighted assets to equal 10%;
- programs for regulatory on-site audits and periodic reporting requirements that are published in national newspapers intended to ensure that banks comply with regulatory standards;
- uniform accounting rules for the financial system;
- evaluation of market risk based on:
    - liquidity risk, which derives from the incapacity of a financial institution to cover the requested resources generated by its liabilities and other obligations, in both local and foreign currency;
    - interest rate risk, which refers to the potential losses of net income or in the capital base due to the incapacity of the institution to adjust the return on its productive assets (loan portfolio and

financial investment) with the fluctuation in the cost of its resources, produced by fluctuations in interest rates; and

- exchange rate risk, which refers to potential losses that could occur due to short positions or term unbalance of assets and liabilities denominated in foreign currency, in the event of exchange rate movements.

- solvency indicators similar to those proposed under the Basle Accord; and
- a more rigorous method for classifying financial assets in terms of risk.

This new method (which came into effect on June 30, 2001) reduced the number of risk categories and increased the amounts financial institutions are required to reserve in order to mitigate potential losses arising from certain loans (which we refer to in this offering memorandum as "loan-loss reserves"). With respect to loan-loss reserves, current regulations impose reserve requirements based on risk categories of financial assets. These requirements have been revised to adjust them to international standards and to increase the average quality of the financial system's loan portfolio. In addition, the legal reserve requirement was recently reduced from 20% to 17%. This latter requirement mandates, in effect, that all commercial banks deposit 17% of their aggregate deposits with the Central Bank.

The following table sets forth the risk categories and loan-loss reserve requirements in effect as from June 30, 2001.

Risk Categories and Required Loan-loss Reserves
(as % of total portfolio)

	Commercial and Consumer Loans		Mortgage Loans	
Category	**Loan-loss reserve**	**Criteria[1] (days past due)**	**Loan-loss reserve**	**Criteria (days past due)**
A	0%	0-30	0%	0-30
B	2	31-60	2	31-60
C	20	61-120	20	61-180
D	60	121-180	35	181-270
E	100	>180	50	>270

(1) These criteria apply only to consumer loans. For commercial loans a borrower's financial statements are taken into account to determine a borrower's ability to pay, credit history and guarantees.
Source: Banking Superintendency.

The following tables set forth information regarding loans of the banking system by risk category and past-due loans by type of institution, as of June 30, 2002.

Classification of Aggregate Assets of the Dominican Financial System
(as % of total loans)

	As of June 30, 2002			
Category	**Commercial loans**	**Consumer loans**	**Mortgage loans**	**Total**
A	47.4%	86.2%	84.0%	58.4%
B	26.9	4.7	6.6	20.6
C	18.2	3.0	5.3	14.0
D	5.0	1.4	0.9	3.9
E	2.6	4.7	3.3	3.0
Total	100.0%	100.0%	100.0%	100.0%

Source: Banking Superintendency.

The Dominican Financial System – Past-Due Loans
(as % of total loans)

	As of October 31, 2002				
				Total loan-loss reserve[2]	
	Loans 1-60 days past due[1]	Loans > 60 days past due[1]	Total past-due loans[1]	% of past-due loans	% of total loans
Commercial banks[3]	1.0%	5.0%	6.0%	60.5%	3.6%
Development banks	1.8	12.7	14.5	20.3	3.0
Mortgage banks	-	3.7	3.7	62.5	2.3
Savings and loan associations	1.7	7.2	9.0	23.1	2.1
Finance institutions	1.5	11.5	13.0	48.0	6.2
Small loans lending institutions	2.9	16.3	19.2	29.0	5.6
Government-owned financial institutions	0.1	3.6	3.7	90.2	3.3
Total past-due loans	1.1	5.7	6.9	50.1	3.4

(1) Includes outstanding principal plus accrued interest.
(2) Corresponds to provisions for loans in both categories.
(3) Includes banks authorized to offer multiple banking services.
Source: Banking Superintendency.

The Banking Superintendency performs on-site inspections of all financial institutions in the system at least once a year. Banks are required to submit their financial statements monthly to the Banking Superintendency and to provide information regarding their operations at various periodic intervals. Banks must also submit their annual financial statements and the opinions of their independent auditors for review.

The new Monetary and Financial Law establishes a contingency fund to be financed with contributions from financial institutions and managed by the Central Bank. On an annual basis, the contributions must amount to a minimum of 0.1% of the financial institution's total deposits. This fund will serve as insurance for deposits and will insure up to DOP500,000 (US$25,000) per depositor. In addition, the Monetary and Financial Law also limits the amounts and the circumstances under which the Central Bank may lend to financial institutions.

The Monetary Board has set a limit on the aggregate amount that financial institutions may lend to a single person or business, which for unsecured credits may not exceed 15% of the financial institution's total capital and reserves. This percentage increases to 30% for secured credits (*e.g.*, where tangible goods serve as collateral). By 2004, these percentages will be reduced to 10% for unsecured credits and 20% for secured credits.

With the adoption of the Monetary and Financial Law, new minimum capital requirements for financial institutions have been established: a minimum of DOP90 million (US$4.5 million) for banks that offer multiple financial services; DOP18 million (US$900,000) for savings and loan associations; and DOP5 million (US$250,000) for credit corporations. The solvency index or capital adequacy ratio (defined as capital and reserves as percentage of weighted assets plus contingencies) remains at 10% under the new Monetary and Financial Law.

Financial Sector

As of September 30, 2002, the Dominican financial system was comprised of 144 financial institutions, including:

- 13 commercial banks;
- 14 development banks (which cannot receive sight deposits or participate in the foreign exchange markets);
- 18 savings and loan associations;
- 70 *financieras* (small finance institutions which originally were unregulated);

- one mortgage bank;
- 23 small lending institutions; and
- five government-owned financial institutions.

Other participants in the financial sector include insurance companies (39 as of December 31, 2001), of which one is public (the *Seguros Banreservas Company*), pension funds (including the state-owned pension fund *AFP Banreservas*) and the Dominican Republic Stock Exchange.

The *Banco de Reservas* is the state-owned commercial bank and ranks second among Dominican commercial banks in terms of total assets. The Government acquired the *Banco de Reservas* in 1941. The *Banco de Reservas* is subject to the same regulations that govern other commercial banks and provides retail services similar to those provided by private commercial banks. In addition, the *Banco de Reservas* receives all deposits of public sector entities and pays all checks issued by the Government. For the fiscal year ended December 31, 2001, the *Banco de Reservas* reported net profits of US$35.7 million. During the first ten months of 2002, the *Banco de Reservas* reported net profits of US$35.9 million.

The following table identifies the number of financial institutions and percentage of loans and deposits corresponding to each category as of the dates indicated.

Number of Financial Institutions and Percentage of Loans and Deposits [1]

	As of December 31,					As of October 31, 2002	
	1997	1998	1999	2000	2001	Loans	Deposits
						(% of total)	
Commercial banks[2]	14	14	15	15	12	79.4%	77.8%
Development banks	14	16	15	17	17	2.8	1.8
Mortgage banks	1	1	1	1	1	0.1	0.1
Savings and loan associations	19	19	18	18	18	15.1	17.6
Financieras	120	100	85	78	75	2.2	1.9
Small lending institutions	39	32	30	27	24	0.2	0.1
Government-owned financial institutions[3]	5	5	5	5	5	0.2	0.8
Credit card issuing entities	1	1	1	0	0	-	-
Total	213	188	170	161	152	100.0%	100.0%

(1) Excludes insurance companies, private pensions funds and the Dominican Republic Stock Exchange.
(2) Includes banks authorized to offer multiple banking services, including the *Banco de Reservas*.
(3) Includes *Banco Nacional de la Vivienda*, the Agricultural Bank, *Corporación de Fomento Industrial*, *Instituto para el Desarrollo y Crédito Corporativo* and *Caja de Ahorro para Obreros y Monte de Piedad*.
Source: Banking Superintendency.

The following table shows the percentage interest in total assets of the financial system held by various categories of financial institutions as of the dates indicated.

Number of Financial Institutions in Operation and Share of Total Assets of the Financial System

	Number of Institutions		Share of Total Assets
	As of December 31, 2001	As of September 30, 2002	As of November 30, 2002
Commercial banks[1]	12	13	77.8%
Of which:			
Banco de Reservas	1	1	17.7
Savings and loan associations	18	18	16.5
Development banks	17	14	2.3
Mortgage banks	1	1	0.1
Financieras	75	70	2.0
Small lending institutions	24	23	0.2
Government-owned financial institutions	5	5	1.2
Total[2]	152	144	100.0%

(1) Includes banks authorized to offer multiple banking services.
(2) Excludes insurance and reinsurance companies, private pensions funds and the Dominican Republic Stock Exchange.
Source: Banking Superintendency.

The Dominican financial system grew significantly between in 1997 and 2001, and total assets of the financial system increased from 46.8% of GDP in 1997 to 64.3% of GDP in 2001. The growth of the financial sector occurred in the context of overall economic growth, a stable price environment and a trend toward consolidation of the financial sector. During this period, only two foreign banks operated in the Dominican Republic, although several Dominican banks had foreign investors as minority shareholders. Since 1997, the banking system has experienced significant consolidation, driven principally by the need to increase the range of product offerings and benefits from economies of scale. The most significant transactions included the following acquisitions (dates refer to the approval of the acquisition by the Monetary Board):

- *Banco del Comercio Dominicano* by *Banco Intercontinental* (October 1997);
- *Banco del Exterior Dominicano* by *Banco Intercontinental* (June 2000);
- *Banco Gerencial y Fiduciario* by *Banco BHD* (November 2000);
- *Banco Metropolitano* by *Banco Dominicano del Progreso* (December 2000);
- *Banco Osaka* by *Banco Intercontinental* (July 2001); and
- *Banco Global* by *Banco Mercantil* (September 2002).

There are no formal restrictions for foreign direct investment in the banking system if a foreign bank establishes a branch in the Dominican Republic. At present, Citibank and Scotiabank are the only foreign banks with branches in the Dominican Republic. Prior to the adoption of the Monetary and Financial Law, the rules governing foreign investment in the banking industry were not formalized. Under the new Monetary and Financial Law, the conditions for foreign bank investments in the country have improved substantially as now foreign investors can rely on a clear legal framework governing investments in this sector.

The following table sets forth the total gross assets of the Dominican financial system for the periods indicated:

Total Gross Assets of the Dominican Financial System[1]
(in millions of current DOP and % change from prior year)

	Financial System		Commercial Banks[2]	
	DOP	Growth rate (%)	DOP	Growth rate (%)
As of December 31,				
1997	100,473	27.5	74,009	31.4
1998	125,719	25.1	91,156	23.2
1999	152,478	21.3	110,335	21.0
2000	186,795	22.5	137,733	24.8
2001	231,124	23.7	171,930	24.8
2002[3]				
January	232,038	0.4	172,074	0.1
February	234,234	1.3	174,132	1.3
March	237,238	2.6	176,282	2.5
April	237,730	2.9	176,549	2.7
May	240,603	4.1	178,042	3.6
June	245,257	6.1	181,993	5.9
July	243,693	5.4	182,449	6.1
August	243,925	5.5	183,592	6.8
September	248,891	7.7	188,458	9.6

(1) Excludes insurance companies, private pensions funds and the Dominican Republic Stock Exchange.
(2) Includes banks authorized to offer multiple banking services.
(3) From January 2002 to September 2002 growth rates are with respect to December 2001.
Source: Central Bank.

Total Gross Assets of the Dominican Financial System[1]
(in millions of US$ and % change from prior year)

	Financial System		Commercial Banks[2]	
	US$	Growth rate (%)	US$	Growth rate (%)
As of December 31,				
1997	7,051	22.2	5,194	25.9
1998	8,003	13.5	5,802	11.7
1999	9,560	19.5	6,918	19.2
2000	11,260	17.8	8,302	20.0
2001	13,596	20.7	10,114	21.8
2002[3]				
January	13,420	(1.3)	9,952	(1.6)
February	13,439	(1.2)	9,990	(1.2)
March	13,580	(0.1)	10,091	(0.2)
April	13,461	(1.0)	9,997	(1.2)
May	13,563	0.2	10,036	(0.8)
June	13,802	1.5	10,242	1.3
July	13,668	0.5	10,233	1.2
August	13,447	(1.1)	10,121	0.1
September	13,439	(1.2)	10,176	0.6

(1) Based on the weighted exchange rate at period end. Excludes insurance companies, private pensions funds and the Dominican Republic Stock Exchange.
(2) Includes banks authorized to offer multiple banking services.
(3) From January 2002 to September 2002 growth rates are with respect to December 2001.
Source: Central Bank.

Throughout the 1990s, the Dominican financial system was reformed with the assistance of multilateral organizations such as the World Bank and the IDB. As a result of these modernization efforts, commercial banks are now permitted to offer multiple services, including checking, savings and lending services, if they satisfy certain minimum capital reserve requirements. The Central Bank anticipates that the ability of banks to provide multiple services will promote the development of larger institutions, improve customer service and facilitate access to capital. Greater concentration should in turn facilitate supervision and foster better systemic risk management. Several multiple-service commercial banks approved by the Central Bank currently operate in the Dominican Republic.

Commercial banks are the principal source of private sector financing and accounted for 78.0% of all loans to the private sector in 2001. In the period from 1997 to 2001, the private sector received on average 90.0% of the total credits issued by the financial system, while the public sector received only 10.0%. Major private-sector borrowers include companies engaged in wholesale and retail trade (26.9% of total loans), construction (22.6% of total loans), and manufacturing (11.1% of total loans). In this period, lending to individuals accounted on average for 10.9% of total loans. The following tables set forth information regarding the allocation of loans to each sector of the economy.

Loans of the Financial System by Sector
(in millions of current DOP)

	1997	**1998**	**1999**	**2000**	**2001**	**As of October 31, 2002**
Private sector:						
Manufacturing	DOP 7,668	DOP 8,301	DOP 9,768	DOP 9,977	DOP 14,213	DOP 11,531
Mining	169	321	93	106	265	263
Agriculture	4,035	3,797	4,406	4,326	6,162	5,850
Construction	12,537	15,357	24,016	23,633	29,755	34,185
Electricity, gas and water	177	169	313	698	1,558	1,670
Wholesale and retail trade	13,603	18,794	25,788	32,753	36,524	42,261
Loans to individuals	5,432	7,041	10,650	13,677	15,279	17,761
Transportation, warehousing and communications	557	792	1,334	2,440	2,024	2,186
Other	5,904	8,807	9,020	11,766	17,408	18,915
Total private sector loans	50,082	63,378	85,387	99,374	123,188	134,623
Total public sector loans	5,757	6,607	9,637	9,532	15,821	16,622
Total loans	DOP55,839	DOP 69,985	DOP 95,024	DOP108,906	DOP139,009	DOP151,245

Source: Central Bank.

Loans of the Financial System by Sector[1]
(in millions of US$)

	1997	1998	1999	2000	2001	As of October 31, 2002
Private sector:						
Manufacturing	US$ 538.0	US$ 528.4	US$ 612.6	US$ 601.4	US$ 836.3	US$ 600.9
Mining	11.9	20.5	5.8	6.4	15.6	13.7
Agriculture	283.1	241.7	276.3	260.7	362.5	304.8
Construction	879.6	977.5	1,506.2	1,424.5	1,750.3	1,781.4
Electricity, gas and water	12.4	10.8	19.6	42.0	91.7	87.0
Wholesale and retail trade	954.4	1,996.3	1,617.2	1,974.3	2,148.5	2,202.2
Loans to individuals	381.1	448.2	667.9	824.4	898.8	925.5
Transportation, warehousing and communications	39.1	50.4	83.6	147.0	119.1	113.9
Other	414.2	560.6	565.7	709.2	1,024.2	985.7
Total private sector loans	3,513.7	4,034.3	5,355.0	5,989.9	7,246.3	6,509.8
Total public sector loans	403.9	420.5	604.4	574.6	930.6	866.2
Total loans	US$3,917.7	US$4,454.8	US$5,959.4	US$6,564.5	US$ 8,177.0	US$ 7,376.0

(1) Based on the weighted exchange rate at period end.
Source: Central Bank.

Loans of the Financial System by Sector
(as % of total loans)

	1997	1998	1999	2000	2001	As of October 31, 2002
Private sector:						
Manufacturing	13.7%	11.9%	10.3%	9.2%	10.2%	7.6%
Mining	0.3	0.5	0.1	0.1	0.2	0.2
Agriculture	7.2	5.4	4.6	4.0	4.4	3.9
Construction	22.5	21.9	25.3	21.7	21.4	22.6
Electricity, gas and water	0.3	0.2	0.3	0.6	1.1	1.1
Wholesale and retail trade	24.4	26.9	27.1	30.1	26.3	27.9
Loans to individuals	9.7	10.1	11.2	12.6	11.0	11.7
Transportation, warehousing and communications	1.0	1.1	1.4	2.2	1.5	1.4
Other	10.6	12.6	9.5	10.8	12.5	12.5
Total private sector loans	89.7	90.6	89.9	91.2	88.6	89.0
Total public sector loans	10.3	9.4	10.1	8.8	11.4	11.0
Total loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Central Bank.

The following table sets forth the bank credit by currency for the years shown.

Bank Credit by Currency
(as % of total credit)

	Private Commercial Banks		***Banco de Reservas***	
	DOP	**Foreign Currency**	**DOP**	**Foreign Currency**
1997	69.7	8.4	22.0	-
1998	66.5	14.1	19.2	0.2
1999	61.2	18.3	19.5	1.0
2000	57.0	23.5	18.3	1.3
2001	56.0	24.5	17.8	1.7
As of November 30, 2002	53.2	27.4	17.3	2.1

Source: Banking Superintendency.

In the period from 1997 to November 30, 2002, foreign currency lending increased primarily as a result of restrictions imposed on the monetary policy that led to higher domestic interest rates. Foreign currency lending is extended mainly to sectors that generate foreign currency revenues, such as tourism, free trade zones and export-oriented activities.

Even though commercial lending is more common in the form of medium-term loans and short-term lines of credit in the Dominican Republic, private commercial banks also make available long-term financing to the private sector, primarily in foreign currency, with resources obtained from foreign development banks and multilateral lending institutions. Private development banks and the Agricultural Bank offer medium- and long-term loans to finance projects in some sectors, such as agriculture, tourism, manufacturing, services and transportation. Savings and loan associations provide medium and long-term loans for residential housing and also provide resources to the construction and tourism sectors.

Since 1991, interest rates in the Dominican Republic float freely based on the demand and supply, although the Central Bank engages in open market operations to influence interest rates in accordance with its monetary policy. For a discussion of the Central Bank's activities in this regard, see "—Monetary Policy." Beginning in 1999 and until the end of 2000, Central Bank intervention led to an increase in interest rates. During 2001, interest rates declined since the improvement in the fiscal accounts allowed the Central Bank to abandon its open market operations. Since the fourth quarter of 2001, a decrease in exports and other generators of foreign exchange such as tourism, coupled with the increase in oil prices during 2002, put pressure on the local currency. In order to mitigate this adverse impact on the exchange rate and inflation, the Central Bank intervened by selling international reserves, which caused an increase in domestic interest rates in 2002. See "—Monetary Policy."

The following table sets forth information regarding interest rates charged by commercial banks on loans for the years shown.

Interest Rates on Commercial Bank Loans[1]
(in annual %, nominal unless otherwise indicated)

	1997	1998	1999	2000	2001	As of November 30, 2002
Loans of:						
0-90 days	20.1%	25.1%	25.0%	26.6%	22.8%	24.8%
91-180 days	21.3	26.6	25.3	26.9	23.6	24.6
181-360 days	20.8	26.5	25.2	26.4	23.3	25.3
Weighted average	21.0	25.6	25.1	26.8	23.6	25.8
Real	12.7	20.9	18.6	19.1	14.7	21.1
Prime rate	19.0	23.5	22.2	23.4	19.5	20.9

(1) Includes banks authorized to offer multiple banking services. Refers to annual average or, in the case of 2002, average for the period January 1, 2002 to November 30, 2002.
Source: Central Bank.

The following table sets forth information on interest rates applicable to deposits for the years indicated.

Interest Rates on Deposits Paid by Commercial Banks[1]
(in annual %, nominal unless otherwise indicated)

	1997	1998	1999	2000	2001	As of November 30, 2002
Deposits for:						
30 days	13.7%	18.1%	16.2%	17.5%	15.4%	16.2%
60 days	13.0	17.4	16.2	18.0	15.2	16.3
90 days	13.3	17.0	15.4	18.8	15.8	16.1
180 days	11.7	15.2	15.3	18.7	15.7	15.1
360 days	12.5	16.3	16.0	16.4	15.1	17.1
Weighted average	13.4	17.7	16.0	17.7	15.4	16.3
Real	5.1	12.8	9.6	10.0	6.6	11.6
Savings	4.7	4.5	4.5	4.3	4.3	4.3

(1) Includes banks authorized to offer multiple banking services. Refers to annual average or, in the case of 2002, average for the period January 1, 2002 to November 30, 2002.
Source: Central Bank.

Liquidity and Credit Aggregates

There are several money-supply measures currently in place in the Dominican Republic. The most significant are M1 and M2, which generally are composed of the following:

- M1: currency held by the public and demand deposits; and
- M2: M1 plus savings and time deposits (including financial certificates).

The sources for the monetary base are net international reserves plus net internal credit of the Central Bank and its uses are all reserves held by the Central Bank and all currency in circulation.

In the period from 1997 to 2001, the Republic's monetary base grew at a cumulative rate of 48.9%. This increase was primarily driven by the growth in the international reserves of the Central Bank. M1 grew during this period at an annual rate of 11.1%, while M2 grew at an annual rate of 21.2% due to the greater demand for certificates of deposit issued by commercial banks.

The monetary policy implemented by the Central Bank during 2002, which was intended to minimize the effects of external shocks on the peso, led to a reduction in the international reserves of the Central Bank. As a result, during 2002, the monetary base decreased by 0.2%.

The following table sets forth the composition of the Republic's monetary base (expressed in terms of the Central Bank's monetary liabilities) and international reserves as of the dates indicated.

Monetary Base and Central Bank's International Reserves
(in millions of US$)[1]

	As of December 31,					
	1997	**1998**	**1999**	**2000**	**2001**	**2002**
Currency in circulation and cash in vaults at banks	US$ 990	US$ 997	US$1,452	US$1,184	US$1,273	US$1,182
Commercial bank deposits at the Central Bank	533	651	362	812	994	678
Monetary base	US$1,523	US$1,648	US$1,813	US$1,996	US$2,268	US$1,860
Gross international reserves	US$ 556	US$ 659	US$ 881	US$ 818	US$1,341	US$ 829
Net international reserves	254	354	547	442	962	376

(1) Based on the weighted average exchange rate at period end.
Source: Central Bank.

As of December 31, 2001, the ratio of gross international reserves to the monetary base was approximately 1 to 1.7. As of December 31, 2002, this ratio was approximately 1 to 2.2.

As of December 31, 2001, outstanding credits of the financial system totaled US$6.3 billion and deposits totaled US$7.3 billion. The private sector is the principal recipient of commercial loans. Private-sector credits from commercial banks grew at an average annual rate of 20.4%, from US$2.6 billion in 1997 to US$5.6 billion in 2001. Aggregate deposits in commercial banks grew from US$3.7 billion in 1997 to US$7.3 billion in 2001. U.S. dollar-denominated deposits in the banking system grew from US$195 million to US$1.4 billion during this same period.

The following table shows liquidity and credit aggregates as of the dates indicated.

Liquidity and Credit
(in millions of US$)[1]

	1997	1998	1999	2000	2001	2002[5]
Monetary aggregates						
Currency in circulation................	US$ 810	US$ 799	US$ 1,059	US$ 909	US$ 978	US$ 883
M1	1,955	1,861	2,224	1,923	2,341	2,056
M2	4,397	4,623	5,648	6,166	7,806	7,094
Credit by sector[2]						
Public sector	US$ 286	US$ 285	US$ 407	US$ 411	US$ 737	US$ 693
Private sector	2,649	3,020	3,764	4,490	5,609	5,417
Other[3]...	8	3	8	-	15	5
Total credit aggregates	US$ 2,943	US$ 3,308	US$ 4,179	US$ 4,902	US$ 6,361	US$ 6,115
Deposits[2][3]						
Local currency.............................	US$ 2,180	US$ 2,102	US$ 2,519	US$ 2,793	US$ 3,388	US$ 2,863
Foreign currency	195	351	631	880	1,389	1,462
Other[4]	1,346	1,293	1,664	2,043	2,571	2,422
Total deposits	US$ 3,721	US$ 3,746	US$ 4,814	US$ 5,716	US$ 7,348	US$ 6,747

(1) Based on the weighted average rate for the given period.
(2) Includes only commercial banks.
(3) Includes credit to other banking institutions, as of November 30, 2002.
(4) Includes certificates of deposits, bonds and other.
(5) All figures as of December 31, 2002, except deposits that are as of November 30, 2002.
Source: Central Bank and Banking Superintendency.

The following table sets forth growth in selected monetary indicators as of the dates indicated.

Selected Monetary Indicators
(% change from previous year)[1]

	As of December 31,					
	1997	1998	1999	2000	2001	2002
M1	18.7%	4.9%	21.4%	(10.1)%	24.7%	6.8%
M2	23.7	15.9	24.0	13.6	29.7	10.5

(1) Changes based on figures in DOP.
Source: Central Bank.

Inflation

Prices remained relatively stable in the period from 1997 to 2001. The rate of inflation increased in 2002, especially during the last quarter of the year. This increase resulted primarily from the elimination of Government subsidies, particularly in the energy sector, and the depreciation of the peso. The Central Bank will seek to continue to control inflation through monetary policy, and the Government will support that policy by limiting growth in fiscal expenditures and increasing tax revenues to reduce the fiscal deficit. The following table shows changes in the CPI for the periods indicated.

	Consumer Price Index[1] (% change)	
	End of period	Average
1997	8.4	8.3
1998	7.8	4.8
1999	5.1	6.5
2000	9.0	7.7
2001	4.4	8.8
2002	10.5	5.2

(1) For a description of how the CPI and its rates of change are calculated, see "Certain Defined Terms and Conventions—Certain Defined Terms."

N/A = Not available.

Source: Central Bank.

Foreign Exchange and International Reserves

Foreign Exchange

In 1991, the Republic adopted a flexible foreign exchange rate regime that remains in effect. Prior to 1991, the Republic fixed the official exchange rate, but devalued periodically. Since 1991, the devaluation rate has followed closely the inflation differential between the Republic and the United States. At present, pursuant to resolutions issued by the Monetary Board, the exchange rate system operates with a unified and flexible exchange rate and two segmented markets, an official foreign exchange market operated by the Central Bank and a free market operated by commercial and exchange banks.

When the Dominican peso came into existence in 1947, the Republic had a fixed exchange rate system with an exchange rate of DOP1.00/US$1.00. In the early 1960s, after the death of the dictator Trujillo, pressures on fiscal accounts resulted in current account deficits. The refusal to devalue the currency stimulated the creation of a parallel foreign exchange market and the gradual transfer of current account transactions from the official market to the parallel market. In 1985, the exchange rates of both markets were aligned and the transferring process of the current account transactions from the official market to the parallel market continued. This process is still taking place and has produced a significant reduction in the share of current account transactions that take place in the official market.

As of September 2002, the private foreign exchange market performed approximately 90.3% of all foreign exchange transactions, while the official market performed the remainder.

The free market exchange rate reflects the supply and demand of foreign currency. The Central Bank does not impose limits on the extent to which the free market exchange rate can fluctuate.

Sources of foreign exchange for the private foreign exchange market include:

- tourism;
- free trade zones;
- workers' remittances;
- exports of goods;
- foreign direct investment; and
- private-sector foreign-currency denominated loans.

Sources of foreign exchange for the official market include:

- public-sector foreign-currency denominated loans; and
- revenues from long distance telephone services and international credit cards.

The official market provides the foreign currency required by the Government to service the public sector external debt and by *Refinería Dominicana de Petróleo* (Dominican Petroleum Refinery) to purchase oil and some oil derivative products. These are the only payments in foreign currency that the Central Bank is required to make.

Currently, the Central Bank uses different exchange rates for transactions in the official exchange market:

- for disbursements under public-sector foreign-currency denominated external loans, the exchange rate used is DOP17.56 per dollar;

- for payments from the Government to the Central Bank to service its debt, the exchange rate is DOP17.76 per dollar;

- for payments of crude oil imports and oil derivative products, the exchange rate used is DOP17.76 per dollar; and

- for long distance telephone services, the foreign exchange rate is the private market rate for buying dollars which at December 31, 2002 was DOP20.80 per dollar.

The Central Bank is in the process of revising its exchange rate policy to support the structural adjustment process, increase the competitiveness of exports and create appropriate conditions for additional accumulation of net international reserves.

The following table shows the peso/U.S. dollar exchange rates for the dates and periods indicated.

Exchange Rates
(DOP per US$)

	1997	1998	1999	2000	2001	2002
End of period (official)[(1)]	14.02	15.48	15.92	16.53	16.97	17.56
End of period (free market)[(1)]	14.27	15.75	15.93	16.57	16.96	21.04
Exchange rate differential (in % of official rate)	1.8%	1.7%	-	0.2%	-	19.8%
Weighted year average	14.18	15.09	15.92	16.30	16.81	18.32
Weighted end of period	14.25	15.71	15.95	16.59	17.00	20.68

(1) Exchange rate for purchase of U.S. dollars.
Source: IMF and Central Bank.

During 2001, the official exchange rate was set by the Central Bank to closely track the free market rate on a weekly basis. As a result, there was only a nominal difference between the official exchange rate and the free market rate.

The terrorist attacks of September 11 and their negative effects on the U.S. and global economies put significant pressure on the peso in 2002. In response, the Central Bank tightened its monetary policy and sold international reserves in an effort to minimize the depreciation of the peso. As a result, during the first nine months of 2002, the peso depreciated by 9.8%. During the last three months of 2002, the Central Bank implemented a less restrictive monetary policy and significantly reduced the sale of international reserves, which caused the peso to depreciate an additional 14.3%. For 2002, the cumulative depreciation of the peso thus totaled 25.5%.

The Central Bank expects to maintain a flexible floating exchange rate system and is moving toward establishing a single exchange rate market. Under the Monetary and Financial Law, the exchange rate system will, commencing in November 2003, be based solely on the free exchange of the peso in the market operated by commercial and exchange banks. The Central Bank expects that a completely unified and flexible exchange rate system in a sound financial environment will create conditions that are favorable for increasing its reserves.

International Reserves

The Central Bank's net international reserves increased to US$962 million as of December 31, 2001 from US$442 million as of December 31, 2000. This increase was partly the result of the funds obtained from the proceeds of the Republic's sovereign bond issue in September 2001. The Central Bank intermediated, on average, only 13.6% of foreign exchange transactions in the Dominican Republic in 2001 and approximately 9.7% of all such transactions through September 30, 2002. The remainder were conducted through the private exchange market. As a result, the levels of net international reserves of the Central Bank have been lower than those of comparable Central American and Caribbean countries where central banks take a more active role in foreign exchange transactions.

The following table shows the composition of the international reserves of the Republic's banking system as of the dates indicated.

Net International Reserves of the Banking System
(in millions of US$ at period end)

	As of December 31,					
	1997	**1998**	**1999**	**2000**	**2001**	**2002**
Central Bank						
Assets	US$ 414.4	US$ 512.6	US$ 706.3	US$ 636.8	US$ 1,155.3	US$ 629.8
Liabilities	160.0	158.6	159.3	194.9	193.1	253.8
Total (assets less liabilities)	254.4	354.0	547.0	441.9	962.2	376.0
Total, net of sovereign bonds(1)	254.4	354.0	547.0	441.9	464.7	376.0
Banco de Reservas						
Assets	127.2	55.4	146.9	211.7	221.5	333.3
Liabilities	102.0	66.6	205.4	225.9	270.0	375.9
Total (assets less liabilities)	25.2	(11.2)	(58.5)	(14.2)	(48.5)	(42.6)
Private banks						
Assets	448.4	805.2	1,158.7	1,627.4	2,139.3	2,072.7
Liabilities	447.7	756.0	1,052.0	1,460.8	1,891.8	1,841.9
Total (assets less liabilities)	0.7	49.2	106.7	166.6	247.5	230.8
Net international reserves of the banking system	280.3	392.0	595.2	594.3	1,188.2	564.2
Total, net of sovereign bonds(1)	US$ 280.3	US$ 392.0	US$ 595.2	US$ 594.3	US$ 690.7	US$ 564.2
Memorandum items:						
Gross reserves of the Central Bank	US$ 555.5	US$ 658.9	US$ 881.3	US$ 818.2	US$ 1,340.8	US$ 828.9
Total, net of sovereign bonds(1)	555.5	658.9	881.3	818.2	843.3	828.9
Gross reserves of commercial banks	575.7	860.6	1,305.6	1,839.1	2,360.8	2,406.0
Gross reserves of the banking system	1,131.2	1,519.5	2,186.9	2,657.3	3,701.6	3,234.9
Total, net of sovereign bonds(1)	1,131.2	1,519.5	2,186.9	2,657.3	3,204.1	3,234.9
Gross reserves of the Central Bank (in months of imports paid by the Central Bank)(2)	11.1	15.8	18.6	8.5	15.6	21.7
Total, net of sovereign bonds(1)	11.1	15.8	18.6	8.5	9.8	21.7
Gross reserves of the Central Bank (in months of total imports)	1.6	1.6	2.0	1.5	2.8	1.6
Total, net of sovereign bonds (in months of total imports) (1)	1.6	1.6	2.0	1.5	1.8	1.6
Gross reserves of the banking system (in months of total imports)	3.8	3.7	5.0	5.0	7.5	6.4
Total, net of sovereign bonds (in months of total imports) (1)	3.8	3.7	5.0	5.0	6.5	6.4

(1) The Republic completed its inaugural sovereign bond offering in September 2001 (9½% Bonds due 2006).
(2) For 2002, as of November 30, 2002.
(3) The Central Bank is responsible only for external debt payments and for payments for oil imports.
Source: IMF and Central Bank.

Between 1997 and 2001, the Central Bank's gross international reserves, measured in terms of total monthly imports (*i.e.*, the ratio of the Central Bank's gross reserves to total monthly imports) fluctuated between 1.5 months in 2000 and 2.8 months in 2001. Measured in terms of total monthly imports actually paid for by the Central Bank (*i.e.*, oil imports), the Central Bank's gross reserves reached 15.6 months in 2001. Since more than 90% of balance of payments transactions are covered by commercial banks and regulated exchange banks, a more relevant figure for the Dominican economy is the ratio of total gross reserves of the banking system (*i.e.*, Central Bank, *Banco de Reservas* and other commercial banks) to total monthly imports. This ratio grew from 3.8 in 1997 to 7.5 in 2001. The 2001 figures include US$497.5 million in net proceeds from the Republic's sovereign bond offering of September 2001. After excluding proceeds from the bond offering, reserves as of December 31, 2001 (measured in terms of monthly imports) were higher than the corresponding levels at December 31, 2000. The effects of the recent economic slowdown of the U.S. and global economies have had an adverse impact on 2002 reserve levels.

At December 31, 2002, the ratio of Central Bank reserves and banking system reserves to months of total imports was approximately 1.6 and 6.4, respectively.

Gold Reserves

At December 31, 2002, the total amount of gold reserves of the Central Bank was approximately US$6.1 million, representing a 21% increase from the US$5.1 million at December 31, 2001.

Securities Markets

The Dominican Republic has one securities exchange, the *Bolsa de Valores de la República Dominicana* (which we refer to in this offering memorandum as the "Dominican Republic Stock Exchange"), which has been in operation since 1991. The Dominican Republic Stock Exchange is a private institution subject to regulation by the Banking Superintendency concerning transactions, brokerage firms and procedures for the protection of investors. The Dominican Republic Stock Exchange is in the process of creating an electronic order entry system to accommodate growing investor demand.

The primary activity of the Dominican Republic Stock Exchange has been the public trading of commercial paper and bond instruments. Since 1997, partly due to the lack of a legal framework for the development of the securities market prior to 2000, only private sector commercial paper has traded on the Dominican Republic Stock Exchange. In the period from 1997 to 2000, the trading volume on the Dominican Republic Stock Exchange increased 72.9%. As a result of the approval of the *Ley del Mercado de Valores* (the Securities Market Law) and its regulations, in 2001, the trading volume reached US$1.3 billion, which represented an increase of 453% as compared to 2000.

Dominican Republic Stock Exchange
Transaction Volume
(in US$)(1)

	1997	1998	1999	2000	2001	As of November 30, 2002
Transaction volume	141,618,227.55	261,013,305.49	219,407,578.58	247,956,494.55	1,349,233,252.94	1,220,714,244.18

(1) Based on the weighted average exchange rate for the given period.
Source: Dominican Republic Stock Exchange.

The number of seats on the Dominican Republic Stock Exchange increased from 16 on December 31, 1996 to 19 as of September 30, 2002. The implementation of the pension system reform that went into effect on May 10, 2001 is expected to further stimulate the growth of the Dominican Republic Stock Exchange as well as trading volume on medium-term bonds.

PUBLIC SECTOR FINANCES

Consolidated Public Sector

The Dominican public sector consists of the central government, the provincial and municipal governments, non-financial public sector institutions, which include non-financial state-owned enterprises and government agencies such as the *Instituto Nacional de Estabilización de Precios* (which we refer to in this offering memorandum as the "National Institute for Price Stabilization"), and financial public sector institutions, such as the Central Bank, *Banco de Reservas* and other state-owned banks. The Republic's provinces and municipalities are entitled by law to 5% of the total tax revenues received by the central government, including 5% of the revenues generated by the fuel tax adopted in 2000.

Between 1997 and 2001, the consolidated public sector deficit fluctuated between 1.9% and 3.0% of GDP, and increased from US$318 million (2.1% of GDP) in 1997 to US$415 million (1.9% of GDP) in 2001. For 2002, the Government estimates that the consolidated public sector deficit amounted to 1.7% of GDP.

The Mejía administration has sought to impose greater fiscal discipline by adopting fiscal policies that address both the expenditure and revenue sides of the fiscal accounts. The measures implemented to lower fiscal expenditures include:

- reducing the growth of current discretionary spending;
- eliminating generalized Government subsidies; and
- increasing the participation of the private sector in the construction and administration of public infrastructure.

In terms of revenue, the Mejía administration has:

- approved a major tax reform (see "—Tax Regime");
- instituted programs to reduce tax evasion (see "—Tax Regime—Tax Enforcement"); and
- increased the collection of highway tolls.

In order to complete the tax reforms initiated in 2000, the Mejía administration submitted to Congress, in December 2002, the Tax Rectification Bill (*Proyecto de Rectificación Tributaria*). This bill, among other things, seeks to:

- effective January 1, 2005, reduce the minimum corporate income tax rate from 1.5% of gross sales to 0.5% of gross sales;
- eliminate the added tax paid on some services that do not integrate directly in the production of industrialized goods and deductibility of value- services;
- conform the domestic excise tax on alcoholic beverages with the commitments signed by the Republic in the World Trade Organization; and
- eliminate the loophole in the selective consumption tax on oil derivatives (in particular, the zero tax on all oil derivatives imported for electricity generation purposes).

The following table sets forth the consolidated public sector accounts for the periods indicated.

Consolidated Public Sector Accounts
(in millions of US$ and as a % of GDP)[1]

	1997		1998		1999		2000		2001	
	US$	**%**	**US$**	**%**	**US$**	**%**	**US$**	**%**	**US$**	**%**
Non-financial public sector:										
Current account balance (before grants)	653	4.3	706	4.4	461	2.6	477	2.4	818	3.8
Capital account:										
Capital revenues	210	1.4	201	1.3	163	0.9	152	0.8	131	0.6
Capital expenditures	1,070	7.1	1,089	6.8	1,130	6.5	1,044	5.3	1,355	6.3
Capital account deficit	(860)	(5.7)	(888)	(5.5)	(968)	(5.5)	(893)	(4.5)	(1,223)	(5.7)
Unidentified expenditures[2]	20	0.1	132	0.8	-	-	(38)	(0.2)	-	-
Grants[3]	18	0.1	50	0.3	48	0.3	42	0.2	41	0.2
Non-financial public sector deficit	(210)	(1.4)	(265)	(1.7)	(458)	(2.6)	(336)	(1.7)	(365)	(1.7)
Quasi-fiscal operations	(108)	(0.7)	(74)	(0.5)	(70)	(0.4)	(64)	(0.3)	(50)	(0.2)
Consolidated public sector deficit	(318)	(2.1)	(339)	(2.1)	(529)	(3.0)	(400)	(2.0)	(415)	(1.9)
Financing:										
External	(38)	(0.3)	(3.0)	-	106	0.6	91	0.5	558	2.6
Internal:										
Banking system	81	0.5	184	1.2	112	0.6	120	0.6	(334)	(1.6)
Private sector[4]	167	1.1	83	0.5	239	1.4	125	0.6	141	0.7
Quasi-fiscal operations	108	0.7	74	0.5	70	0.4	64	0.3	50	0.2
Total internal	356	2.4	342	2.1	421	2.4	309	1.5	(143)	(0.7)
Total financing	318	2.1	339	2.1	529	3.0	400	2.0	415	1.9
Interest payment	140	0.9	148	0.9	150	0.9	187	0.9	196	0.9
Primary balance[5]	(178)	(1.2)	(191)	(1.2)	(377)	(2.2)	(213)	(1.1)	(219)	(1.0)
Current account balance[6]	562	3.7	682	4.3	440	2.5	455	2.3	809	3.8

(1) Conversion was made using the weighted average exchange rate.
(2) Equals the sum of the statistical discrepancies between the central government and the balance of public companies. Negative values denote unidentified expenditures. Positive values are considerations such as non-registered arrears and amounts financed by the private sector.
(3) Foreign cash or in-kind transfers.
(4) Reflects recorded net payments for the next year and the accumulation of arrears.
(5) Equals consolidated public sector balance excluding interest payments.
(6) Includes grants and quasi-fiscal operations but excludes non-registered expenditures.
Source: IMF.

Central Government

The central government of the Dominican Republic encompasses the Republic's executive branch, the various ministries, and other dependencies such as the *Dirección General de Impuestos Internos* (which we refer to in this offering memorandum as the "Internal Revenue Agency") and the *Dirección General de Aduanas* (which we refer to in this offering memorandum as the "Customs Agency").

Between 1997 and 2001, the central government's fiscal deficit, on an accrual basis, fluctuated between a low of 1.0% (1998) and a high of 3.2% (1999) of GDP. At December 31, 2001, the central government's fiscal deficit reached US$366.1 million or 1.7% of GDP. This deficit level was higher than that in 2000 (US$336 million), but lower as a percentage of GDP (2.1% in 2000). In 2001, the deficit was financed with external resources.

During the first eleven months of 2002, the central government recorded, on a cash basis, a fiscal surplus of DOP1.2 billion (US$65.4 million) or 0.33% of GDP, as compared to 1.2% of GDP for the same period in 2001. The Government took action to counter the effects of the global economic downturn on the Dominican economy by increasing public investment with the proceeds of the 2001 sovereign bond issue. This action was responsible for the reduction in the fiscal surplus in the first eleven months of 2002.

The Government estimates that, for 2002, the central government will register a fiscal surplus, on a cash basis of approximately DOP896 million (US$48.9 million), including a current account surplus (including grants) of US$1.0 billion and a capital account deficit of US$962 million. The Government estimates that, for 2002, total current revenue amounted to US$3.6 billion, total current expenditures amounted to US$2.6 billion and total capital expenditures amounted to US$979 million. Finally, the Government estimates that, for 2002, total domestic financing was US$143.6 million and total foreign financing was negative (*i.e.*, repaid rather than incurred) in the amount US$192.5 million.

The Government derives its revenues primarily from:

- tax collections;
- import tariffs;
- the foreign exchange commission; and
- external loans.

The Government also receives transfers from the national lottery and dividends from companies in which the Government has an ownership interest.

In 2001, the Government registered tax revenues of DOP57.0 billion (US$3.4 billion) representing a 10.9% increase in real terms over 2000. During the first eleven months of 2002, the Government registered tax revenues of DOP57.4 billion (US$3.2 billion), representing a 2.4% increase in real terms over the level recorded during the same period in 2001. Total government revenues in 2001 totaled DOP59.6 billion (US$3.6 billion), a 7.7% increase in real terms over 2000. During the first eleven months of 2002, total government revenues reached DOP60.2 billion (US$3.3 billion), representing a 2.8% increase in real terms over the same period in 2001.

In recent years, government expenditures have consisted primarily of:

- wages paid to public sector employees;
- transfers to public sector entities, in particular to CDE;
- transfers to the private sector in the form of consumer subsidies of fuel, propane gas and electricity;
- interest payments on debt; and
- public investments in infrastructure.

Government expenditures for 2001 totaled DOP66.4 billion (US$4.0 billion), a 4.7% increase in real terms over 2000, and one of the smallest increases registered during the period from 1997 to 2001. As a result of the increase in government investment in infrastructure that was financed in part with the net proceeds of the Republic's sovereign bond offering in September 2001, during the first eleven months of 2002, government expenditures reached DOP59.5 billion (US$3.3. billion), representing an increase of 8.6% in real terms, as compared to the same period in 2001.

Current savings, which is the difference between current revenues and current expenditures, reached DOP$17.8 billion (US$984.5 million) for the first eleven months of 2002, slightly higher than the DOP$16.2 billion (US$967.8 million) for the same period in 2001.

The following table sets forth information regarding government accounts for the periods indicated.

Central Government Accounts[1]

(in millions of US$ and as a % of GDP, at current prices)

	1997		1998		1999		2000		2001	
	US$	%	US$	%	US$	%	US$	%	US$	%
Fiscal revenue and grants:										
Current revenue:										
Tax revenue:										
Income tax	462.3	3.0	512.6	3.2	597.5	3.4	682.6	3.5	942.2	4.4
Property tax	33.2	0.2	39.5	0.2	49.8	0.3	56.8	0.3	57.7	0.3
Taxes on goods and services	1,058.8	7.0	1,153.7	7.2	1,059.4	6.1	1,080.3	5.5	1,579.9	7.4
Of which:										
Value-added tax	439.9	2.9	475.7	3.0	538.0	3.1	608.1	3.1	846.2	4.0
Fuel tax[2]	368.8	2.4	414.8	2.6	261.5	1.5	191.6	1.0	446.8	2.1
Taxes on international trade	635.3	4.2	686.8	4.3	835.2	4.8	1,055.9	5.4	764.8	3.6
Of which:										
Foreign exchange commission	-	-	-	-	44.1	0.3	206.1	1.0	192.4	0.9
Other taxes	35.1	0.2	10.3	0.1	27.7	0.2	42.6	0.2	46.0	0.2
Total tax revenue	2,224.8	14.7	2,402.9	15.0	2,569.5	14.7	2,918.1	14.8	3,390.6	15.8
Non-tax revenue	185.8	1.2	141.1	0.9	155.6	0.9	220.0	1.1	157.4	0.7
Total current revenue	2,410.6	15.9	2,544.0	15.9	2,725.1	15.6	3,138.0	15.9	3,548.0	16.6
Capital revenue	41.3	0.3	11.7	0.1	6.8	-	7.4	-	12.7	0.1
Total fiscal revenue	2,451.8	16.2	2,555.7	15.9	2,731.9	15.6	3,145.4	15.9	3,560.0	16.6
Grants[3]	-	-	25.4	0.2	26.6	0.2	25.8	0.1	24.7	0.1
Total fiscal revenue and grants	2,451.8	16.2	2,581.0	16.1	2,758.6	15.8	3,171.2	16.1	3,585.5	16.8
Expenditures:										
Current expenditures:										
Wages and salaries	697.6	4.6	845.3	5.3	892.5	5.1	1,112.4	5.6	1,278.8	6.0
Goods and services	97.4	0.6	287.9	1.8	311.9	1.8	325.1	1.6	373.9	1.7
Interest	110.9	0.7	120.1	0.7	125.3	0.7	168.2	0.9	175.3	0.8
Current transfers[4]	556.1	3.7	574.8	3.6	639.8	3.7	670.8	3.4	884.8	4.1
Other	310.8	2.0	100.9	0.6	286.4	1.6	466.2	2.4	38.8	0.2
Total current expenditures	1,772.8	11.7	1,929.0	12.0	2,255.9	12.9	2,742.6	13.9	2,751.6	12.9
Capital expenditures:										
Fixed investment	584.6	3.9	478.9	3.0	652.5	3.7	577.9	2.9	745.7	3.5
Capital transfers[4]	246.4	1.6	291.1	1.8	346.0	2.0	225.4	1.1	417.0	1.9
Other	38.0	0.3	39.2	0.2	65.1	0.4	40.9	0.2	37.4	0.2
Total capital expenditures	869.0	5.7	809.3	5.0	1,063.6	6.1	844.1	4.3	1,200.2	5.6
Total expenditures	2,641.9	17.4	2,738.3	17.1	3,319.5	19.0	3,586.7	18.2	3,951.8	18.5
Fiscal balance:										
Current account balance (including grants)	637.7	4.2	640.4	4.0	495.8	2.8	421.3	2.1	821.2	3.8
Capital account deficit	(827.8)	(5.5)	(797.6)	(5.0)	(1,056.7)	(6.1)	(836.8)	(4.2)	(1,187.4)	(5.5)
Unidentified expenditures[5]	(15.3)	(0.1)	(6.5)	-	-	-	-	-	-	-
Fiscal deficit	(205.4)	(1.4)	(163.8)	(1.0)	(560.9)	(3.2)	(415.5)	(2.1)	(366.3)	(1.7)
Financing:										
Domestic financing:										
Banking system	75.8	0.5	81.9	0.5	102.3	0.6	156.6	0.8	(334.0)	(1.6)
Private sector[6]	166.9	1.1	83.5	0.5	316.9	1.8	157.2	0.8	141.2	0.7
Total domestic financing	242.7	1.6	165.4	1.0	419.2	2.4	313.7	1.6	(192.9)	(0.9)
Total foreign financing	(37.2)	(0.2)	(1.7)	-	141.7	0.8	101.8	0.5	559.1	2.6
Total financing	205.5	1.4	163.7	1.0	560.9	3.2	415.5	2.1	366.3	1.7

(1) On an accrual basis. Conversion was made using a weighted average exchange rate.
(2) In November 2000, Congress enacted the Fuel Tax Law. For a discussion of the old and new fuel taxes, see "Public Sector Finances—Tax Regime—Excise Taxes."
(3) Foreign cash or in-kind transfers.
(4) Reflects national transfers to public enterprises to service their external debt.
(5) These consist of non-cash items, such as food, clothing and other items received by the Government as aid. Also includes expenditures made in periods different from the current period and that were not correctly registered.
(6) Includes the accumulation of unrecorded arrears.
Source: IMF.

Tax Regime

All taxes in the Dominican Republic are collected through three agencies: the Internal Revenue Agency; the Customs Agency; and the *Tesorería Nacional* (which we refer to in this offering memorandum as the "National Treasury"). The following table sets forth the composition of the Republic's tax revenues for the periods indicated.

Tax Revenue of the Republic
(as a % of total tax revenue)

	1997	1998	1999	2000	2001
Income tax	20.8%	21.3%	23.3%	23.4%	27.8%
Property tax	1.5	1.6	1.9	1.9	1.7
Taxes on goods and services	47.6	48.0	41.2	37.0	46.6
Of which:					
Value-added tax	19.8	19.8	20.9	20.8	25.0
Fuel tax	16.6	17.3	10.2	6.6	13.2
Taxes on international trade	28.6	28.6	32.5	36.2	22.6
Of which:					
Foreign exchange commission	-	-	1.7	7.1	5.7
Other taxes	1.6	0.4	1.1	1.5	1.4

Source: IMF.

In December 2000, a new tax law (which we refer to in this offering memorandum as the "2000 tax law") came into effect. The 2000 tax law, as amended, changed significantly the Dominican tax system, in particular with respect to income taxes, value-added taxes and excise taxes. The following is a brief description of the main provisions of the Republic's tax code, as amended by the 2000 tax law, followed by a brief description of the Republic's tax enforcement record. In 2001, the tax reform generated an increase in tax revenues of 1.0% of GDP, and tax income as a percentage of GDP reached 15.8% that year.

Income Taxes

The 2000 tax law provides for the following income tax brackets:

Annual Income (in DOP)	Rate (%)
0 – 125,256	0
125,257 – 208,760	15
208,761 – 313,140	20
> 313,141	25

Source: 2000 Tax Law.

The Republic applies a single 25% tax rate over a company's net annual taxable income. Additionally, under the 2000 tax law, companies with more than DOP6.0 million in annual gross sales must pay a minimum corporate income tax of 1.5% of the company's annual gross sales. This minimum corporate income tax must be paid monthly in the form of advances, which are credited when a company files its income tax return for a given year.

These reforms were implemented along with a reduction on the tax rate on interest paid on loans taken abroad from 15% to 5% and other income tax related measures. The income taxes in 2001 reached 4.4% of GDP, which represented an increase of 0.9% of GDP compared to 2000.

During the first eleven months of 2002, income tax represented 4.3% of GDP, a level slightly lower than the 4.4% of GDP registered during the same period in 2001.

Value-Added Tax

The Republic imposes a 12% value-added tax (which we refer to in this offering memorandum as "VAT") in respect of all goods, except consumer food products, and over certain services. VAT paid in respect of capital goods may be deducted from the total VAT owed on the goods produced with such capital goods.

Prior to the tax reform of December 2000, the VAT rate was 8%. The reform allowed the Government to increase the VAT rate by four percentage points and to broaden its taxable base. As a result, in 2001, tax revenues increased in an amount equal to 0.9% of GDP as compared to 2000.

During the first eleven months of 2002, value-added tax represented 4.3% of GDP, which represented an increase of 0.2% of GDP, as compared to the same period in 2001.

Excise Taxes

The Republic applies excise taxes on a variety of selected goods such as cigarettes, alcoholic beverages, fuels and certain luxury goods (*e.g.*, electronic appliances, caviar, rugs and yachts). The following table presents a sampling of the applicable excise tax rates.

Product	**Rate (%)**
Cigarettes	50
Whiskey	45
Rum	35
Wine	35
Beer	25

Source: 2000 Tax Law.

These rates were increased as a result of the tax reform in 2000, along with increases in the tax rates for luxury goods. These changes generated an increase in tax revenues of 1.0% of GDP for 2001. During the first eleven months of 2002, excise tax represented 3.5% of GDP, a level slightly lower than the 3.6% of GDP registered during the same period in 2001.

The fuel tax, adopted in November 2000, is the most important excise tax imposed by the Republic. The previous fuel tax consisted of the spread between the price at which the *Refinería Dominicana de Petróleo* bought oil in the international markets, and the price at which it was sold to consumers, net of profit margins earned by distributors, transporters and gas stations. This method of taxation was particularly vulnerable to changes in oil prices, and thus contributed significantly to the fiscal deficit experienced during the first eight months of 2000. The new fuel tax consists of an excise tax denominated in constant pesos per gallon, payable at the time of sale. The following table sets forth the tax rates for gasoline products, which are adjusted quarterly to reflect inflation.

Product	**Tax** (in DOP per gallon)
Premium gasoline	DOP18.72
Regular gasoline	15.60
Diesel	5.20

Source: Fuel Tax Law.

Gasoline prices in the Dominican Republic are adjusted on a weekly basis based on import prices for oil and the dollar/peso exchange rate.

The fuel tax generated revenues of US$447 million or 2.1% of GDP for 2001. During the first eleven months of 2002, the fuel tax generated US$410.4 million, which represented a 8.0% increase from the amount generated during the same period in 2001. Under current law, 5% of the revenues generated by the fuel tax must be transferred to the Republic's provinces and municipalities and 95% must be directed towards the payment of public sector external debt service.

Other Taxes

The 2000 tax law also included some measures that resulted in a reduction of other tax revenues. Those measures, combined with the tariff reduction that took place in December 2000 resulted in a reduction in tax revenues of 1.9% of GDP for 2001.

Tax Amnesty

The 2000 tax law offered a tax amnesty until 2001 to individuals and corporations with the objective of promoting transparency in income tax statements. Corporations that opted to take advantage of the tax amnesty avoided being audited for the last four years (including 2000), but were required to pay in 2001 taxes of 1.3% of the gross sales they reported for 1999. Similarly, individuals that opted to take advantage of the amnesty avoided being audited, and in exchange had to pay in 2001 0.5% of the difference between their real wealth and the wealth they reported on their income tax statement for 1999. During 2001, revenues from the tax amnesty totaled DOP1.7 million (US$101 million or 0.5% of GDP). The *Proyecto de Rectificación Tributaria* submitted to Congress in December 2002 includes a temporary extension of the tax amnesty to individuals.

Tax Enforcement

The Republic has been seeking to improve its tax-enforcement record. Although the Internal Revenue Agency withholds taxes and imposes penalties for tax evasion, its limited resources have prevented it from significantly reducing tax evasion. In addition, before the 1992 tax reform, employers often used compensation methods that allowed their workers to avoid withholding requirements. The Internal Revenue Agency experienced particular difficulties in monitoring the earnings of self-employed workers. Evasion of property taxes has also been a significant problem due to the widespread use of misleading property values that have proved difficult for the Internal Revenue Agency to verify.

The Republic has traditionally been more effective in enforcing value-added taxes and, in particular, excise taxes. These taxes must be paid on a monthly basis based on readily verifiable values such as sales volume, in the case of excise taxes, and invoiced amounts, in the case of value-added taxes. The Internal Revenue Agency estimates that collection losses with respect to value-added and excise taxes do not exceed 20% and with respect to excise taxes do not exceed 3%.

The Republic has taken a series of steps to combat tax evasion, which include, among others, the following:

- Adoption of a minimum 1.5% tax on a company's estimated gross annual sales. This tax requires businesses to make a minimum tax contribution based on values that the Internal Revenue Agency may easily verify. The minimum corporate tax has resulted in a substantial increase in corporate tax collections, from DOP3.5 billion (US$214.5 million) during 2000, to DOP6.8 billion (US$379.8million) during 2001. For 2002, the Government expects that collections from this tax will reach DOP6.9 billion (US$378.6 million). Additionally, the Internal Revenue Agency has heavily fined or closed several businesses that have failed to pay the minimum corporate tax.
- Changes in the Internal Revenue Agency, which include:
  - internal restructuring in order to rationalize the responsibilities of its various departments and employees, to ensure that tax auditors have adequate training, and to improve the supervision of local offices throughout the country;
  - optimization of collection and monitoring methods through the use of improved information technologies;
  - simplification of tax-payment methods through reductions in paperwork and increased use of computerized systems;

- ➢ creation of a consumer hotline and Internet sites through which tax evasion may be easily reported; and
- ➢ establishment of adequate channels of communication with other government agencies in order to improve the sharing of information and facilitate monitoring.

- Improvements in the national taxpayer identification system through the implementation of new database systems, and the adoption of fees and penalties for failure to register.

Budget

Under the Budget Law for the Public Sector enacted on December 11, 1969 (which we refer to in this offering memorandum as the "Budget Law"), the Technical Secretary of the Presidency, acting through the *Oficina Nacional de Presupuesto* (which we refer to in this offering memorandum as the "National Budget Office"), and the Ministry of Finance, are responsible for preparing the Republic's annual budget, which must be approved by Congress. The Republic's annual budget sets forth spending limits for the various public entities. The President, acting through the National Budget Office, retains full discretion to adjust the amounts allocated to each of these entities based on actual revenue streams and macroeconomic conditions. This discretion gives the President considerable power to control public spending.

The annual budget is prepared on the basis of:

- proposals submitted by the various public entities;
- revenue estimates;
- assessments as to the possible impact of proposed fiscal changes; and
- Central Bank projections of macroeconomic variables.

The proposed budget for the next fiscal year is generally submitted by the President to the Congress in November of each year. Under the Budget Law, if Congress fails to approve the budget proposed by the President, the executive branch may operate on the basis of the budget that was approved for the previous year. The Budget Law does not provide for automatic adjustments of the budget to reflect the rate of inflation.

The following table sets forth the principal assumptions on which the Government's 2003 budget was based.

Principal Budgetary Assumptions for 2003

Projected real GDP growth	4.50%
Projected inflation	6.50%
Projected external revenues	DOP7.6 billion

Source: National Budget Office.

The budget for 2003 projects fiscal revenues of DOP83.0 billion (US$4.2 billion). This amount does not take into account additional projected revenues of DOP3.9 billion (US$197 million) generated from the commission charged on foreign exchange transactions, since this commission is not a tax approved by Congress, but rather a fee set by the Monetary Board. Taking this DOP3.9 billion (US$197 million) into account, the budget for 2003 projects fiscal revenues of DOP87 billion (US$4.4 billion). This sum would represent a 19.0% real increase in fiscal revenues in 2003, resulting primarily from the higher economic growth projected for 2003.

The budget for 2003 projects public expenditures of DOP86.8 billion (US$4.4 billion). These projected expenditures include (1) expenditures to be financed with the projected revenues generated from the commission charged by the Central Bank on foreign exchange transactions and (2) DOP10.0 billion (US$506.8 million) in internal and external debt amortizations.

The following table summarizes the Government's preliminary principal budgetary targets for 2003.

Principal Economic Targets for 2003(1)

Overall consolidated public sector deficit(1)	0.2% of GDP
Discretionary public sector expenditures(2)	7.6% of GDP
Gross public sector debt denominated in foreign currency	US$4,402 million
Change in net international reserves of the Central Bank relative to December 2002(3)	US$250 million

(1) The impact of this offering on the fiscal and budget accounts is not included.
(2) Defined as total current expenditures of the central government and social security system, excluding outlays to pay interest and pension benefits, and domestic transfers to state-owned enterprises.
(3) Assumes the issuance of the bonds offered hereby.

Source: Based on estimates of the Central Bank and preliminary results for the first six months of 2001.

Social Security

On May 10, 2001, the *Ley de Seguridad Social* (which we refer to in this offering memorandum as the "Social Security Law") was enacted by the executive branch. This law, which was introduced by the Mejía administration, implements significant changes to the health insurance and pension systems in the Dominican Republic. Under the prior social security system, current social security contributions were used to pay for the benefits that were currently being provided by the Government. This "pay-as-you-go" system had one of the lowest levels of coverage in Latin America and the Caribbean. The small size of this system facilitated its reform, since its liabilities or implicit pension debt were relatively low, amounting to 9.3% of the Republic's GDP.

The Social Security Law requires participation in the new individual capitalization system. Under this system, workers may select the pension fund administrator of their choice and may switch to another pension fund administrator only once a year.

The new social security system is based on three regimes:

- a contributory regime, that covers public and private workers, and consists of individual retirement savings accounts, 30% of which will be funded by the worker and 70% by the employer. The yearly combined contribution of the worker and the employer to each account must equal 10% of the worker's annual salary. On November 2002, this regime went into effect in the southwestern region of the country. A schedule to implement the system in the rest of the country is being established, and the Government expects that by the year 2003 the system will be fully operative;
- a subsidized regime, which will go into effect in May 2004, that covers disabled individuals, indigent individuals over 60 years of age and female heads of indigent households who can prove they receive a monthly income of less than 50% of the private sector minimum wage. Eligible beneficiaries will receive from the state a pension equal to 60% of the public sector minimum wage. This regime is publicly funded; and
- a subsidized contributory regime, which will go into effect in May 2005, that covers all self-employed workers earning an average wage equal to or higher than the minimum wage. The minimum pension under this regime is equal to 70% of the private sector minimum wage. Each eligible worker whose pension under this regime does not reach the minimum pension established will receive a supplemental pension equal to the difference between the worker's actual pension under the contributory regime and the minimum guaranteed pension. The subsidized contributory regime is funded with contributions from the state and the beneficiaries.

The Government expects that within ten years pension reform will generate additional gross national savings equal to 4% of the Republic's projected GDP for 2011. In addition, the Government anticipates that this reform will contribute to the development of the local capital markets.

PUBLIC SECTOR DEBT

The Republic's total public debt consists of foreign-currency denominated and peso-denominated debt. The Republic's total public external debt consists of loans from foreign creditors to the Central Bank, the Government, public sector entities, as well as bonds issued by the Government and public sector entities outside of the Dominican Republic.

External Debt

The Republic's external debt consists of all foreign-currency denominated debt. As of December 31, 2001, public external debt totaled approximately US$4.2 billion (19.5% of GDP), compared to US$3.7 billion (18.7% of GDP) as of December 31, 2000. At June 30, 2002, public external debt reached approximately US$4.2 billion.

In September 2001, the Republic completed its inaugural sovereign bond offering in the international capital markets. The Republic issued US$500 million of 9½% Bonds due 2006. The bonds provide for semi-annual interest payments and are not redeemable prior to maturity in September 2006. The bonds are listed on the Luxembourg Stock Exchange.

The following tables set forth information concerning the Republic's public external debt for the years shown.

Public Sector External Debt
(in millions of US$, except percentages)

	As of December 31,					As of June 30,
	1997	1998	1999	2000[(1)]	2001[(1)]	2002[(1)]
Official reserves liabilities:						
IMF credit use	US$ 29	US$ 56	US$ 55	US$ 52	US$ 50	US$ 40
Others	90	52	43	96	93	106
Total official reserves liabilities	119	108	97	148	142	146
Official non-reserves liabilities:						
Financial public sector	837	781	794	726	656	645
Non-financial public sector	2,578	2,620	2,730	2,774	3,347	3,418
Private sector, guaranteed	39	40	39	37	34	34
Total official non-reserves liabilities	3,453	3,441	3,563	3,538	4,037	4,097
Total official liabilities	US$ 3,572	US$ 3,550	US$ 3,661	US$ 3,685	US$ 4,180	US$ 4,243
Total public sector external debt, as a % of GDP	23.5%	22.1%	21.0%	18.7%	19.5%	19.0%
Total public sector external debt, as a % of total exports	50.6	47.4	45.8	41.1	50.0	54.5

(1) Preliminary data.
Source: Central Bank.

Public Sector External Debt, Net of Reserves
(in millions of US$)

	As of December 31,					As of June 30,
	1997	1998	1999	2000	2001[(1)]	2002[(1)]
Public sector external debt	US$ 3,572	US$ 3,550	US$ 3,661	US$ 3,685	US$ 4,180	US$ 4,243
Gross international reserves of the Central Bank	(556)	(659)	(881)	(818)	(1,341)	(1,097)
Public sector external debt, net of reserves	US$ 3,017	US$ 2,891	US$ 2,779	US$ 2,867	US$ 2,839	US$ 3,146

(1) Preliminary data.
Source: Central Bank.

Since 1997, public external debt has been reduced as a percentage of GDP and total exports of goods and services. Public sector external debt declined substantially between 1997 and 2001, from 23.5% of GDP and 50.6% of total exports of goods and services in 1997, to 19.5% of GDP and 50.0% of total exports in 2001. These percentages are relatively low when compared to other Latin American countries as indicated in the following table:

	External Debt (% of GDP (2001))	**External Debt** (% of total exports (2001))
Panama	61.6%	181%
Jamaica	50.3	95
Argentina	33.3	245
Colombia	28.1	149
El Salvador	22.9	79
Costa Rica	19.8	46
Dominican Republic	19.5	50
Brazil	18.5	132
México	13.0	47

Source: Central Bank of each respective country.

During the period from 1997 to 2001, multilateral debt represented an average of 32.3% of total public external debt. The principal multilateral creditors of the Republic are the IDB (representing 70.0% of outstanding multilateral debt) and the World Bank (representing 21.4% of outstanding multilateral debt). Loans from the IDB have been destined primarily for projects relating to agriculture, education, financial sector reform and reconstruction efforts following Hurricane Georges in 1998. Loans from the World Bank have funded projects relating to irrigation, agriculture, education, energy and transportation.

During 2001, net principal inflows from the IDB (equal to disbursements minus principal amortizations) reached US$91.7 million, while disbursements minus principal and interest amortizations resulted in net inflows from the IDB of US$56.3 million. During the period from January to June 2002, the Government had net principal outflows of US$2.0 million while disbursements minus principal and interest amortizations resulted in net outflows of US$19.0 million.

In the case of the World Bank, the Republic received net principal inflows of US$24.4 million during 2001 and US$19.4 million for the period from January to June 2002. Taking into account interest payments, the Republic had net World Bank inflows of US$1.2 million in 2001 and of US$8.2 million in the period from January to June 2002.

The following table summarizes public sector external debt by creditor for the years indicated.

Public Sector External Debt by Creditor
(in millions of US$ and as % of total public sector external debt)

	As of December 31,										As of June 30, 2002	
	1997		1998		1999		2000		2001			
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Official creditors:												
Multilateral debt:												
IDB	783.8	21.9	819.7	23.1	850.3	23.2	842.3	22.9	917.3	21.9	939.6	22.1
World Bank	207.8	5.8	204.2	5.8	275.1	7.5	294.0	8.0	317.5	7.6	337.7	8.0
IDA	16.0	0.4	15.4	0.4	14.7	0.4	14.0	0.4	13.4	0.3	13.0	0.3
IFAD[(1)]	9.1	0.3	8.2	0.2	7.7	0.2	8.8	0.2	8.9	0.2	10.2	0.2
IMF	28.5	0.8	55.9	1.6	54.5	1.5	51.7	1.4	49.9	1.2	39.6	0.9
OPEC[(2)]	17.1	0.5	16.0	0.5	13.6	0.4	10.7	0.3	7.9	0.2	6.4	0.2
Other	8.7	0.2	17.6	0.5	19.7	0.5	21.4	0.6	25.6	0.6	27.4	0.6
Total multilateral debt	1,071.0	30.0	1,137.0	32.0	1,235.6	33.8	1,242.9	33.7	1,340.5	32.1	1,373.9	32.4
Bilateral debt:												
United States	906.8	25.4	885.7	25.0	844.7	23.1	745.0	20.2	626.5	15.0	597.1	14.1
Spain	289.2	8.1	318.6	9.0	381.1	10.4	530.8	14.4	574.2	13.7	594.8	14.0
Japan	161.0	4.5	178.7	5.0	197.7	5.4	171.1	4.6	153.5	3.7	166.6	3.9
Venezuela	165.1	4.6	138.2	3.9	129.6	3.5	103.6	2.8	79.2	1.9	71.7	1.7
Other countries	172.7	4.8	200.3	5.6	205.0	5.6	193.7	5.3	238.3	5.7	267.3	6.3
Total bilateral debt	1,694.8	47.4	1,721.5	48.5	1,758.1	48.0	1,744.2	47.3	1,671.7	40.0	1,697.5	40.0
Total official debt	2,765.8	77.4	2,858.5	80.5	2,993.7	81.8	2,987.1	81.1	3,012.2	72.1	3,071.4	72.4
Private creditors:												
Banking[(3)]	686.6	19.2	604.3	17.0	618.6	16.9	657.3	17.8	628.0	15.0	631.6	14.9
9½% Bonds due 2006	-	-	-	-	-	-	-	-	500.0	12.0	500.0	11.8
Suppliers	119.8	3.4	86.7	2.4	48.2	1.3	40.6	1.1	39.5	0.9	39.7	0.9
Total private sector debt	806.4	22.6	691.0	19.5	666.8	18.2	697.9	18.9	1,167.5	27.9	1,171.3	27.6
Total public sector external debt	3,572.2	100.0	3,549.5	100.0	3,660.5	100.0	3,685.0	100.0	4,179.7	100.0	4,242.7	100.0

(1) International Fund for Agricultural Development.
(2) Organization of Petroleum Exporting Countries.
(3) Includes Brady Bonds.
Source: Central Bank.

As of December 31, 2001, medium- and long-term debt constituted 70.2% of the Republic's external debt, while short-term debt constituted 28.8%. The Government is seeking to lengthen the average term of its external debt. The following table sets forth information regarding the terms of the Republic's public sector external debt as of December 31, 2001.

Public Sector External Debt Structure, by Maturity Date
(in millions of US$ and as % of total public sector external debt)

As of December 31, 2001

Short-term[(1)]	US$ 1,202.5
Medium- and long-term	2,977.2
Short-term debt (as % of total public sector external debt)	28.8%

(1) Debt due within a year, on a residual maturity basis.
Source: IMF.

The following table sets forth public sector external debt by currency as of December 31, 2001.

Summary of Public Sector External Debt by Unit of Account
(in millions of U.S. dollars, except percentages)

Currency	As of December 31, 2001 Amount (US$)(1)	%
U.S. dollar	3,522.7	84.3
IDB unit of account(2)	226.2	5.4
Japanese yen	175.5	4.2
Euro	152.9	3.7
Special drawing rights (SDR)(3)	65.8	1.6
Canadian dollar	15.1	0.4
Swiss franc	5.3	0.1
Danish crown	5.4	0.1
Pound sterling	4.3	0.1
Norwegian crown	3.2	0.1
Swedish crown	3.3	0.1
Total	4,179.7	100.0

(1) In currencies converted as of December 31, 2001.
(2) The financial unit in which U.S. dollar obligations to the IDB are expressed. These obligations are pending payments and are expressed in the different currencies that are accounted for in the central currency account of the IDB. In December 2001, the value of one unit of account was US$1.42023.
(3) The unit of account used by the IMF. On December 31, 2001, each SDR was equal to US$1.25673.
Source: Central Bank.

From 1997 to 1999, total public sector external debt service decreased as a percentage of total fiscal revenues, from 17.9% in 1997 to 13.7% in 1999. It increased in 2000 and 2001 to 15.8% and 17.5% of total fiscal revenues, respectively. This increase was due in part to payment of deferrals granted through 2000 by the Paris Club in the aftermath of Hurricane Georges in September 1998, which payments became due in 2001, as well as increased payments relating to certain Brady Bonds upon the expiration of their grace period. Public sector external debt service measured as percentage of total exports of goods and services increased from 6.2% in 1997 to 7.5% in 2001. As a percentage of GDP, public sector external debt service reached 2.9% in 2001, the same level as that of 1997. For 2002, public sector external debt service is expected to represent 9.8% of total exports of goods and services. The following tables set forth information regarding the Republic's public sector external debt service for the periods indicated.

Public Sector External Debt Service(1)
(in millions of US$)

	As of December 31,					
	1997	1998	1999	2000	2001	2002(2)
Interest payments	US$179	US$161	US$163	US$217	US$201	US$296
Amortization	259	209	210	281	421	497
Total public sector external debt service(1)	US$438	US$370	US$373	US$498	US$622	US$793

(1) Includes external debt service of Central Bank.
(2) Preliminary estimates for the year conducted in November 2002.
Source: Central Bank.

Public Sector External Debt Service[1]

	As of December 31,					
	1997	1998	1999	2000	2001	2002[2]
As a percentage of total exports	6.2%	4.9%	4.7%	5.6%	7.54%	9.8%
As a percentage of total exports and workers' remittances	5.3	4.1	3.9	4.6	6.0	7.7
As a percentage of GDP	2.9	2.3	2.1	2.5	2.9	3.5
As a percentage of total fiscal revenue	17.9	14.5	13.7	15.8	17.5	22.0

(1) Includes external debt service of the Central Bank.
(2) Preliminary estimates for the year conducted in November 2002.
Source: IMF and Central Bank.

The following table sets forth estimated public external debt service through 2006.

Estimated Public Sector Debt Service by Debtor[1]
2002- 2006
(in millions of US$, except for %)

	2002			2003			2004			2005			2006		
	Principal	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
Central Bank:															
Reserve liabilities:															
IMF	28.0	4.2	32.2	24.0	1.3	25.3	-	2.0	2.0	-	2.0	2.0	-	2.0	2.0
BLADEX	-	1.2	1.2	-	1.2	1.2	-	1.2	1.2	-	1.2	1.2	-	1.2	1.2
Others	0.1	1.2	1.3	0.4	6.0	6.4	0.8	2.4	3.2	22.0	2.5	24.5	5.8	2.4	8.2
Total reserve liabilities	28.1	6.6	34.7	24.4	8.5	32.9	0.8	5.6	6.4	22.0	5.7	27.7	5.8	5.6	11.4
Non-reserve liabilities	26.3	28.7	55.0	26.5	28.5	55.0	26.6	40.1	66.7	26.5	25.1	51.6	26.5	23.7	50.2
DEFINPRO[2]	18.9	8.3	27.2	17.0	6.3	23.3	19.3	5.9	25.2	16.7	4.2	20.9	16.6	3.1	19.7
Total Central Bank	73.3	43.6	116.9	67.9	43.3	111.2	46.7	51.6	98.3	65.2	35.0	100.2	48.9	32.4	81.3
Public sector:															
Non-financial public sector:															
Central Government	396.8	235.2	632.0	466.8	251.2	718.0	430.1	227.9	658.0	409.4	200.1	609.5	885.1	178.0	1,063.1
Other governmental institutions:															
CDE	23.2	12.8	36.0	25.1	12.1	37.2	23.8	9.7	33.5	22.0	7.9	29.9	11.2	6.6	17.8
INDRHI	0.6	0.2	0.8	0.6	0.2	0.8	0.6	0.2	0.8	0.6	0.2	0.8	0.6	0.1	0.7
Total other	23.8	13.0	36.8	25.7	12.3	38.0	24.4	9.9	34.3	22.6	8.1	30.7	11.8	6.7	18.5
Public enterprises	0.8	0.8	1.6	0.8	1.0	1.8	0.8	1.4	2.2	0.8	-	0.8	0.8	-	0.8
Private publicly guaranteed	2.3	0.8	3.1	2.3	0.4	2.7	2.3	0.7	3.0	2.3	0.7	3.0	2.3	0.2	2.5
Total non-financial public sector	423.7	249.8	673.5	495.6	264.9	760.5	457.6	239.9	697.5	435.1	208.9	644.0	900.0	184.9	1,084.9
Financial public sector	-	2.4	2.4	-	2.5	2.5	-	1.6	1.6	-	-	-	-	-	-
Of which:															
Banco de Reservas	-	2.4	2.4	-	2.5	2.5	-	1.6	1.6	-	-	-	-	-	-
Total public sector	423.7	252.2	675.9	495.6	267.4	763.0	457.6	241.5	699.1	435.1	208.9	644.0	900.0	184.9	1,084.9
Total public sector debt service[3]	497.0	295.8	792.8	563.5	310.7	874.2	504.3	293.1	797.4	500.3	243.9	744.2	948.9	217.3	1,166.2
Memorandum items[4]:															
As a % of total exports of goods and services	6.1	3.7	9.8	6.4	3.5	9.9	5.2	3.0	8.2	4.7	2.3	7.0	8.5	2.0	10.5
As a % of total exports and workers' remittances	4.8	2.9	7.7	5.2	2.8	8.0	4.2	2.5	6.7	3.9	1.9	5.8	7.0	1.6	8.6
As a % of GDP	2.2	1.3	3.5	2.7	1.5	4.2	2.3	1.3	3.6	2.2	1.1	3.2	3.9	0.9	4.8
As a % of total fiscal revenue	14.0	8.0	22.0	15.8	8.7	24.5	13.5	7.8	21.3	12.8	6.2	19.0	23.1	5.3	28.4

(1) Preliminary estimates conducted in November 2002.
(2) *Departamento de Desarrollo y Financiamiento de Proyectos* (Department of Financing and Development of Projects).
(3) Includes the total Central Bank debt Service.
(4) Includes projected debt service as a percentage of projected exports of goods and services, projected exports and workers' remittances, projected GDP and projected fiscal revenues for the years indicated.
Source: Central Bank.

The Republic renegotiated its external commercial bank debt in 1994 (which we refer to in this offering memorandum as the "Brady Restructuring"). For a description of the Brady Restructuring, see "—Debt Restructuring." The following table sets forth information regarding total public sector external bonds issued outside of the Dominican Republic, which were issued in connection with the Brady Restructuring.

Brady Restructuring

Public Sector External Bonds
(in millions of US$)

	Principal Amount Outstanding as of December 31, 2001
Brady Bonds due 2024	US$ 328.5
Past-due interest bonds due 2009	158.2
Total	US$ 486.7

Source: Central Bank.

Domestic Debt

The following table sets forth total public sector domestic debt, excluding intra-governmental debt.

Total Public Sector Domestic Debt(1)
(in millions of US$) (2)

	As of December 31,					As of November 30,
	1997	1998	1999	2000	2001	2002
Treasury bonds (Law 104-99 Bonds)	US$ 0.9	US$ 0.8	US$ 0.8	US$ 98.3	US$ 104.7	US$ 83.7
Treasury certificates	-	6.6	10.2	9.2	6.0	-
Other liabilities(3)	565.9	531.2	448.1	358.2	490.6	396.4
Total	US$ 566.9	US$ 538.6	US$ 459.1	US$ 465.6	US$ 601.3	US$ 480.0
Total public sector domestic debt as a % of GDP	3.8%	3.5%	2.6%	2.4%	2.8%	2.7%

(1) Preliminary data.
(2) Converted to U.S. dollars using the weighted average exchange rate at year-end or period-end.
(3) Includes indebtedness of all branches of government, public financial and non-financial institutions and entities with private suppliers, depositors of closed banks, land expropriation, private sugar cane producers, electricity distribution and generation companies, and private commercial banks.

Source: Ministry of Finance and Medium Term Financing Program Unit.

Debt Restructuring

In November 1991, the Republic restructured US$926.0 million of indebtedness owed to the Paris Club. As a result of this restructuring, the Republic obtained the following extensions with respect to indebtedness maturing in September 1991 and March 1993:

- a 20-year extension for concessionary credits and credits issued in connection with development projects, with a 10-year grace period;
- a 15-year extension for non-concessionary credits, with an 8-year grace period; and
- a 10-year extension on interest on arrears, with a 5-year grace period.

The Republic renegotiated its debt with domestic commercial banks in 1994. The Brady Restructuring reduced the Republic's international commercial bank debt from US$1.3 billion to US$328.6 million in discount bonds and US$191.3 million in past-due interest bonds. The discount bonds have a 30-year term (due 2024), and are collateralized by zero-coupon U.S. Treasury bonds. The past-due interest bonds have a 15-year term and are due in 2009.

Debt Record

External Debt

Following the Brady Restructuring, the Republic has serviced its external debt without default, subject to the following:

- between 1994 and 1997, a default by the Republic in respect of payments owed to the Commodity Credit Corporation, due to a dispute concerning the amount of such debt. This dispute was settled in 1997, and payment was made immediately thereafter;
- amounts in arrears owed to NISSHO Iwai and the Marubeni Corporation did not qualify for inclusion in the Brady Restructuring. These amounts were reconciled and settled in 1997;
- a debt deferral granted by the Paris Club in respect of amounts coming due between September 1998 and December 31, 1999 in consideration of losses suffered by the Republic as a result of Hurricane Georges. The IMF did not consider the deferral granted by the Paris Club as a default on external debt service;
- a five-year debt rescheduling granted by Venezuela after Hurricane Georges; and
- arrears in payments due to OPEC of US$10 million, which were settled in 1996, continued to appear as arrears until 1998 since the rescheduling was not approved by the Dominican Congress until 1999.

The Republic is committed to honoring its external debt obligations. The Fuel Tax Law approved by the Dominican Congress in November 2000 provided the Government revenues of US$446 million (2.1% of GDP) in 2001. The Fuel Tax Law requires that 95% of the proceeds from the fuel tax be directed towards the payment of public sector external debt. In addition, revenues generated by the 4.75% commission on foreign exchange transactions must be directed towards the payment of public sector external debt. Public external debt payments totaled US$622 million in 2001 and will total approximately US$793 million in 2002.

Domestic Debt

Inadequate institutional management of the Government's domestic debt that prevailed before August 2000 adversely affected the capacity of the Republic to make timely payments on its domestic debt obligations. In 2000, interest and amortization payments in default due to non-governmental entities amounted to US$756,912, or 0.02% of the Government's total revenues.

The Mejía administration has made it a priority to eliminate this institutional weakness and since May 2001, it has begun to pay all amounts in arrears owed on the Republic's domestic bonds held by non-governmental and governmental entities. As of the date of this offering memorandum, the Republic is not in arrears with respect to any of its domestic debt.

The Government has also taken steps to ensure that the Republic honors its domestic debt obligations, including:

- placing the *Comisión Evaluadora de Deuda* (the Commission of Debt Evaluation) under the supervision of the Republic's general auditors;
- modernizing debt-related systems and information technology; and

- adopting programs to train personnel, and streamline and modernize procedures related to debt, with assistance from the IDB.

Following the efforts undertaken by the Mejía administration, in September 2001, Standard & Poor's upgraded the Republic's long- and short-term domestic currency debt rating from selective default (SD/SD) to B+/B.

Disputes with Private Electricity Generators

As part of the restructuring of the electricity sector, the Government recently paid amounts owed to distributors of electricity. It has also terminated its agreements with certain independent power producers and has made termination payments to these parties. See "The Economy—Secondary Production—Electricity, Gas and Water". The Government is in the process of renegotiating the terms of one remaining contract with an independent private producer.

The outstanding contract to be renegotiated is with *Compañía de Electricidad de San Pedro de Macorís* (Cogentrix). Under the terms of the current agreement with Cogentrix, CDE would incur annual losses in 2003 of either US$62.2 million (assuming that its generation plant is in operation) or US$35 million (assuming that this plant is not in operation). The Cogentrix plant is not operating as of the date hereof. As a result of recent negotiations between the parties, Cogentrix has agreed to modify its plants so that natural gas may be used. This modification will reduce costs for Cogentrix and result in lower losses to CDE. The parties are also discussing other interim measures that can be taken by Cogentrix to reduce its costs.

DESCRIPTION OF THE BONDS

The bonds will be issued under a fiscal agency agreement dated as of January 23, 2003, between the Republic and JPMorgan Chase Bank, as fiscal agent.

This section of this offering memorandum is intended to be an overview of the material provisions of the bonds and the fiscal agency agreement. Because this section is only a summary, you should refer to the fiscal agency agreement for a complete description of the Republic's obligations and your rights as a holder of the bonds.

The definitions of certain capitalized terms used in this section are set forth under "—Defined Terms."

General

Basic Terms

The bonds will:

- be general, direct, unconditional, unsubordinated and unsecured obligations of the Republic and will be backed by the full faith and credit of the Republic;
- be initially issued in an aggregate principal amount of US$600,000,000;
- mature on January 23, 2013 and will be paid at 100% of the principal amount thereof;
- be issued in denominations of US$10,000 and integral multiples of US$1,000 in excess thereof; and
- be represented by one or more registered bonds in global form, but in certain limited circumstances may be represented by bonds in certificated form. See "Book-Entry Settlement and Clearance."

Interest

Interest on the bonds will:

- accrue at the rate of 9.04% per annum;
- accrue from the date of issuance or the most recent interest payment date;
- be payable semi-annually in arrears on January 23 and July 23 of each year, commencing on July 23, 2003;
- be payable to the holders of record on the January 15 and July 15 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Payment

Principal of and interest on the bonds will be payable at the offices or agencies maintained by the Republic for such purpose (which initially will be the offices of the payment agents specified on the inside back cover page of this offering memorandum). Payment of principal of and interest on bonds in global form registered in the name of or held by The Depository Trust Company (which we refer to in this offering memorandum as "DTC") or its nominee, will be made in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of the global bonds. If any of the bonds are no longer represented by global bonds, payment of interest on the bonds in physical, certificated form may, at the Republic's option, be made by check mailed directly to holders at their registered addresses.

The Republic will maintain a principal paying agent, a transfer agent and a registrar in New York City and a paying agent and a transfer agent in Western Europe (which, so long as the bonds are listed on the Luxembourg Stock Exchange and the rules of the Exchange require, will be in Luxembourg). The Republic undertakes that, if, as described further under "Taxation – Proposed European Union Directive on the Taxation of Certain Interest Payments," the proposed European Union directive regarding the taxation of savings income is implemented, it will ensure that it maintains a paying agent in an European Union member state that will not be obliged to withhold or deduct tax pursuant to such directive. The Republic will also give prompt notice to all holders of bonds of any future appointment or any resignation or removal of any paying agent, transfer agent or registrar or of any change by any paying agent, transfer agent or registrar in any of its specified offices.

Claims against the Republic for the payment of principal of or interest on the bonds (including additional amounts) must be made within five years of the date on which that payment first became due.

The registered holder of a bond will be treated as its owner for all purposes.

Transfer, Exchange and Replacement of Bonds

The bonds may be transferred or exchanged at the offices or agencies maintained by the Republic for such purpose (which initially will be the offices of the transfer agents specified on the inside back cover page of this offering memorandum).

No service charge will be made for any registration of transfer or exchange of bonds, but the Republic may require payment of an amount sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

If a bond becomes mutilated, defaced, destroyed, lost or stolen, the Republic may issue, and the fiscal agent will authenticate and deliver, a substitute bond. In each case, the applicant for a substitute bond will be required to furnish to the Republic and to the fiscal agent (or to any paying agent at whose offices the applicant present the bonds for exchange) an indemnity under which it will agree to pay the Republic, the fiscal agent and any other agent for any losses they may suffer relating to the bond that was mutilated, defaced, destroyed, lost or stolen. The Republic and the fiscal agent may also require that the applicant present other documents or proof. The applicant will be required to pay all expenses and reasonable charges associated with the replacement of the mutilated, defaced, destroyed, lost or stolen bond.

Further Issuances

The Republic may from time to time, without the consent of bondholders, create and issue further bonds having the same terms and conditions as the bonds in all respects, except for issue date, issue price and the first payment of interest thereon. Additional bonds issued in this manner will be consolidated with and will form a single series with the previously outstanding bonds.

Ranking

The bonds will be general, direct, unconditional, unsubordinated and unsecured obligations of the Republic and will be backed by the full faith and credit of the Republic. The bonds will be Public External Debt of the Republic. The bonds will rank equally among themselves and with all other existing and future unsubordinated and unsecured Public External Debt of the Republic.

Additional Amounts

Payments of principal of and interest on the bonds are not currently subject to withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature in the Republic. The Republic will make payments in respect of the bonds without withholding or deduction for any present or future taxes imposed by the Republic or any of its political subdivisions or taxing authorities, unless otherwise required by Dominican law. If Dominican law requires the Republic to deduct or withhold taxes, the Republic will pay the bondholders the additional amounts necessary to ensure that they receive the same amount as they would have received without such withholding or deduction.

The Republic will not, however, pay any additional amounts where the bondholder is subject to such withholding or deduction due to one of the following reasons:

- the bondholder has some connection with the Republic other than merely owning the bond or the receipt of principal of or interest on the bond;
- the bondholder has failed to comply with any certification, identification or other reporting requirement concerning its nationality, residence, identity or connection with the Republic, provided that:
  - compliance is required by the Republic, or any of its political subdivisions or taxing authorities, as a precondition to exemption from such withholding or deduction;
  - at least 30 days prior to the first payment date with respect to which such requirements will apply, the Republic notifies all holders of bonds that the holders will be required to comply with these requirements; and
  - these requirements are not materially more onerous to such holders (in form, in procedure or in the substance of information disclosed) than comparable information or other reporting requirements imposed under U.S. federal tax law, regulation and administration practice (such as U.S. Internal Revenue Service Forms W-8 and W-9); or
- the bondholder has failed to present its bond (where such presentation is required by the terms of the bonds) within 30 days from when the Republic makes available to the bondholder a payment of principal or interest.

All references in this offering memorandum to principal of or interest on the bonds will include any additional amounts payable by the Republic in respect of such principal or interest.

Negative Pledge Covenant

So long as any bond remains outstanding, the Republic may not allow any Lien on its assets or revenues as security for any of its Public External Debt, unless the Republic's obligations under the bonds are secured equally and ratably with such Public External Debt. The Republic may, however, grant or agree to any Permitted Lien on its assets or revenues.

Events of Default

Each of the following is an event of default with respect to the bonds:

(1) *Non-Payment*:

- failure to pay for 20 days principal of the bonds when due; or
- failure to pay for 30 days interest on the bonds when due; or

(2) *Breach of Other Obligations*: failure to observe or perform any of the covenants or agreements provided in the bonds or, to the extent adversely affecting the bonds, the fiscal agency agreement (other than those referred to in paragraph 1 above) for a period of 60 days following written notice to the Republic by the fiscal agent or holders representing at least 25% in principal amount of the then outstanding bonds to remedy such failure; or

(3) *Cross Default*:

- failure by the Republic, beyond any applicable grace period, to make any payment when due on Public External Debt in an aggregate principal amount greater than or equal to US$25,000,000 (or its equivalent in other currencies); or

- acceleration of any Public External Debt in an aggregate principal amount greater than or equal to US$25,000,000 (or its equivalent in other currencies) due to an event of default, unless such acceleration is rescinded or annulled; or

(4) *Moratorium*: declaration by the Republic of a general suspension of, or a moratorium on, payments of Public External Debt; or

(5) *Validity*:

- the Republic contests any of its obligations under the bonds or, to the extent adversely affecting the bonds, the fiscal agency agreement in a formal administrative, legislative or judicial proceeding; or
- the Republic denies any of its obligations under the bonds or, to the extent adversely affecting the bonds, the fiscal agency agreement; or
- any constitutional provision, treaty, law, regulation, decree, or other official pronouncement of the Republic, or any final decision by any court in the Republic having jurisdiction, renders it unlawful for the Republic to pay any amount due on the bonds or to perform any of its obligations under the bonds or, to the extent adversely affecting the bonds, the fiscal agency agreement; or

(6) *Judgments*: any writ, execution, attachment or similar process is levied against all or any substantial part of the assets of the Republic in connection with any judgment for the payment of money exceeding US$25,000,000 (or its equivalent in other currencies) and failure by the Republic either to satisfy or discharge such judgment, or adequately bond, contest in good faith or receive a stay of execution or continuance in respect of such judgment, within a period of 120 days; or

(7) *Membership in International Monetary Fund*: failure by the Republic to maintain its membership in, and its eligibility to use the general resources of, the IMF, and such failure continues for a period of 60 days.

If any of the above events of default occurs and is continuing, the holders of at least 25% in principal amount of the outstanding bonds may, by written notice to the Republic with a copy to the fiscal agent, declare all the bonds then outstanding to be immediately due and payable. In the case of any event of default described in paragraph 1 or 4 above, any bondholder may by giving such written notice declare the principal amount which it holds to be immediately due and payable.

The Republic will notify the fiscal agent promptly upon becoming aware of the occurrence of any event of default or potential event of default.

Bondholders holding in the aggregate at least a majority in principal amount of the then outstanding bonds may waive any existing defaults, and their consequences, on behalf of all bondholders, if:

- following the declaration of the bonds due and payable immediately, the Republic deposits with the fiscal agent a sum sufficient to pay all overdue installments of principal, interest and other amounts in respect of the bonds as well as the reasonable fees and compensation of the fiscal agent; and
- all other events of default have been remedied.

Amendments and Waivers

The Republic and the fiscal agent may, with the consent of the holders of at least a majority in principal amount of the then outstanding bonds, modify and amend the provisions of the bonds or the fiscal agency agreement, including to grant waivers of future compliance or past default by the Republic. However, no such amendment or modification will apply, without the consent of each bondholder affected thereby, to the bonds owned or held by such bondholder with respect to the following matters:

- change the stated maturity of the principal of or interest on such bonds;

- reduce the principal amount of or interest on such bonds;
- change the obligation of the Republic to pay additional amounts on account of withholding or deductions as set forth under "—Additional Amounts";
- change the currency of payment of principal or interest on such bonds; and
- impair the right to institute suit for the enforcement of any payment in respect of such bonds.

In addition, no such amendment or notification may, without the consent of each bondholder, reduce the percentage of principal amount of bonds outstanding necessary to make these modifications or amendments to the bonds or the fiscal agency agreement or to reduce the quorum requirements or the percentages of votes required for the adoption of any action at a bondholders' meeting.

The Republic may also agree to amend any provision of any bond with the holder thereof, but that amendment will not affect the rights of the other bondholders or the obligations of the Republic with respect to the other bondholders.

No consent of the bondholders is or will be required for any modification or amendment requested by the Republic or by the fiscal agent or with the consent of the Republic to:

- add to the Republic's covenants for the benefit of the bondholders;
- surrender any right or power of the Republic in respect of the bonds or the fiscal agency agreement;
- provide security or collateral for the bonds;
- cure any ambiguity in any provision, or correct any defective provision, of the bonds; or
- change the terms and conditions of the bonds or the fiscal agency agreement in any manner which the Republic and the fiscal agent mutually deem necessary or desirable so long as any such change does not, and will not, adversely affect the rights or interests of any bondholder.

The Republic may at any time call a meeting of the bondholders to seek their approval of the modification of or amendment to, or obtain a waiver of, any provision of the bonds. This meeting will be held at the time and place determined by the Republic and specified in a notice of such meeting furnished to the bondholders. This notice must be given at least 30 days and not more than 60 days prior to the meeting.

If at any time the holders of at least 10% in principal amount of the then outstanding bonds request the fiscal agent to call a meeting of the holders of bonds for any purpose, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, the fiscal agent will call the meeting for such purpose. This meeting will be held at the time and place determined by the fiscal agent, after consultation with the Republic, and specified in a notice of such meeting furnished to the bondholders. This notice must be given at least 30 days and not more than 60 days prior to the meeting.

Holders who hold a majority in principal amount of the then outstanding bonds will constitute a quorum at a bondholders' meeting. In the absence of a quorum, a meeting may be adjourned for a period of at least 20 days. Notice of the reconvening of any meeting may be given only once, but must be given at least ten days and not more than 15 days prior to the meeting.

At any meeting when there is a quorum present, holders of a majority in principal amount of the bonds represented and voting at the meeting may approve the modification or amendment of, or a waiver of compliance for, any provision of the bonds except for specified matters requiring the consent of each bondholder as set forth above. Modifications, amendments or waivers made at such a meeting will be binding on all current and future bondholders.

Notices

The Republic will mail notices to bondholders at their registered addresses. The Republic will consider any mailed notice to have been given five business days after it has been sent.

The Republic will also publish notices to the bondholders in leading newspapers having general circulation in New York City and London. The Republic anticipates that it will make such publications in *The Wall Street Journal* and the *Financial Times*. In addition, so long as the bonds are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, the Republic will publish notices to the bondholders in a leading newspaper having general circulation in Luxembourg. The Republic anticipates that it will initially make such publication in the *Luxemburger Wort*. If publication in a leading newspaper in Luxembourg is not practical, the Republic will publish such notices in one other leading English language daily newspaper with general circulation in Europe. The Republic will consider any published notice to be given on the date of its first publication.

Governing Law

The fiscal agency agreement and the bonds will be governed by, and construed in accordance with, the law of the State of New York.

Submission to Jurisdiction

The Republic is a foreign sovereign state. Consequently, it may be difficult for bondholders to obtain judgments from courts in the United States or elsewhere against the Republic. Furthermore, it may be difficult for investors to enforce, in the United States or elsewhere, the judgments of U.S. or foreign courts against the Republic.

In connection with any legal action or proceeding arising out of or relating to the bonds (subject to the exceptions described below), the Republic has agreed:

- to submit to the jurisdiction of any New York State or U.S. federal court sitting in New York City, and any appellate court thereof;
- that all claims in respect of such legal action or proceeding may be heard and determined in such New York state or U.S. federal court and will waive, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right of jurisdiction in such action or proceeding on account of the place of residence or domicile of the Republic; and
- to appoint as its process agent CT Corporation System, with an office currently at 111 Eighth Avenue, New York, New York 10011, United States.

The process agent will receive on behalf of the Republic and its property service of copies of the summons and complaint and any other process which may be served in any such legal action or proceeding brought in such New York State or U.S. federal court sitting in New York City. Service may be made by mailing or delivering a copy of such process to the Republic at the address specified above for the process agent.

A final judgment in any of the above legal actions or proceedings will be conclusive and may be enforced in other jurisdictions.

In addition to the foregoing, the bondholders may serve legal process in any other manner permitted by applicable law. The above provisions do not limit the right of any bondholder to bring any action or proceeding against the Republic or its property in other courts where jurisdiction is independently established.

To the extent that the Republic has or hereafter may acquire or have attributed to it any sovereign or other immunity under any law, the Republic has agreed to waive, to the fullest extent permitted by law, such immunity in respect of any claims or actions regarding its obligations under the bonds, except that the Republic will not waive immunity from attachment prior to judgment and attachment in aid of execution under Dominican law.

The bondholders may be required to post a bond or other security with the Dominican courts as a condition to the institution, prosecution or completion of any action or proceeding (including appeals) arising out of or relating to the bonds in those courts.

The Republic reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act with respect to actions brought against it under U.S. federal securities laws or any state securities laws, and the Republic's appointment of the process agent will not extend to such actions. Without a waiver of immunity by the Republic with respect to such actions, it would be impossible to obtain a U.S. judgment in such an action against the Republic unless a court were to determine that the Republic is not entitled under the Foreign Sovereign Immunities Act to sovereign immunity with respect to such action. However, even if a U.S. judgment could be obtained in any such action under the Foreign Sovereign Immunities Act, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment.

A judgment obtained against the Republic in a foreign court can be enforced in the courts of the Republic, if such judgment is ratified by the Dominican courts. Based on existing law, the Dominican courts will ratify such a judgment:

- if there exists a treaty with the country where such judgment was issued (no such treaty exists at the present time between the Republic and the United States); or
- if such judgment:
  - complies with all formalities required for the enforceability thereof under the laws of the country where the same was issued;
  - has been translated into Spanish, together with related documents, and satisfies the authentication requirements of Dominican law;
  - was issued by a competent court after valid service of process upon the parties to the action;
  - was issued after an opportunity was given to the defendant to present its defense;
  - is not subject to further appeal; and
  - is not against Dominican public policy.

The Republic agrees to cause an appearance to be filed on its behalf and to defend itself in connection with any legal action or proceeding instituted against it. However, a default judgment obtained in the United States against the Republic, resulting from the Republic's failure to appear and defend itself in any suit filed against the Republic, or from the Republic's deemed absence at the proceedings, may not be enforceable in the Dominican courts.

Currency Indemnity

The obligation of the Republic to any bondholder under the bonds will be discharged only to the extent that the bondholder may purchase U.S. dollars with any other currency paid to that bondholder in accordance with any judgment or otherwise. If the bondholder cannot purchase U.S. dollars in the amount originally to be paid, the Republic agrees to pay the difference. The bondholder, however, agrees that, if the amount of the U.S. dollars purchased exceeds the amount originally to be paid to such bondholder, the bondholder will reimburse the excess to the Republic. The bondholder, however, will not be obligated to make this reimbursement if the Republic is in default of its obligations under the bonds.

Concerning the Fiscal Agent

The fiscal agency agreement contains provisions relating to the obligations and duties of the fiscal agent, to the indemnification of the fiscal agent and to the fiscal agent's relief from responsibility for actions that it takes. The fiscal agent is entitled to enter into business transactions with the Republic or any of its affiliates without accounting for any profit resulting from such transactions.

Defined Terms

The following are certain definitions used in the bonds:

"External Debt" means obligations (other than the bonds) of, or guaranteed (whether by contract, statute or otherwise) by, the Republic for borrowed money or evidenced by bonds, debentures, notes or similar instruments denominated or payable, or which, at the option of the holder thereof, may be payable, in a currency other than Dominican pesos or by reference to a currency other than Dominican pesos, regardless of whether that obligation is incurred or entered into within or outside the Republic.

"Lien" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any assets or revenues of any kind.

"Permitted Liens" means:

- any Lien on property to secure Public External Debt arising in the ordinary course to finance export, import or other trade transactions, which Public External Debt matures (after giving effect to all renewals and refinancing thereof) not more than one year after the date on which such Public External Debt was originally incurred;
- any Lien on property to secure Public External Debt existing on such property at the time of its acquisition or incurred solely for the purpose of financing any acquisition by the Republic of such property, and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original financing without any increase in the amount thereof;
- any Lien securing Public External Debt incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project, provided that:
    - the holders of such Public External Debt agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Debt; and
    - the property over which such Lien is granted consists solely of such assets and revenues;
- any Lien in existence as of the original issuance date of the bonds; and
- any Lien securing Public External Debt which, together with all other Public External Debt secured by Liens (excluding Public External Debt secured by other Permitted Liens), does not exceed US$25,000,000 principal amount (or its equivalent in other currencies) in the aggregate.

"Public External Debt" means any External Debt that is in the form of, or represented by, bonds, notes or other securities that are or may be quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system or over-the-counter or other securities market.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Bonds

The bonds will initially be issued in the form of two registered bonds in global form, without interest coupons, as follows:

- bonds sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act of 1933 will be represented by a global bond (which we refer to in this offering memorandum as the "Rule 144A Global Bond"); and
- bonds sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by a global bond (which we refer to in this offering memorandum as the "Regulation S Global Bond").

Upon issuance, each of the global bonds will be deposited with the fiscal agent as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global bond will be limited to persons who have accounts with DTC (which we refer to in this offering memorandum as the "DTC participants") or persons who hold interests through DTC participants. The Republic expects that under procedures established by DTC:

- upon deposit of each global bond with DTC's custodian, DTC will credit portions of the principal amount of the global bond to the accounts of the DTC participants designated by the initial purchasers; and
- ownership of beneficial interests in each global bond will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each global bond).

Beneficial interests in the Regulation S Global Bond will initially be credited within DTC to Euroclear and Clearstream Banking on behalf of the owners of such interests. During the 40-day period commencing on the closing date of the offering of the bonds (which we refer to in this offering memorandum as the "40-day restricted period"), beneficial interests in the Regulation S Global Bond may be:

- held only through Euroclear or Clearstream Banking; and
- transferred only to non-U.S. persons under Regulation S or qualified institutional buyers under Rule 144A.

Investors may hold their interests in the Regulation S Global Bond directly through Euroclear or Clearstream Banking, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Investors may also hold their interests in the Regulation S Global Bond through organizations other than Euroclear or Clearstream Banking that are DTC participants. Each of Euroclear and Clearstream Banking will appoint a DTC participant to act as its depositary for the interests in the Regulation S Global Bond that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

Beneficial interests in the global bonds may not be exchanged for bonds in physical certificated form except in the limited circumstances described below.

Each global bond and beneficial interests in each global bond will be subject to restrictions on transfer as described under "Transfer Restrictions."

Exchanges between the Global Bonds

Beneficial interests in one global bond may generally be exchanged for interests in another global bond. Depending on whether the transfer is being made during or after the 40-day restricted period, and to which global bond the transfer is being made, the fiscal agent may require the seller to provide certain written certifications in the form provided in the fiscal agency agreement.

A beneficial interest in a global bond that is transferred to a person who takes delivery through another global bond will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global bond.

Book-Entry Procedures for the Global Bonds

All interests in the global bonds will be subject to the operations and procedures of DTC, Euroclear and Clearstream Banking. The Republic provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Republic nor the initial purchasers are responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a ‘‘banking organization’’ within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a ‘‘clearing corporation’’ within the meaning of the Uniform Commercial Code; and
- a ‘‘clearing agency’’ registered under Section 17A of the U.S. Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC’s participants include securities brokers and dealers, including the initial purchasers; banks and trust companies; clearing corporations; and other organizations. Indirect access to DTC’s system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC’s nominee is the registered owner of a global bond, that nominee will be considered the sole owner or holder of the bonds represented by that global bond for all purposes under the fiscal agency agreement. Except as provided below, owners of beneficial interests in a global bond:

- will not be entitled to have bonds represented by the global bond registered in their names;
- will not receive or be entitled to receive physical, certificated bonds; and
- will not be considered the owners or holders of the bonds under the fiscal agency agreement for any purpose, including with respect to the giving of any direction, instruction or approval to the fiscal agent under the fiscal agency agreement.

As a result, each investor who owns a beneficial interest in a global bond must rely on the procedures of DTC to exercise any rights of a holder of bonds under the fiscal agency agreement (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest in the bonds).

Payments of principal and interest with respect to the bonds represented by a global bond will be made by the fiscal agent to DTC's nominee as the registered holder of the global bond. Neither the Republic nor the fiscal agent will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global bond, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global bond will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream Banking will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and participants in Euroclear or Clearstream Banking, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream Banking. To deliver or receive an interest in a global bond held in a Euroclear or Clearstream Banking account, an investor must send transfer instructions to Euroclear or Clearstream Banking, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream Banking, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global bonds in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream Banking participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream Banking.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant that purchases an interest in a global bond from a DTC participant will be credited on the business day for Euroclear or Clearstream Banking immediately following the DTC settlement date. Cash received in Euroclear or Clearstream Banking from the sale of an interest in a global bond to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream Banking cash account as of the business day for Euroclear or Clearstream Banking following the DTC settlement date.

DTC, Euroclear and Clearstream Banking have agreed to the above procedures to facilitate transfers of interests in the global bonds among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither the Republic nor the fiscal agent will have any responsibility for the performance by DTC, Euroclear or Clearstream Banking or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Bonds

Bonds in physical, certificated form will be issued and delivered to each person that DTC identifies as a beneficial owner of the related bonds only if:

- DTC notifies the Republic at any time that it is unwilling or unable to continue as depositary for the global bonds and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the U.S. Securities Exchange Act of 1934 and a successor depositary is not appointed within 90 days;
- the Republic, at its option, notifies the fiscal agent that it elects to cause the issuance of certificated bonds; or
- certain other events provided in the fiscal agency agreement occur.

TRANSFER RESTRICTIONS

The bonds are subject to the following restrictions on transfer. By purchasing bonds, you will be deemed to have made the following acknowledgements, representations to and agreements with the Republic and the initial purchasers:

(1) You acknowledge that:

- the bonds have not been registered under the U.S. Securities Act of 1933 or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act of 1933 or any other securities laws; and
- unless so registered, the bonds may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act of 1933 or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You represent that you are not an affiliate (as defined in Rule 144 under the U.S. Securities Act of 1933) of the Republic, that you are not acting on the Republic's behalf and that either:

- you are a qualified institutional buyer (as defined in Rule 144A) and are purchasing bonds for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the bonds to you in reliance on Rule 144A; or
- you are not a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing bonds in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither the Republic nor the initial purchasers nor any person representing the Republic or the initial purchasers has made any representation to you with respect to the Republic or the offering of the bonds, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the bonds. You agree that you have had access to such information concerning the Republic and the bonds as you have deemed necessary in connection with your decision to purchase bonds, including an opportunity to ask questions of and request information from the Republic.

(4) You represent that you are purchasing bonds for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the bonds in violation of the U.S. Securities Act of 1933, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the bonds pursuant to Rule 144A or any other available exemption from the registration requirements of the U.S. Securities Act of 1933. You agree on your own behalf and on behalf of any investor account for which you are purchasing bonds, and each subsequent holder of the bonds by its acceptance of the bonds will agree, that until the end of the resale restriction period (as defined below), the bonds may be offered, sold or otherwise transferred only:

(a) to the Republic;

(b) under a registration statement that has been declared effective under the U.S. Securities Act of 1933;

(c) for so long as the bonds are eligible for resale under Rule 144A, to a person whom the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom it has given notice that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales that occur outside the United States within the meaning of Regulation S; or

(e) under any other available exemption from the registration requirements of the U.S. Securities Act of 1933;

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or such account's control.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date of the offering of the bonds until the date that is two years after the later of the closing date and the last date that the Republic or any of its affiliates was the owner of the bonds or any predecessor of the bonds (which we refer to in this offering memorandum as the "resale restriction period"), and will not apply after the resale restriction period ends;
- the Republic and the fiscal agent reserve the right to require, in connection with any offer, sale or other transfer of bonds before the resale restriction period ends under clauses (d) and (e) above, the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Republic and the fiscal agent; and
- each bond will contain a legend substantially to the following effect:

  THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE ''SECURITIES ACT''), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE ''RESALE RESTRICTION TERMINATION DATE'') THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM IT REASONABLY BELIEVES IS A ''QUALIFIED INSTITUTIONAL BUYER'' (AS DEFINED IN RULE 144A) THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE FISCAL AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

You acknowledge that the Republic, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have been made by your purchase of bonds is no longer accurate, you will promptly notify the Republic and the initial purchasers. If you are purchasing any bonds as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

TAXATION

The following discussion summarizes certain U.S. federal income and estate and Dominican tax considerations that may be relevant to you if you invest in the bonds. This summary is based on laws, regulations, rulings and decisions now in effect in the United States and on laws and regulations in effect in the Dominican Republic and may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax adviser about the tax consequences of holding the bonds, including the relevance to your particular situation of the considerations discussed below, as well as of state, local or other tax laws.

Dominican Tax Considerations

The following summary of certain Dominican tax matters is based on a review of the *Código Tributario* Law No.11-92 (which we refer to in this offering memorandum as the "Tax Code") enacted in 1992, as amended, and Law No. 01-03 dated as of January 7, 2003. The summary contains a description of the Dominican Republic's principal tax consequences of the purchase, ownership and disposition of the bonds, but it does not purport to be a comprehensive description of all tax consequences that may be relevant to a decision to purchase the bonds.

This summary is based upon the tax laws of the Dominican Republic, as in effect on the date of this offering memorandum which are subject to change. Prospective purchasers of the bonds (including residents of the Dominican Republic, if any) should consult their tax advisors as to the consequences of the purchase, ownership and disposition of the bonds.

Pursuant to Article 9 of Law No. 01-03 dated as of January 7, 2003, interest paid on the bonds issued under this law is exempt from tax withholding and any other kind of withholding established under Article 306 of the Tax Code. Payments of principal of the bonds to a foreign non-resident holder generally will not be subject to withholding tax or any other kind of withholding in the Dominican Republic. In the event of any such tax or other withholding, such holder will be entitled to receive additional amounts as and to the extent set forth under "Description of the Bonds—Additional Amounts."

Capital gains realized on the sale or other disposition by a foreign non-resident holder of the bonds generally will not be subject to any Dominican taxes, provided that such sale or other disposition occurs outside of the Dominican Republic. The foregoing tax treatment assumes that the bonds will remain in the form of global bonds registered in the name of a nominee of DTC and will not be issued in definitive, certificated form.

A foreign non-resident holder of bonds generally will not be liable for estate, gift, inheritance or similar taxes with respect to such bonds.

The extent of the tax exemptions for any Dominican source income is defined in and limited by Article 9 of Law No. 01-03 dated as of January 7, 2003.

United States Tax Considerations

In general, a United States person who holds the bonds or owns a beneficial interest in the bonds will be subject to United States federal taxation. You are a United States person for U.S. federal income tax purposes if you are:

- a citizen or resident of the United States,
- a corporation or other entity organized under the laws of the United States or any political subdivision,
- an estate, the income of which is subject to United States federal income taxation regardless of its source

- a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions, or

- a trust that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

If you are a United States person, the interest you receive on the bonds will generally be subject to United States taxation and will be considered ordinary interest income on which you will be taxed in accordance with the method of accounting that you use for tax purposes. When you sell, exchange or otherwise dispose of the bonds, you generally will recognize gain or loss equal to the difference between the amount you realize on the transaction and your tax basis in the bonds (except that any amount attributable to accrued and unpaid interest will be treated as a payment of interest for federal income tax purposes). Your tax basis in a bond generally will equal the cost of the bond to you. If you are an individual and the bond being sold, exchanged or otherwise disposed of is a capital asset held for more than one year, you may be eligible for reduced rates of taxation on any capital gain realized. Your ability to deduct capital losses is subject to limitations.

Under current United States federal income tax law, if you are not a United States person, the interest payments that you receive on the bonds generally will be exempt from United States federal income taxes, including withholding tax. However, to receive this exemption you may be required to satisfy certain certification requirements (described below) of the United States Internal Revenue Service to establish that you are not a United States person.

Even if you are not a United States person, you may still be subject to United States federal income taxes on any interest payments you receive if:

- you are an insurance company carrying on a United States insurance business, within the meaning of the United States Internal Revenue Code of 1986, as amended; or
- you have an office or other fixed place of business in the United States that receives the interest and you earn the interest in the course of operating (i) a banking, financing or similar business in the United States or (ii) a corporation the principal business of which is trading in stock or securities for its own account, and certain other conditions exist.

If you are not a United States person, any gain you realize on a sale or exchange of the bonds generally will be exempt from United States federal income tax, including withholding tax, unless:

- your gain is effectively connected with your conduct of a trade or business in the United States; or
- you are an individual holder and are present in the United States for 183 days or more in the taxable year of the sale, and either (i) your gain is attributable to an office or other fixed place of business that you maintain in the United States or (ii) you have a tax home in the United States.

The fiscal agent must file information returns with the United States Internal Revenue Service in connection with bond payments made to certain United States persons. If you are a United States person, you generally will not be subject to United States backup withholding tax on such payments if you provide your taxpayer identification number to the fiscal agent. You may also be subject to information reporting and backup withholding tax requirements with respect to the proceeds from a sale of the bonds. If you are not a United States person, in order to avoid information reporting and backup withholding tax requirements you may have to comply with certification procedures to establish that you are not a United States person.

Backup withholding and information reporting will not apply to the sale of the bonds effected outside the United States by a foreign office of a foreign broker, provided that such broker (i) derives less than 50 percent of its gross income for certain periods from the conduct of a trade or business in the United States, (ii) is not a controlled foreign corporation for United States federal income tax purposes and (iii) is not a foreign partnership that, at any time during its taxable year, is 50 percent or more (by income or capital interest) owned by U.S. persons or is engaged in the conduct of a U.S. trade or business. If you receive payment of such amounts outside the United States from a foreign office of any other broker, the payment will not be subject to backup withholding tax, but will be subject to information reporting requirements unless (i) you are the beneficial owner and such broker has documentary evidence in its records that you are not a United States person or (ii) you otherwise establish an exemption, and provided that the broker does not have actual knowledge that you are a United States person or that the conditions of any exemption are not in fact satisfied.

Any amounts withheld under the backup withholding rates will be allowed as a refund or credit against your United States federal income tax liability, provided that you furnish the required information to the United States Internal Revenue Service.

A bond held by an individual holder who at the time of death is not a United States person will not be subject to United States federal estate tax.

Proposed European Union Directive on Taxation of Certain Interest Payments

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. According to the most recently available information, it is proposed that, subject to number of important conditions being met, member states will be required to provide to the tax authorities of another member state details of payments of interest or other similar income paid by a paying agent within its jurisdiction to an individual resident in that other member state, subject to the right of certain individual member states (including Luxembourg) to opt instead for a withholding system for a transitional period in relation to such payments. The proposals are not yet final, and they may be subject to further amendment and/or clarification.

You should consult your own tax advisors regarding the potential adoption and application of the proposed directive or any similar directive.

PLAN OF DISTRIBUTION

J.P. Morgan Securities Inc. and Salomon Smith Barney Inc. are acting as joint bookrunning managers of the offering, and are acting as representatives of the initial purchasers named below. Subject to the terms and conditions in the purchase agreement dated the date of this offering memorandum, each initial purchaser named below has agreed to purchase, and the Republic has agreed to sell to that initial purchaser, the principal amount of the bonds set forth opposite such initial purchaser's name.

Initial Purchaser	Principal Amount
J.P. Morgan Securities Inc	US$285,000,000
Salomon Smith Barney Inc.	US$285,000,000
Deutsche Bank Securities Inc.	US$ 15,000,000
Morgan Stanley & Co. Incorporated.	US$ 15,000,000
Total	US$600,000,000

The purchase agreement provides that the obligations of the initial purchasers to purchase the bonds are subject to approval of legal matters by counsel and to other conditions. The initial purchasers must purchase all the bonds if they purchase any of the bonds.

The Republic has been advised that the initial purchasers propose to resell the bonds at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in the reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price is which the bonds are offered may be changed at any time without notice.

The bonds have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

Accordingly, in connection with sales outside the United States, each initial purchaser has agreed that, except as permitted by the purchase agreement and set forth in "Transfer Restrictions", it will not offer or sell the notes within the United States or to, or for the account or benefit of, U.S. persons as part of the distribution of the bonds.

In addition, until 40 days after the commencement of this offering, an offer or sale of bonds within the United States by a dealer that is not participating in this offering may violate the registration requirements of the U.S. Securities Act of 1933 if that offer or sale is made otherwise than in accordance with Rule 144A.

The Republic has agreed that, for a period of 180 days from the closing date of this offering, it will not, without the prior written consent of J.P. Morgan Securities Inc. and Salomon Smith Barney Inc, sell or dispose of any debt securities (other than the bonds), subject to certain exceptions set forth in the purchase agreement.

The initial purchasers will represent and warrant in the purchase agreement that they have complied and will comply with all applicable provisions of the Financial Services and Market Act 2000 of the United Kingdom with respect to anything done by them in relation to the bonds in, from or otherwise involving the United Kingdom.

The bonds will constitute a new class of securities with no established trading market. Application has been made to list the bonds on the Luxemburg Stock Exchange. The bonds are also expected to be eligible for trading in the Portal Market, the National Association of Securities Dealers' screen-based automated market for trading of securities eligible for resale under Rule 144A. However, the Republic cannot assure you that the prices at which the bonds will trade in the market after this offering will not be lower than the initial offering price or that an active trading market for the bonds will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the bonds. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the bonds at any time without notice. In addition, market-making activity may be subject to the limits imposed by applicable securities laws. Accordingly, the Republic cannot assure you as to the liquidity of or the trading market for the bonds.

In connection with the offering, the initial purchasers may purchase and sell bonds in the open market. These transactions may include over-allotment, covering transactions and stabilizing transactions. Over-allotment involves sales of bonds in excess of the principal amount of bonds to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Covering transactions involve purchases of the bonds in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of bonds made for the purpose of preventing or retarding a decline in the market price of the bonds while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the bonds. They may also cause the price of the bonds to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The Republic will pay to the initial purchasers an aggregate commission equal to 0.39% of the principal amount of bonds.

The Republic has agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the U.S. Securities Act of 1933, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

OFFICIAL STATEMENTS

Information in this offering memorandum whose source is identified as a publication of the Republic or one of its agencies or instrumentalities relies on the authority of such publication as a public official document of the Republic.

VALIDITY OF THE BONDS

The validity of the bonds will be passed upon for the Republic by Cleary, Gottlieb, Steen & Hamilton, United States counsel to the Republic, and by the *Consultor Jurídico del Poder Ejecutivo* (Legal Counsel to the Executive Branch) of the Republic, and for the initial purchasers by Simpson Thacher & Bartlett, United States counsel to the initial purchasers, and Pellerano & Herrera, Dominican counsel to the initial purchasers.

As to all matters of Dominican law, Cleary, Gottlieb, Steen & Hamilton may rely on the opinion of the *Consultor Jurídico del Poder Ejecutivo* (Legal Counsel to the Executive Branch) of the Republic, and Simpson Thacher & Bartlett may rely upon the opinion of Pellerano & Herrera. As to all matters of United States law, the *Consultor Jurídico del Poder Ejecutivo* (Legal Counsel to the Executive Branch) of the Republic may rely on the opinion of Cleary, Gottlieb, Steen & Hamilton, and Pellerano & Herrera may rely on the opinion of Simpson Thacher & Bartlett.

GENERAL INFORMATION

Clearing

The bonds have been accepted into DTC's book-entry settlement system. The bonds also have been accepted for clearance through the Euroclear and Clearstream, Luxembourg clearance systems. The relevant trading information is set forth in the following table.

Bonds Offered	CUSIP Number	ISIN Number	Common Code
Rule 144A	25714PAC2	US25714PAC23	016152579
Regulation S	P3579EAB3	USP3579EAB31	016152714

Where You Can Find More Information

As long as the bonds are listed on the Luxembourg Stock Exchange, you may inspect (or, in the case of the economic report of the Republic, receive free of charge) copies of the following documents on any business day at the offices of the paying agent in Luxembourg:

- the fiscal agency agreement incorporating the forms of the bonds;
- an English translation of Law No. 01-03; and
- copies of the most recent annual economic report of the Republic (of which English translations are available).

The Republic

The creation and issuance of the bonds was authorized pursuant to *Ley de Bonos* No. 01-03, dated January 7, 2003.

Except as disclosed in this offering memorandum, since December 31, 2002, there has been no material adverse change in the revenues or expenditures, or financial position, of the Republic.

Luxembourg Stock Exchange

Any transaction in connection with the bonds carried out at the Luxembourg Stock Exchange cannot be cancelled, pursuant to Article 3, point A/II/2 of chapter VI of the rules and regulations of the Luxembourg Stock Exchange.

Dominican Republic: Global Public Sector External Debt as of December 31, 2001 and June 30, 2002
(in millions of US$)(1)

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2001 (in US$)	Outstanding Amount as of June 30, 2002 (in US$)
Multilateral organizations:						
International Development Agency:						
International Development Agency	Government	Feb-18-1971	0.75 as commission	Oct-01-2020	2.3	2.2
International Development Agency	Central Bank	May-19-1971	0.75 as commission	Nov-15-2020	2.9	2.8
International Development Agency	Government	Jan-17-1973	0.75 as commission	Nov-15-2022	8.2	8.0
Total International Development Agency					13.4	13.0
European Development Bank:						
European Development Bank	Government	Dec-10-1994	2.0000	Jun-30-2014	10.6	11.1
European Development Bank	Government	May-26-2000	1.0000	Apr-20-2020	5.7	6.5
Total European Development Bank					16.3	17.6
Interamerican Development Bank:						
Interamerican Development Bank	Government	Sep-24-1981	2.0000	Sep-24-2021	0.4	0.4
Interamerican Development Bank	CDE	Mar-06-1972	0.50 as commission	Mar-06-2022	2.3	2.4
Interamerican Development Bank	Government	Apr-18-1978	0.50 as commission	Apr-18-2028	0.9	0.9
Interamerican Development Bank	Government	Sep-11-1979	7.9000	Jul-05-2004	7.7	6.4
Interamerican Development Bank	Government	Feb-20-1998	Variable (IDB)	Feb-20-2023	19.5	22.9
Interamerican Development Bank	Government	Feb-20-1998	Variable (IDB)	Feb-20-2023	0.2	0.2
Interamerican Development Bank	Government	Feb-20-1998	Variable (IDB)	Feb-20-2023	2.6	3.7
Interamerican Development Bank	Government	Jul-18-1998	Variable (IDB)	Jul-18-2023	0.5	1.0
Interamerican Development Bank	Government	Oct-03-1998	Variable (IDB)	Oct-03-2023	3.2	5.3
Interamerican Development Bank	Government	Oct-03-1998	Variable (IDB)	Oct-03-2023	5.2	6.2
Interamerican Development Bank	Government	Dec-02-1998	Variable (IDB)	Dec-02-2023	51.9	60.9
Interamerican Development Bank	Government	Dec-02-1998	Variable (IDB)	Dec-02-2023	22.1	23.8
Interamerican Development Bank	Government	Sep-05-1999	Variable (IDB)	Sep-05-2024	0.6	0.7
Interamerican Development Bank	Government	Sep-22-1999	Variable (IDB)	Sep-22-2019	0.5	0.5
Interamerican Development Bank	Government	Sep-22-1999	Variable (IDB)	Sep-22-2019	0.0	-
Interamerican Development Bank	Government	Nov-10-2000	Variable (IDB)	Nov-10-2025	0.7	0.7
Interamerican Development Bank	Government	Aug-02-2001	Variable (IDB)	Aug-02-2021	80.3	80.3
Interamerican Development Bank	Government	Aug-02-2001	Variable (IDB)	Aug-02-2021	0.1	0.1
Interamerican Development Bank	Government	Jan-13-1986	6.4587	Jan-13-2006	8.4	7.9
Interamerican Development Bank	Central Bank	Jun-22-1987	7.8515	Jul-06-2007	39.3	37.9
Interamerican Development Bank	Central Bank	Dec-01-1987	7.0980	Nov-24-2007	20.9	20.2
Interamerican Development Bank	Government	Dec-06-1972	1.2500	Nov-24-2002	0.1	-
Interamerican Development Bank	Government	Jan-26-1973	1.2500	Jan-24-2013	9.4	9.0
Interamerican Development Bank	Government	May-09-1973	1.2500	May-08-2013	0.6	0.6
Interamerican Development Bank	Government	Nov-30-1973	1.2500	Nov-24-2013	7.4	7.1
Interamerican Development Bank	Government	Aug-09-1974	2.0000	Aug-09-2014	7.2	6.9
Interamerican Development Bank	Government	Oct-25-1974	2.0000	Oct-24-2014	15.9	15.3
Interamerican Development Bank	Government	May-22-1975	2.0000	May-20-2015	15.6	15.0
Interamerican Development Bank	Government	Feb-14-1984	8.2337	Nov-24-2003	2.8	2.3
Interamerican Development Bank	Central Bank	Apr-05-1976	2.0000	Apr-06-2016	4.3	4.3
Interamerican Development Bank	PUCMM	Jan-06-1977	2.0000	Jan-06-2017	1.6	1.6
Interamerican Development Bank	Government	May-31-1977	2.0000	May-24-2017	9.4	9.5
Interamerican Development Bank	Government	Apr-02-1979	2.0000	Apr-06-2019	1.9	1.9
Interamerican Development Bank	Government	Apr-02-1979	2.0000	Apr-06-2019	32.7	32.3

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2001 (in US$)	Outstanding Amount as of June 30, 2002 (in US$)
Interamerican Development Bank	Government	Feb-13-1990	Variable (IDB)	Feb-13-2010	78.5	78.2
Interamerican Development Bank	Government	Oct-15-1979	2.0000	Oct-15-2019	14.7	14.7
Interamerican Development Bank	Government	Feb-13-1990	2.0000	Nov-06-2009	3.6	3.6
Interamerican Development Bank	Government	Oct-15-1979	2.0000	Oct-15-2019	14.0	13.7
Interamerican Development Bank	Government	Dec-07-1979	2.0000	Nov-24-2019	21.0	20.8
Interamerican Development Bank	Government	Dec-07-1979	2.0000	Nov-24-2019	21.4	21.2
Interamerican Development Bank	Central Bank	Jan-10-1980	2.0000	Jan-06-2021	4.5	4.5
Interamerican Development Bank	Government	Jan-26-1981	2.0000	Jan-24-2021	7.1	7.1
Interamerican Development Bank	Government	Mar-16-1981	2.0000	Mar-16-2021	15.1	15.4
Interamerican Development Bank	Government	May-13-1981	2.0000	May-13-2021	4.2	4.3
Interamerican Development Bank	Government	Sep-24-1981	2.0000	Sep-24-2021	3.7	3.7
Interamerican Development Bank	Government	Sep-23-1982	2.0000	Sep-23-2022	28.0	28.7
Interamerican Development Bank	Government	Mar-03-1982	2.0000	Mar-06-2022	12.4	12.8
Interamerican Development Bank	INTEC	Jun-03-1982	2.0000	May-24-2022	3.5	3.5
Interamerican Development Bank	Government	Feb-14-1984	2.0000	Feb-14-2024	1.5	1.4
Interamerican Development Bank	Central Bank	Nov-21-1995	Variable (IDB)	Nov-21-2015	57.7	59.0
Interamerican Development Bank	Government	Nov-20-1994	Variable (IDB)	Nov-20-2019	14.9	15.7
Interamerican Development Bank	FUNDAPEC	Feb-08-1990	2.0000	Feb-08-2030	18.5	18.3
Interamerican Development Bank	Government	Feb-13-1990	2.0000	Feb-13-2030	36.1	36.5
Interamerican Development Bank	Government	Dec-12-1991	2.0000	Dec-12-2031	28.4	28.2
Interamerican Development Bank	Government	Jan-08-1993	1.0000	Jan-08-2033	31.9	32.9
Interamerican Development Bank	Government	Nov-18-1997	Variable (IDB)	Oct-13-2026	44.7	46.3
Interamerican Development Bank	Government	Jun-01-1994	1.0000	Jun-01-2034	43.0	45.9
Interamerican Development Bank	Government	Nov-13-1997	Variable (IDB)	Sep-30-2021	14.8	17.4
Interamerican Development Bank	Government	Nov-20-1994	1.0000	Nov-20-2034	12.4	12.8
Interamerican Development Bank	Central Bank	Aug-12-1994	—	Jan-31-2004	1.1(2)	0.6(2)
Interamerican Development Bank	Central Bank	Jun-01-1976	—	N/A	4.4(2)	4.4(2)
Total Interamerican Development Bank					917.3	939.7
World Bank:						
World Bank	Central Bank	Nov-06-1974	8.0000	Aug-01-2004	6.9	6.4
World Bank	Government	Jul-17-1975	8.5000	Apr-01-2005	2.9	2.8
World Bank	Government	Aug-08-1985	Variable (World Bank)	May-15-2002	1.5	-
World Bank	CDE	Jun-09-1988	Variable (World Bank)	Aug-15-2005	33.4	29.3
World Bank	Central Bank	Dec-04-1989	Variable (World Bank)	Apr-15-2009	15.9	15.1
World Bank	Government	Jun-02-1992	LIBOR	Sep-15-2011	1.0	1.0
World Bank	Government	Jun-02-1992	Variable (World Bank)	Sep-15-2011	54.7	52.8
World Bank	Government	Dec-13-1991	Variable (World Bank)	Sep-15-2011	10.5	10.1
World Bank	Government	Nov-14-1995	Variable (World Bank)	May-15-2015	6.1	7.7
World Bank	Government	Nov-14-1995	LIBOR	May-01-2015	0.3	0.3
World Bank	Government	Oct-31-1996	Variable (World Bank)	Oct-15-2015	24.4	26.7
World Bank	Government	Oct-31-1996	Variable (World Bank)	Oct-15-2015	0.6	0.6
World Bank	Government	Jan-17-1997	Fixed in-cash disbursement	Oct-15-2012	50.2	63.3
World Bank	Government	Mar-09-1998	LIBOR	Oct-15-2014	22.5	23.5
World Bank	Government	Mar-09-1998	LIBOR	Apr-15-2015	2.6	2.7
World Bank	Government	Dec-11-1998	Fixed in-cash disbursement	Oct-15-2012	78.8	89.1
World Bank	Government	Aug-11-1999	LIBOR	Sep-15-2009	4.1	4.1
World Bank	Government	Apr-20-2000	LIBOR	Apr-15-2017	-	0.5
World Bank	Government	Jun-29-2001	Fixed in-cash disbursement	Apr-15-2018	-	0.6
World Bank	Government	Oct-31,2000	LIBOR	Oct-15-2017	1.1	1.2
Total World Bank					317.5	337.7

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2001 (in US$)	Outstanding Amount as of June 30, 2002 (in US$)
Interamerican Investment Corporation:						
Interamerican Investment Corporation	Central Bank	Dec-14-1999	—	Oct-31-2007	2.4	2.4
International Agriculture Development Fund:						
International Agriculture Development Fund	Government	Aug-05-1982	4.0000	May-01-2002	0.2	-
International Agriculture Development Fund	Government	May-23-1989	4.0000	Jan-15-2008	2.8	2.7
International Agriculture Development Fund	Government	Dec-12-1995	4.0000	Jan-15-2014	4.4	4.5
International Agriculture Development Fund	Government	Jan-19-1999	Variable (IADF)	Jan-15-2019	1.5	2.9
Total International Agriculture Development Fund					8.9	10.2
International Monetary Fund (IMF):						
International Monetary Fund	Central Bank	Oct-22-1998	Variable (IMF)	Nov-02-2003	49.9	39.6
Multilateral Investment Fund:						
Multilateral Investment Fund	Government	Jul-30-2001	N/A	Jul-30-2006	0.6	0.6
Nordic Development Fund:						
Nordic Development Fund	Government	Sep-28-1993	0.50 as commission	Jun-15-2033	6.4	6.8
Organization of Petroleum Exporting Countries (OPEC):						
OPEC Special Fund	Government	May-07-1993	3.0000	Nov-15-2002	1.4	0.7
OPEC Special Fund	Government	Dec-09-1996	3.5000	Jun-09-2006	6.4	5.7
Total OPEC					7.8	6.4
Total multilateral organizations					1,340.5	1,373.9
Foreign governments:						
AB SVENSK EXPORTKREDIT	Government	Oct-16-2000	—	Mar-01-2012	1.9	2.6
ABN AMRO Bank, N.V.	Government	Dec-22-2000	LIBOR + 0.50	Sep-01-2013	7.3	8.2
ABN AMRO Bank, N.V.	Government	Oct-27-2000	LIBOR + 0.20	Dec-20-2013	8.9	17.2
ABN AMRO Bank, N.V.	CDE	Jan-31-3001	7.2500	Oct-18-2009	-	0.2
ABN AMRO Bank, N.V.	Government	Feb-20-2001	5.3900	Jun-18-2012	-	0.6
ABN AMRO Bank, N.V.	Government	Jun-02-1999	5.9100	May-30-2010	7.3	9.6
Special Industry of Industrial Financing	Government	Oct-26-1999	LIBOR + 1.50	Nov-13-2007	1.6	9.3
French Development Agency	Government	Jun-23-1997	3.0000	Apr-30-2017	1.1	1.4
French Development Agency	Government	Apr-13-2000	2.2500	Apr-30-2025	0.9	1.8
International Development Agency	Government	May-25-1966	2.5000	Jun-10-2006	1.7	1.5
International Development Agency	Government	Jun-30-1966	2.5000	Aug-12-2006	2.2	2.3
International Development Agency	Government	Jun-30-1966	2.5000	Feb-12-2007	4.1	4.2
International Development Agency	Government	Apr-01-1968	2.5000	Jun-03-2008	4.9	4.6
International Development Agency	Government	Sep-30-1982	3.0000	Oct-18-2007	19.9	18.5
International Development Agency	Government	Sep-30-1983	3.0000	Nov-29-2009	4.4	4.1
International Development Agency	Government	May-2-1984	3.0000	Aug-30-2009	19.5	19.8
International Development Agency	Government	Jan-02-1963	0.7500	Aug-22-2003	0.2	0.1
International Development Agency	Government	Nov-30-1964	2.5000	Mar-23-2006	0.2	0.2
International Development Agency	Government	Feb-16-1965	2.5000	Sep-19-2006	0.2	0.2
International Development Agency	Central Bank	Dec-04-1965	2.5000	Nov-23-2006	0.8	0.7
International Development Agency	Government	Mar-29-1966	2.5000	Aug-17-2006	0.9	0.8
International Development Agency	Government	Oct-05-1966	2.5000	Feb-28-2007	1.7	1.7
International Development Agency	Government	Apr-26-1967	2.5000	Jul-07-2007	2.3	2.1
International Development Agency	Government	Jan-10-1968	2.5000	Nov-08-2008	0.5	0.5
International Development Agency	Government	Jan-10-1968	2.5000	May-14-2008	0.4	0.4

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2001 (in US$)	Outstanding Amount as of June 30, 2002 (in US$)
International Development Agency	Government	May-28-1968	2.5000	Jan-02-2009	1.2	1.1
International Development Agency	Government	Mar-28-1969	2.5000	Jun-25-2010	1.0	1.0
International Development Agency	Government	Apr-15-1969	2.5000	Jan-27-2010	2.5	2.6
International Development Agency	Central Bank	Nov-25-1969	3.0000	Dec-29-2010	3.1	2.9
International Development Agency	Government	Apr-14-1970	2.5000	Apr-14-1990	0.4(3)	0.4(3)
International Development Agency	Government	Feb-12-1971	3.0000	May-11-2011	0.8	0.7
International Development Agency	Government	Nov-07-1972	3.0000	May-01-2013	2.3	2.2
International Development Agency	Government	Jun-14-1967	2.5000	Nov-06-2007	1.1	1.0
International Development Agency	Government	Oct-16-1974	3.0000	Feb-05-2015	6.6	6.7
International Development Agency	Government	Oct-01-1975	3.0000	Apr-15-2016	2.9	2.9
International Development Agency	Government	Sep-30-1976	3.0000	Mar-11-2017	9.6	9.4
International Development Agency	Government	Nov-23-1978	3.0000	May-20-2005	2.3	2.1
International Development Agency	Government	Dec-14-1978	3.0000	May-15-2004	1.4	1.2
International Development Agency	Government	Dec-28-1978	3.0000	Dec-12-2004	2.0	1.8
International Development Agency	Government	Sep-28-1979	3.0000	May-15-2005	0.6	0.6
International Development Agency	Government	Sep-28-1979	3.0000	Aug-13-2005	0.4	0.4
International Development Agency	Government	Jan-03-1980	3.0000	Jul-18-2005	2.0	2.0
International Development Agency	Government	Jan-03-1980	3.0000	May-19-2005	3.7	3.3
International Development Agency	Government	Aug-31-1981	3.0000	Nov-09-2007	3.5	3.2
International Development Agency	Government	Sep-22-1981	3.0000	Nov-05-2007	2.0	1.9
International Development Agency	Government	Apr-22-1982	3.0000	Dec-13-2008	2.7	2.5
International Development Agency	Government	Apr-22-1982	3.0000	Feb-06-2009	1.1	1.1
International Development Agency	Central Bank	Sep-30-1982	3.0000	Aug-04-2008	1.0	1.0
International Development Agency	Central Bank	Sep-30-1982	3.0000	Jun-03-2013	1.2	1.1
International Development Agency	Central Bank	Mar-29-1983	3.0000	May-01-2011	1.0	1.0
International Development Agency	Government	Jun-30-1983	3.0000	Oct-17-2009	6.2	5.9
International Development Agency	Government	Jun-30-1983	3.0000	Dec-12-2009	2.1	2.0
International Development Agency	Government	Jun-30-1983	3.0000	Apr-24-2009	1.5	1.4
International Development Agency	Government	Jun-30-1983	3.0000	Aug-25-2013	1.2	1.1
International Development Agency	Government	Dec-30-1983	3.0000	Jul-22-2009	4.4	4.5
International Development Agency	Government	May-21-1984	3.0000	Jul-26-2009	1.1	1.2
International Development Agency	Government	Dec-20-1984	3.0000	Jul-03-2009	0.2	0.2
International Development Agency	Central Bank	Aug-23-1985	3.0000	Aug-25-2011	2.9	2.8
International Development Agency	Central Bank	Aug-23-1985	3.0000	Aug-25-2011	4.2	4.0
International Development Agency	Central Bank	Aug-23-1985	3.0000	Nov-14-2011	3.4	3.3
International Development Agency	Central Bank	Aug-23-1985	3.0000	Jan-01-2012	0.3	0.3
International Development Agency	Central Bank	Aug-23-1985	3.0000	Oct-27-2011	0.8	0.7
International Development Agency	Government	Mar-03-1986	5.0000	Jan-20-2014	1.6	1.7
International Development Agency	Government	Sep-15-1987	5.0000	May-19-2014	2.3	2.2
International Development Agency	Government	Sep-15-1987	5.0000	Dec-07-2014	3.8	3.8
International Development Agency	Government	Nov-22-1991	2.8300	Jun-30-2012	42.6	42.6
International Development Agency	Government	Nov-22-1991	7.9000	Jun-30-2007	5.2	4.8
IDA Guarantees - Federal Home Loan Bank	BNV	Apr-15-1973	8.0000	Jul-01-1996(4)	1.1(3)	1.1(3)
Argentaria Caja Postal y Banco Hipotecario	Government	Sep-27-1999	6.4400	Aug-15-2007	13.7	12.4
Argentaria Caja Postal y Banco Hipotecario	Government	Oct-12-1999	6.7700	Nov-15-2005	5.8	5.1
Argentaria Caja Postal y Banco Hipotecario	Government	Oct-19-1999	6.7700	May-15-2006	7.0	6.3
Argentaria Caja Postal y Banco Hipotecario	Government	Oct-19-1999	6.7500	Nov-15-2005	1.4	1.2
Argentaria Caja Postal y Banco Hipotecario	Government	Oct-19-1999	6.7700	Aug-15-2005	5.4	4.7
Argentaria Caja Postal y Banco Hipotecario	Government	Oct-23-1999	6.7400	May-15-2009	5.8	7.3
Argentaria Caja Postal y Banco Hipotecario	Government	Oct-27-1999	OCDE	N/A.	0.1	-
Argentaria Caja Postal y Banco Hipotecario	Government	Oct-27-1999	6.8000	Nov-15-2007	10.8	9.9
Argentaria Caja Postal y Banco Hipotecario	Government	Oct-27-1999	6.6200	May-15-2005	3.4	2.9
Argentaria Caja Postal y Banco Hipotecario	Government	Jan-03-2000	6.7500	May-15-2005	0.7	0.6

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2001 (in US$)	Outstanding Amount as of June 30, 2002 (in US$)
Argentaria Caja Postal y Banco Hipotecario	Government	Jan-04-2000	6.9400	Feb-15-2006	3.2	2.9
Argentaria Caja Postal y Banco Hipotecario	Government	Jan-06-2000	6.9200	May-15-2005	9.2	7.9
Argentaria Caja Postal y Banco Hipotecario	Government	Jan-07-2000	6.9200	Nov-15-2005	4.9	4.3
Bana Populare Di Varona	INDRHI	Sep-17-1988	6.2700	Mar-17-10	1.6	1.7
Banco Bilbao Vizcaya	Government	Aug-21-1999	5.5700	Aug-15-2005	1.3	1.1
Banco Bilbao Vizcaya Argentaria	Government	Mar-10-2000	7.5800	Aug-28-2007	7.4	7.3
Banco Bilbao Vizcaya Argentaria	Government	Mar-21-2000	5.4200	Nov-15-2006	6.0	5.4
Banco Bilbao Vizcaya Argentaria	Government	Apr-27-2001	5.4300	Aug-15-2006	-	13.5
Banco Bilbao Vizcaya Argentaria	Government	Jul-04-2000	7.2800	Aug-15-2006	2.0	1.8
Banco Bilbao Vizcaya Argentaria	Government	Oct-08-2000	7.2800	Aug-15-2006	14.1	12.6
Banco Bilbao Vizcaya Argentaria	Government	Oct-25-2000	7.1700	Aug-15-2006	15.0	13.3
Banco Bilbao Vizcaya Argentaria	Government	Nov-07-2000	6.8500	Aug-15-2006	7.4	13.0
Banco Bilbao Vizcaya Argentaria	Government	Apr-27-2001	5.7100	Feb-19-2007	7.8	9.8
Banco Bilbao Vizcaya Argentaria	Government	Apr-27-2001	5.4300	May-15-2007	17.5	25.3
Banco Bilbao Vizcaya Argentaria	Government	Jan-26-2001	6.2600	Feb-15-2007	6.8	6.1
Banco Bradesco – RCL-99-001	Government	Mar-17-1999	8.4000	Dec-23-2007	4.2	3.9
Central Bank of Brazil	Government	Aug-15-1974	LIBOR 3m + 1.00	N/A	2.9	1.2
Central Bank of Peru	Central Bank	May-02-1968	LIBOR 3m + 1.00	N/A	0.1	0.1
Central Bank of Peru	Central Bank	Mar-31-1993	3.0000	Dec-16-2012	6.3	6.3
Banco Central Hispanoamericano	CDE	Jul-03-1996	7.0700	Feb-19-2008	-	5.0
Banco de Desarrollo Económico y Social de Venezuela	Government	Dec-18-1984	2, 6, and Variable (IDB)	Jun-30-2004	25.4	20.5
Banco de Desarrollo Económico y Social de Venezuela	Government	Apr-24-1995	2, 6, and Variable (IDB)	June-30-2004	-	0.6
Banco de Desarrollo Económico y Social de Venezuela	Government	Aug-27-1985	2, 6, and 9.5	Dec-30-2002	4.6	3.1
Banco de Desarrollo Económico y Social de Venezuela	Government	Feb-07-1986	2, 6, and variable BID	Jun-30-2003	8.5	6.3
Banco de Desarrollo Económico y Social de Venezuela	Government	Jan-16-1992	6.0000	Dec-30-2002	0.8	0.6
Banco de Desarrollo Económico y Social de Venezuela	Government	Jan-29-1993	6 and Variable (IDB)	Jun-30-2005	7.5	6.6
Banco de Desarrollo Económico y Social de Venezuela	Government	Mar-25-1994	6.0000	Dec-30-2004	7.3	7.2
Banco de Desarrollo Económico y Social de Venezuela	Government	Nov-14-1996	Variable (IDB)	Dec-30-2001	0.3	-
Banco de Desarrollo Económico y Social de Venezuela	Government	Nov-16-1998	Variable (IDB)	Apr-30-2003	0.0	-
Banco de Desarrollo Económico y Social de Venezuela	Central Bank	Nov-16-1998	Variable (IDB)	Apr-30-2003	10.6	7.1
Banco de Desarrollo Económico y Social de Venezuela	Government	Mar-25-1999	Variable (IDB)	Dec-30-2009	5.4	8.9
Banco de Desarrollo Económico y Social de Venezuela	Government	Jan-07-2000	Variable (IDB)	Dec-30-2003	8.6	10.5
Banco de Desarrollo Económico y Social de Venezuela	Government	Apr-27-2000	Variable (IDB)	Dec-30-2004	-	0.0
Banco de Desarrollo Económico y Social de Venezuela	Government	Aug-15-2000	Variable (IDB)	Dec-30-2012	-	0.4
Banco de España	Government	Jun-23-1992	3.0000	Jun-30-2012	15.3	15.3
Bank of France	Government	Jun-26-1992	2.9000	Jun-30-2012	2.1	2.4
Bank of France	Government	Jun-26-1992	2.9000	Jun-30-2012	0.1	0.2
Bank of France	Government	Jun-26-1993	9.0000	Jun-30-2007	1.1	1.2
Banco de Sabadell	Government	Feb-19-1996	6.8000	Feb-15-2002	0.1	-
Banco de Sabadell	Government	Jul-24-1998	6.9400	Aug-15-2005	5.6	4.9
Banco de Sabadell	Government	Jul-24-1998	6.5200	Aug-15-2005	1.8	1.5
Banco Español de Crédito, S.A.	Government	Oct-10-1997	7.2400	Apr-15-2004	1.8	1.3
Banco Español de Crédito, S.A.	Government	Oct-10-1997	7.2400	Apr-15-2004	2.1	1.6
Banco Español de Crédito, S.A.	Government	Apr-07-1998	6.7450	Apr-12-2004	1.6	1.3
Banco Español de Crédito, S.A.	Government	Nov-27-1998	5.6100	Jul-04-2005	6.0	5.2
Banco Español de Crédito, S.A.	Government	Nov-27-1998	5.6100	May-09-2005	8.9	7.5
Banco Español de Crédito, S.A.	Government	Nov-27-1998	5.6100	Jul-21-2005	11.0	9.3
Banco Español de Crédito, S.A.	Government	Nov-27-1998	5.9000	Aug-22-2005	6.0	5.1
Banco Español de Crédito, S.A.	Government	Nov-27-1998	5.9000	Oct-24-2005	6.1	5.3
Banco Español de Crédito, S.A.	Government	Nov-27-1998	6.0300	Dec-12-2005	3.5	3.0
Banco Español de Crédito, S.A.	Government	May-25-1999	6.7700	May-23-2005	3.8	3.3
Banco Español de Crédito, S.A.	Government	Nov-05-1999	7.4300	Oct-24-2005	4.2	3.6
Banco Español de Crédito, S.A.	Government	Nov-30-2001	5.4200	Jul-31-2007	-	0.6

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2001 (in US$)	Outstanding Amount as of June 30, 2002 (in US$)
Banco Español de Crédito, S.A.	Government	Feb-10-2000	6.7500	Apr-19-2007	6.3	6.4
Banco Español de Crédito, S.A.	Government	May-01-2000	7.5800	Jul-28-2008	19.9	18.1
Banco Exterior de España	CDE	Jun-03-1977	7.5000	Mar-25-1997	0.5(4)	0.6(4)
Banco Exterior de España	Government	Mar-05-1998	6.7400	May-15-2004	1.1	0.9
Banco Exterior de España	Government	Mar-05-1998	6.7400	May-15-2004	1.7	1.4
Banco Exterior de España	Government	Mar-05-1998	6.7700	May-15-2006	4.2	3.8
Banco Exterior de España	Government	Mar-05-1998	6.7400	May-15-2004	1.8	1.4
Japanese International Cooperation Bank	Government	Jun-13-1980	4.2500	Jun-20-2005	4.9	4.6
Japanese International Cooperation Bank	Government	May-11-1983	4.2500	May-20-2008	23.1	23.5
Japanese International Cooperation Bank	Government	Mar-31-1994	3.0000	Apr-20-2024	35.8	49.5
Japanese International Cooperation Bank	Government	Sep-12-1995	4.3000	Jun-30-2012	42.2	46.6
Banco Nacional de Desenvolvimiento Económico y Social	INDRHI	Oct-01-1997	7.0700	Jul-03-2011	12.8	12.4
Banco Nacional de Desenvolvimiento Económico y Social	Government	Sep-07-1998	5.3800	Feb-16-2006	19.8	17.5
Paribas Bank y Natexis Banque Popolaires	CDE	Mar-21-1984	10.7000	Jan-31-2005	4.1	4.0
Paribas Bank y Natexis Banque Popolaires	CDE	Feb-28-1991	10.5500	Jan-31-2005	1.9	1.8
Banco Santander	CDE	Jun-06-1995	8.3700	Apr-09-2005	2.5	2.1
Banco Santander	CDE	Jul-03-1996	7.3000	Mar-01-2006	5.8	5.1
Banco Santander	CDE	Mar-14-1997	7.0700	Jun-19-2007	4.0	3.6
Banco Santander	CDE	May-08-1997	7.1100	Oct-12-2006	5.6	5.1
Banco Santander	CDE	Aug-13-1997	7.0300	Apr-09-2003	0.4	0.3
Banco Santander	CDE	Mar-26-1999	5.9100	Jul-31-2008	9.1	8.4
Banco Santander Central Hispano	Government	May-22-2000	7.0300	Feb-15-2008	10.8	9.9
Bancoldex	Government	Jun-14-2000	LIBOR + 3.00	Jul-14-2005	-	5.2
Banque Nationale De De Belique	Government	Apr-15-1991	0.0000	Dec-31-2020	0.9	1.0
Banco Santander Central Hispano	CDE	Jul-03-1996	7.0700	Feb-19-2008	5.4	-
Banco Santander Central Hispano	Government	Jun-13-2000	N/A	Sep-03-2011	18.0	18.0
Citibank, N.A.	Government	May-25-2001	6.8400	N/A	-	1.4
Citibank, N/A, Madrid	Government	Mar-26-1999	5.6000	Nov-22-2007	14.5	13.4
Commodity Credit Corporation - Guarantees	Government	Oct-30-1992	7.2500	Jun-30-2007	146.2	117.6
Commodity Credit Corporation - Guarantees	Government	Nov-25-1997	6.5000	Jun-01-2003	61.7	43.6
Commodity Credit Corporation - Pl-480	Government	May-21-1982	4.0000	Oct-05-2002	1.0	1.0
Commodity Credit Corporation - Pl-480	Government	Dec-11-1982	4.0000	Dec-20-2004	3.1	3.1
Commodity Credit Corporation - Pl-480	Government	Jan-13-1984	4.0000	Dec-03-2004	5.5	5.5
Commodity Credit Corporation - Pl-480	Government	May-15-1985	4.0000	Oct-16-2005	10.1	10.1
Commodity Credit Corporation - Pl-480	Government	Aug-18-1986	4.0000	Feb-02-2007	10.9	10.0
Commodity Credit Corporation - Pl-480	Government	Aug-24-1989	4.0000	Oct-29-2009	10.7	10.7
Commodity Credit Corporation - Pl-480	Government	Oct-30-1992	3.5000	Jun-30-2012	68.6	68.6
Compañía Española de Seguros y Crédito a la Exportación	Government	Jun-24-1992	7.2500	Jun-30-2007	158.8	145.6
Compañía Española de Seguros y Crédito a la Exportación	Government	Jun-24-1992	10.0000	Jun-30-2007	2.7	2.8
French Foreign Trade Insurance Company	Government	Jun-26-1992	9.0000	Jun-30-2007	6.3	6.4
French Foreign Trade Insurance Company	Government	Jun-26-1992	4.8000	Jun-30-2007	0.5	0.5
Deere Credit	Government	Apr-18-2001	18.000	Jun-15-2007	4.0	27.1
Department of Defense	Government	Oct-30-1992	7.5320	Jul-02-2007	5.2	5.2
Deutsche Bank S.N.	Government	Dec-13-1999	7.6500	May-16-2006	4.3	3.8
Deutsche Bank S.N.	Government	Feb-02-2000	7.4300	Nov-15-2006	4.8	4.3
Deutsche Bank S.N.	Government	Feb-28-2001	4.4500	Jun-15-2007	-	0.6
Deutsche Bank S.N.	Government	Aug-17-1998	7.6500	Aug-15-2006	-	5.5
Deutsche Bank S.N.	Government	Feb-28-2001	4.4500	Jul-16-2007	-	1.1
Deutsche Bank S.N.	Government	Feb-28-2001	4.9700	Mar-05-2009	0.1	2.2
Deutsche Bank S.N.	Government	Feb-28-2001	OCDE	N/A	0.2	0.2
Deutsche Bank S.N.	Government	May-08-2001	5.3500	Aug-28-2006	7.8	27.6
Deutsche Bank S.N.	Government	Feb-28-2001	5.4900	N/A	0.4	0.4
Deutsche Bank S.N.	Government	Feb-28-2001	5.1400	N/A	0.1	1.0

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2001 (in US$)	Outstanding Amount as of June 30, 2002 (in US$)
Empresa Nacional de Aeronáutica de Chile	Government	Nov-20-1998	12.0000	Jul-20-2000	1.1[4]	1.1[4]
Export-Import Bank of China	Government	Dec-21-1998	4.5000	Dec-21-2013	10.0	9.6
Export-Import Bank of the United States	Government	Oct-30-1992	Variable (EXIM)	Jul-02-2007	91.8	91.8
Fortis Bank, N.V.	Government	Jul-13-2001	LIBOR + 1.00	Sep-15-2012	1.7	1.7
Hermes Kreditversicherungs-AG	Government	Dec-02-1992	8.2000	Jun-30-2007	11.0	12.9
Hermes Kreditversicherungs-AG	Government	Dec-02-1992	8.2000	Jun-30-2007	0.8	0.9
ICBC	Government	Sep-29-1999	3.5000	May-15-2011	-	1.5
Official Credit Institute	Government	Jun-23-1992	3.0000	Jun-30-2012	10.6	10.6
Official Credit Institute	Government	Jul-10-1995	1.5000	Aug-08-2025	5.7	5.7
Official Credit Institute	Government	Feb-22-1996	1.5000	Mar-11-2026	6.3	6.3
Official Credit Institute	Government	Feb-02-1998	1.0000	Feb-04-2028	5.1	5.1
Official Credit Institute	Government	Feb-02-1998	1.0000	Feb-04-2028	5.5	5.5
Official Credit Institute	Government	Aug-17-1998	1.0000	Aug-31-2028	3.2	3.2
Official Credit Institute	Government	Dec-10-1998	1.0000	Dec-14-2028	3.9	3.9
Official Credit Institute	Government	Dec-10-1998	4.7500	Dec-14-2028	2.8	2.8
Official Credit Institute	Government	Dec-10-1998	1.0000	Dec-14-2028	2.4	2.4
Official Credit Institute	Government	Mar-01-1999	1.0000	May-20-2029	10.8	10.8
Official Credit Institute	Government	Mar-29-1999	3.0000	May-24-2014	1.3	1.3
Official Credit Institute	Government	Mar-05-2000	3.7000	Aug-24-2030	2.1	2.1
Kredit. Fur Wiederaufbau	Central Bank	Dec-08-1975	2.0000	Dec-31-2005	0.7	0.7
Kredit. Fur Wiederaufbau	Government	Dec-07-1979	2.0000	Dec-31-2009	0.9	1.0
Kredit. Fur Wiederaufbau	Government	Dec-07-1979	2.0000	Dec-31-2009	2.7	2.9
Kredit. Fur Wiederaufbau	Government	Nov-05-1982	4.5000	Dec-31-2002	0.2	0.1
Kredit. Fur Wiederaufbau	Government	Nov-05-1982	4.5000	Dec-31-2002	0.4	0.2
Kredit. Fur Wiederaufbau	Central Bank	Dec-06-1982	4.5000	Dec-31-2002	0.3	0.2
Kredit. Fur Wiederaufbau	Government	Jun-30-1986	4.5000	Jun-30-2006	2.9	3.0
Kredit. Fur Wiederaufbau	Government	Dec-02-1992	3.5000	Jun-30-2012	10.0	11.3
Kredit. Fur Wiederaufbau	Government	Dec-02-1992	3.7500	Jun-30-2012	0.9	1.0
Kredit. Fur Wiederaufbau	CDE	Mar-14-1996	6.0300	Nov-30-2004	1.7	1.6
Kredit. Fur Wiederaufbau	CDE	Mar-24-1999	LIBOR + 0.875	Jun-30-2009	8.9	10.2
Kredit. Fur Wiederaufbau	CDE	Jun-14-1996	LIBOR + 0.875	Oct-26-2003	-	1.3
Kredit. Fur Wiederaufbau	CDE	Jun-14-1996	LIBOR + 0.875	May-26-2007	2.0	1.9
Kredit. Fur Wiederaufbau	CDE	Jun-14-1996	7.9504	Jun-28-2002	0.1	0.1
Kredit. Fur Wiederaufbau	CDE	Jun-14-1996	LIBOR + 0.875	May-16-2007	3.9	3.6
Kredit. Fur Wiederaufbau	CDE	Jun-14-1996	7.9438	Jun-29-2002	0.1	0.1
Kredit. Fur Wiederaufbau	CDE	Jun-14-1996	LIBOR + 0.875	May-16-2007	4.5	4.1
Kredit. Fur Wiederaufbau	CDE	Jun-14-1996	7.9504	Jun-30-2002	0.1	0.1
Kredit. Fur Wiederaufbau	Government	Nov-21-1996	2.0000	Dec-30-2026	6.5	7.3
Kredit. Fur Wiederaufbau	Government	Dec-28-1996	2.0000	Dec-30-2026	5.1	5.7
Kredit. Fur Wiederaufbau	CDE	Mar-24-1999	LIBOR + 0.875	Jun-30-2009	1.1	1.3
Mediocredito Centrale	Government	May-24-1989	1.5000	Sep-25-2009	34.9	32.7
Mediocredito Centrale	Government	Nov-06-1990	1.5000	Jan-14-2011	3.4	3.6
Mediocredito Centrale	Government	Apr-23-1991	1.5000	May-17-2011	2.7	2.9
Ministry of Economy, Commerce and Industry, Gov. of Japan	Government	Feb-10-1993	8.5000	Jun-30-2007	47.5	42.4
Natexis Banque Popolaires (previously Credit National)	Government	Jan-18-1980	3.0000	Sep-30-2003	0.3	0.3
Natexis Banque Popolaires (previously Credit National)	Government	May-09-1984	2.0000	Jun-30-2016	2.3	2.5
Natexis Banque Popolaires (previously Credit National)	Government	May-13-1996	3.6000	Dec-31-2018	4.2	4.6

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2001 (in US$)	Outstanding Amount as of June 30, 2002 (in US$)
Sanpaolo Bank Ireland Plc	Government	Aug-13-1999	LIBOR	Apr-30-2007	0.0	4.7
Societe Generale	CDE	Feb-20-2001	LIBOR + 2.00	N/A	-	1.1
Societe Generale	CDE	Nov-30-2000	7.1800	N/A	-	0.4
Suntrust Bank	Government	Oct-04-2000	LIBOR + 0.75	May-15-08	2.5	3.9
The International Commercial Bank of China	Government	Sep-29-1999	3.5000	May-15-2011	1.5	-
Swiss Bank Union	Government	Oct-13-1997	LIBOR+1.125	Nov-30-2009	5.6	5.2
Total foreign governments					1,671.7	1,697.5
Commercial banks:						
ABN AMRO Bank, N.V.	Government	Dec-28-2001	LIBOR + 3.75	Dec-18-2006	-	0.3
ABN AMRO Bank, N.V.	Government	Jun-02-1999	LIBOR+2	Jun-01-2004	1.3	1.0
ABN AMRO Bank, N.V.	Government	Feb-20-2001	LIBOR + 2.00	Dec-01-2004	-	1.2
ABN AMRO Bank, N.V.	Government	Dec-22-2000	LIBOR+3.75	Dec-22-2005	6.4	6.4
ABN AMRO Bank, N.V.	Government	Oct-27-2000	LIBOR+3.75	Oct-27-2005	8.5	8.6
Argentaria Caja Postal y Banco Hipotecario	Government	Oct-23-1999	LIBOR+3.50	N/A	0.9	1.2
Banca March, S.A.	Government	Jan-12-1982	11.0000	Feb-22-1988	1.1[(5)]	1.1[(5)]
Atlantic Bank	Central Bank	Dec-11-1986	LIBOR+0.50	N/A	20.0	14.4
Atalntic Bank	Central Bank	Dec-11-1986	LIBOR + 0.50	N/A	-	20.0
Banco Bilbao Vizcaya Argentaria	CDE	Apr-27-2001	7.4200	Jun-8-2003	1.4	1.0
Banco Bilbao Vizcaya Argentaria	Government	Mar-21-2000	LIBOR+3.50	Nov-13-2003	1.0	0.8
Banco Bilbao Vizcaya Argentaria	Government	Apr-27-2001	7.2300	Jun-25-2003	3.6	2.4
Banco Bilbao Vizcaya Argentaria	Government	Apr-27-2001	LIBOR+3.50	Dec-5-2003	2.9	2.2
Banco Bilbao Vizcaya Argentaria	Government	Jan-26-2001	LIBOR+3.50	Feb-21-2002	1.3	-
Banco Español de Credito	Government	Nov-30-2001	LIBOR + 3.75	Apr-11-2005	-	1.4
Banco Latinoamericano de Exportaciones	Central Bank	Sep-12-1988	LIBOR+1.40	N/A	36.4	25.0
Barclays Bank	Central Bank	Jul-9-1998	LIBOR+0.40	N/A	25.0	-
Citibank, N.A.	Government	May-25-2001	LIBOR+4.50	May-10-2004	4.4	3.6
Citibank, N/A, New York	Central Bank	Feb-14-1994	LIBOR+13/16	Aug-31-2009	3.0	2.8
Citibank, N/A, New York	Central Bank	Feb-14-1994	LIBOR+13/16	Aug-31-2009	149.0	139.7
Citibank, N/A, New York	Banco de Reservas	Feb-14-1994	LIBOR+13/16	Aug-31-2009	0.4	0.4
Citibank, N/A, New York	ROSARIO D.	Feb-14-1994	LIBOR+13/16	Aug-31-2009	5.7	5.4
Citibank, N/A, New York	Central Bank	Feb-14-1994	LIBOR+13/16	Aug-30-2024	6.4	6.4
Citibank, N/A, New York	Central Bank	Feb-14-1994	LIBOR+13/16	Aug-30-2024	309.3	309.3
Citibank, N/A, New York	Banco de Reservas	Feb-14-1994	LIBOR+13/16	Aug-30-2024	0.8	0.8
Citibank, N/A, New York	ROSARIO D.	Feb-14-1994	LIBOR+13/16	Aug-30-2024	12.1	12.1
Credit Agricole	CEA	Mar-31-2000	PRIME+2.00	N/A	21.6	22.2
Deutsche Bank, S.A.E	Government	Aug-17-1998	LIBOR + 3.75	Mar-23-2003	-	1.9
Deutsche Bank, S.A.E.	Government	Feb-28-2001	LIBOR+3.50	Dec-22-2003	0.9	0.7
Deutsche Bank, S.A.E.	Government	Feb-28-2001	LIBOR+3.50	Mar-28-2003	1.9	1.4
Deutsche Bank, S.A.E.	Government	Feb-28-2001	LIBOR+3.50	Aug-18-2004	0.1	0.1
Deutsche Bank, S.A.E.	Government	Feb-28-2001	LIBOR + 3.50	Sep-15-2004	-	1.7
Deutsche Bank, S.A.E.	Government	Feb-28-2001	LIBOR + 3.50	Sep-15-2004	-	1.4
Deutsche Bank, S.A.E.	Government	May-8-2001	LIBOR+3.50	Sep-11-2002	7.4	3.7
Dresdner Bank Lateinoamerika	Central Bank	Sep-15-2000	LIBOR+0.75	N/A	10.8	13.8
Fortis Bank N.V.	Government	Jul-13-2001	LIBOR+1.00	Jun-27-2006	6.0	6.2
J.P.Morgan Chase Bank	Government	Sep-27-2001	9.5000	Sep-27-2006	500.0	500.0
SanPaolo Bank Ireland PLC	Government	Aug-13-1999	LIBOR	N/A	-	0.6
Wachovia Bank	Central Bank	Sep-23-1993	LIBOR	N/A	-	32.8
Total commercial banks					1,149.6	1,153.8

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as a %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2001 (in US$)	Outstanding Amount as of June 30, 2002 (in US$)
Suppliers:						
Alfa Laval	CFI	Dec-01-1965	N/A	N/A	0.1[4]	0.1[4]
Asea Browns Boveri	CDE	Nov-03-1980	N/A	N/A	0.1[6]	0.1[6]
Asea Browns Boveri	CDE	Nov-03-1980	N/A	N/A	0.4[6]	0.4[6]
Asea Browns Boveri	CDE	Nov-03-1980	N/A	N/A	1.0[6]	1.0[6]
Atmospherics Incorporated	CDE	Jan-27-1984	N/A	N/A	0.1[6]	0.1[6]
Burns & Roe Enterprise	CDE	Feb-14-1984	N/A	N/A	0.4[6]	05[6]
Fiat Marelli, SPA	CDE	Jul-30-1980	7.7500	Nov-07-1985	0.3[6]	0.3[6]
Fiat Ttg	CDE	Aug-18-1983	10.0000	Oct-30-1987	8.4[6]	8.5[6]
Geolidro, SPA	CDE	Mar-29-1984	14.5000	Dec-31-1988	1.6[6]	1.7[6]
Harza Engineering Co., Intl.	CDE	Sep-23-1985	N/A	N/A	1.0[6]	1.0[6]
Hewlett-Packard	Government	Sep-09-1994	7.7500	Sep-30-2004	3.8	3.2
Monenco Consultants Limited	CDE	May-14-1984	N/A	N/A	0.2[6]	0.2[6]
Brazilian Suppliers	Government	May-11-1984	N/A	N/A	0.2[6]	0.2[6]
Systems Control Inc.	CDE	Nov-27-1980	N/A	N/A	0.3[6]	0.3[6]
Total suppliers					17.9	17.2
Total global external public sector debt					4,179.7	4,242.7

(1) Currencies different from U.S. dollars were calculated at a rate published by the International Monetary Fund on December 31, 2001 or June 30, 2002, as applicable.
(2) The cancellation is done at the dates determined by the Executive Directory of the Interamerican Development Bank.
(3) This debt was cancelled by the International Development Agency.
(4) Cancellation of debt depends on reconciliation of accounts between the borrower and lender.
(5) This loan had been recorded as canceled, but the creditors recently presented a claim for repayment. The Government has requested evidence to support the creditors' claim.
(6) Debts that are in litigation or negotiation by the CDE.

Acronyms:

ACFI	=	*Acuerdo de Cooperación Financiera Interbancaria* (Interbank Financial Cooperation Agreement)
BNV	=	*Banco Nacional de la Vivienda* (National Housing Bank)
CDE	=	*Corporación Dominicana de Electricidad* (Dominican Electricity Corporation)
CEA	=	*Consejo Estatal del Azúcar* (National Sugar Board)
CIRR	=	Commercial Interest Reference Rate, as used by the Organization for Economic Cooperation and Development
CFI	=	*Corporación de Fomento Industrial* (Industrial Development Corporation)
FUNDAPEC	=	*Fundación APEC de Crédito Educativo* (APEC Educational Credit Foundation)
INDRHI	=	*Instituto Nacional de Recursos Hidráulicos* (National Hydraulics Resource Institute)
INTEC	=	*Instituto Tecnológico de Santo Domingo* (Santo Domingo Technological Institute)
N/A	=	Not Available
PUCMM	=	*Pontificia Universidad Católica Madre y Maestra*
ROSARIO D.	=	*Rosario Dominicana*

Source: Central Bank, International Department, and External Debt Department.

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República Dominicana

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Luxembourg

US$600,000,000

The Dominican Republic

9.04% Bonds due 2013

O F F E R I N G   M E M O R A N D U M

January 16, 2003

Joint Lead Managers and Joint Bookrunners

JPMorgan | Salomon Smith Barney

Co-Managers

Deutsche Bank Securities | Morgan Stanley