



The Dominican Republic

US\$1,000,000,000 4.500% Bonds due 2030

US\$1,500,000,000 5.875% Bonds due 2060

We are offering US\$1,000,000,000 aggregate principal amount of our 4.500% bonds due 2030 (the “2030 bonds”) and US\$1,500,000,000 aggregate principal amount of our 5.875% bonds due 2060 (the “2060 bonds,” and, together with the “2030 bonds,” the “bonds”). Each series of bonds are being offered as debt securities under an indenture dated as of January 27, 2015 (the “indenture”).

Interest on each series of the bonds will accrue from January 30, 2020 and will be payable semi-annually in arrears on January 30 and July 30 of each year. The first interest payment on each series of the bonds will be made on July 30, 2020. The 2030 bonds will mature on January 30, 2030, and the 2060 bonds will mature on January 30, 2060. We may redeem the bonds, in whole or in part, at any time by paying the greater of the outstanding principal amount of the bonds and a “make-whole” amount calculated by the Republic, in each case, plus accrued and unpaid interest to the redemption date. See “Description of the Bonds—Optional Redemption.”

The bonds will be direct, general, unconditional and unsubordinated Public External Debt of the Republic, ranking without any preference among themselves and equally with all other unsubordinated Public External Debt of the Republic, for which the full faith and credit of the Republic is pledged.

The bonds will contain “collective action clauses.” Under these provisions, which differ from the terms of the Republic’s Public External Debt issued prior to January 27, 2015, the Republic may amend the payment provisions of any series of debt securities issued under the indenture (including the bonds) and other reserve matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66-2/3% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the proposed modification, taken individually.

The Republic will apply to list the bonds on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market.

Investing in the bonds involves risks. See “Risk Factors” beginning on page 16.

The bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or the “Securities Act,” or the securities laws of any other jurisdiction. The bonds will be offered only to qualified institutional buyers in reliance on Rule 144A under the Securities Act, and outside the United States to persons who are not U.S. persons in reliance on Regulation S of the Securities Act. Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the bonds may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act. Outside the United States, the offering is being made in reliance on Regulation S under the Securities Act.

Price for the 2030 bonds: 99.206% plus accrued interest, if any, from January 30, 2020.

Price for the 2060 bonds: 98.860% plus accrued interest, if any, from January 30, 2020.

The initial purchasers expect to deliver the bonds to purchasers on or about January 30, 2020, only in book-entry form through the facilities of The Depository Trust Company (“DTC”), Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Banking”).

Joint Book-Running Managers

BNP PARIBAS

J.P. Morgan

January 23, 2020

The Republic is responsible for the information contained in this offering memorandum. The Republic has not authorized anyone to give you any other information, and the Republic takes no responsibility for any other information that others may give you. 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 is confidential. This offering memorandum has been prepared by the Republic solely for use in connection with the proposed offering of the securities described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. You are authorized to use this offering memorandum solely for the purpose of considering the purchase of the bonds. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without the Republic's prior written consent, is prohibited. 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 in this offering memorandum.

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, economic, financial and other 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 opinions and intentions expressed in this offering memorandum;
- the Republic has not omitted other facts the omission of which would make this offering memorandum, as a whole, misleading in any material respect; and
- the Republic accepts responsibility for the information it has provided in this offering memorandum and assumes responsibility for the correct reproduction of the information contained herein.

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 to determine whether it is legally permitted to purchase the bonds under applicable legal investment or similar laws or regulations.

The Republic has furnished the information in this offering memorandum. You acknowledge and agree that the initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation to you by the initial purchasers. 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.

The distribution of this offering memorandum and the offering and sale of the bonds in certain jurisdictions may be restricted by law. The Republic and the initial purchasers require persons into whose possession this offering memorandum comes to inform themselves about and to observe any such restrictions. See "Plan of Distribution." This offering memorandum does not constitute an offer of, or an invitation to purchase, any of the bonds in any jurisdiction in which such offer or sale would be unlawful.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Neither the U.S. Securities and Exchange Commission (“SEC”) nor any state securities commission has approved or disapproved of the bonds or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

The bonds are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of an investment in the bonds for an indefinite period of time. Please refer to the sections in this offering memorandum entitled “Plan of Distribution” and “Transfer Restrictions.”

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

The bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of (EU) Directive 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). The bonds are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

ENFORCEABILITY 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, including the limitation mandated by the Constitution of the Dominican Republic which submits to the courts and law of the Dominican Republic all agreements executed between the Government and foreign entities or individuals domiciled in the Republic, the Republic will irrevocably submit to the jurisdiction of any New York state or U.S. federal court sitting in The City of New York, Borough of Manhattan, 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 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 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 of 1976, 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” or the “Central 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:

GDP

Gross domestic product, or “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 terms of volume of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. In this offering memorandum, real GDP figures are based in terms of volume referenced to their nominal level in 2007 (reference year) and compiled in accordance with the latest recommendations of the System of National Accounts 2008 that applied to the Dominican context and for which statistical information was available. GDP growth rates and growth rates included in this offering memorandum for the various sectors of the Dominican economy are based on real figures, except as otherwise indicated.

Balance of Payments

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 or “FOB” basis, at a given point of departure.

Inflation

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 in the consumer price index, or “CPI”. 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 CPI is based on a basket of goods and services identified by the Dominican Central Bank or 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 Republic does not compile statistics to calculate a producer price index or a wholesale price index, which are other indices often used to measure the rate of 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 calculated the exchange rate for each period in two ways: the end of period is the exchange rate reported by the Central Bank on the last day of such period, while the average exchange rate corresponds to the daily average exchange rate reported by the Central Bank for all working days during that period. This is consistent with the methodology the International Monetary Fund or the “IMF” uses to calculate currency exchange rates. In all cases, exchange rate information derives from transactions in the spot market.

We presented herein certain currency conversions, including conversions of peso amounts to U.S. dollars, solely for the convenience of the reader and you should not interpret these conversions as a representation that the amounts in question have been, could have been or could be converted into any particular currency, at any particular rate or at all.

The DOP/U.S. dollar “reference” exchange rate on the spot market, as reported by the Central Bank, was DOP44.20 per US\$1.00, DOP45.47 per US\$1.00, DOP46.62 per US\$1.00, DOP48.19 per US\$1.00, DOP50.20 per US\$1.00 and DOP52.90 per US\$1.00, respectively, at the close of business on December 31, 2014, 2015, 2016, 2017, 2018 and 2019. The spot market exchange rate reported by the Central Bank is used by the accounting departments of private companies and public entities in the Dominican Republic, including the Central Bank, for revaluation of assets and liabilities denominated in U.S. dollars.

The following table sets forth the annual high, low, average and period-end “reference” exchange rates for the periods indicated, expressed in pesos per U.S. dollar and not adjusted for inflation. There can be no assurance that the peso will not depreciate or appreciate against the dollar in the future.

| Year ended December 31, | Reference exchange rates ⁽¹⁾ | | | |
|-------------------------|---|-------|------------------------|------------|
| | High | Low | Average ⁽²⁾ | Period end |
| 2014..... | 44.23 | 42.68 | 43.45 | 44.20 |
| 2015..... | 45.49 | 44.24 | 44.94 | 45.47 |
| 2016..... | 46.65 | 45.46 | 45.99 | 46.62 |
| 2017..... | 48.19 | 46.63 | 47.44 | 48.19 |
| 2018..... | 50.20 | 48.20 | 49.43 | 50.20 |
| 2019..... | 52.90 | 50.21 | 51.20 | 52.90 |

(1) Central Bank “reference” exchange rates.

(2) Average of daily closing quotes as reported by the Central Bank for all working days during the year or period.

Source: Central Bank.

As of January 17, 2020 the DOP/U.S. dollar “reference” exchange rate was DOP53.13 per US\$1.00, as reported by the Central Bank.

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 otherwise indicated. Totals in certain tables in this offering memorandum may differ from the sum of the individual items in such tables due to rounding.

Data are generally classified as “preliminary” following the end of the relevant period until all the basic statistics and analytical procedures have been completed. The Central Bank conducts a regular 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. 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 we cannot assure you that material changes will not be made.

The Central Bank also periodically conducts a rebasing of GDP data it publishes. The most recent rebasing was completed in 2014 to update the “reference year” to 2007, and all data in this offering memorandum are presented on this basis unless otherwise indicated. See “—Certain Defined Terms—GDP.” On January 1, 2018, the Central Bank implemented the 2018 National Household Expenditure and Income Survey, in order to gather statistical information throughout the country on the distribution of spending by Dominican families, as well as the amount and origin of the population’s income. This constitutes part of the research underway prior to the next GDP data rebasing exercise to update the “reference year” from 2007 to 2018. The rebasing exercise is expected to be completed in 2021.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Forward-looking statements are statements that are not historical facts, and include 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;
 - decreases in remittances from Dominicans living abroad;
 - increased costs of crude oil resulting from increased international demand or from political or social instability or armed conflict in oil-producing states, including The Bolivarian Republic of Venezuela ("Venezuela") and countries in the Middle East;
 - international financial uncertainty that reduces the Republic's ability to obtain loans to finance planned infrastructure projects;
 - a decline in foreign direct investment ("FDI"), 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;
 - changes in the sovereign credit rating of the Dominican Republic; and
 - deterioration in relations between the Dominican Republic and its regional partners as well as main trading partners, such as the United States and the European Union;
- adverse domestic factors, such as lower than expected fiscal revenues, which could result in 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;
- the result of local and national elections and any changes to economic and social policies that may be implemented by a new administration;
- the continuing adverse economic effects of the crisis in the Dominican electricity sector; and
- other adverse factors, such as climatic, geological or political events and the factors discussed in the "Risk Factors" section beginning on page 16 of this offering memorandum.

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. It is not complete and may not contain all of the information you should consider before purchasing the bonds. You should carefully read the entire offering memorandum, including "Risk Factors" before investing in the bonds.

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

| | As of and for the year ended December 31, | | | | |
|---|---|--------------------------|--------------------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Domestic economy | | | | | |
| GDP (at current prices) | 67,254 ⁽¹⁾ | 71,243 ⁽¹⁾ | 75,759 ⁽¹⁾ | 80,025 | 85,537 |
| GDP (in millions of DOP, at current prices) ... | 2,925,665 ⁽¹⁾ | 3,205,655 ⁽¹⁾ | 3,487,293 ⁽¹⁾ | 3,802,656 | 4,235,847 |
| Real GDP (in chained indexes referenced to 2007) ⁽²⁾ | 134 ⁽¹⁾ | 144 ⁽¹⁾ | 153 ⁽¹⁾ | 160 | 171 |
| Real GDP growth rate ⁽³⁾ | 7.1% ⁽¹⁾ | 6.9% ⁽¹⁾ | 6.7% ⁽¹⁾ | 4.7% | 7.0% |
| Consumer price index (annual rate of change) | 1.6% | 2.3% | 1.7% | 4.2% | 1.2% |
| Open unemployment rate ⁽⁴⁾ | 8.3% ⁽⁵⁾ | 7.3% | 7.1% | 5.5% | 5.7% |
| Exchange rate (end of period, in DOP)..... | 44.20 | 45.47 | 46.62 | 48.19 | 50.20 |
| Balance of payments⁽⁶⁾ | | | | | |
| Total current account ⁽⁶⁾ | (2,170) | (1,280) | (815) | (133) | (1,160) |
| Of which: | | | | | |
| Trade balance (deficit) | (7,374) | (7,465) | (7,559) | (7,600) | (9,301) |
| Income from tourism | 5,630 | 6,116 | 6,720 | 7,184 | 7,561 |
| Personal transfers (workers' remittances) | 4,571 | 4,961 | 5,261 | 5,912 | 6,494 |
| Net (borrowing)/lending | (2,170) | 807 | (815) | (133) | (1,160) |
| Financial account balance (deficit) ⁽⁶⁾ | (3,762) | (1,513) | (2,455) | (2,121) | (2,712) |
| Of which: | | | | | |
| Foreign direct investment | 2,209 | 2,205 | 2,407 | 3,571 | 2,535 |
| Errors and omissions ⁽⁷⁾ | (941) | (1,550) | (748) | (1,260) | (718) |
| Overall balance of payments, excluding impact of gold valuation adjustment ⁽⁸⁾ | 650 | 770 | 892 | 728 | 835 |
| Change in Central Bank gross international reserves (period end)..... | 195 | 407 | 780 | 731 | 849 |
| Central Bank net international reserves (period end)..... | 4,650 | 5,195 | 6,047 | 6,781 | 7,628 |
| Public sector balance⁽¹⁾ | | | | | |
| Central government revenue ⁽⁹⁾ | 9,629 | 11,938 | 10,537 | 11,332 | 12,178 |
| As a % of GDP | 14.3% | 16.8% | 13.9% | 14.2% | 14.2% |
| Central government expenditure ⁽¹⁰⁾ | 11,498 | 11,857 | 12,602 | 13,641 | 13,833.1 |
| As a % of GDP | 17.1% | 16.6% | 16.6% | 17.0% | 16.2% |
| Of which: | | | | | |
| Current transfers to CDEEE | 925 | 546 | 451 | 370 | 345 |
| As a % of GDP | 1.4% | 0.8% | 0.6% | 0.5% | 0.4% |
| Central government balance (deficit) | (1,855) | 100 | (2,052) | (2,290) | (1,637.0) |
| As a % of GDP | (2.8)% | 0.1% | (2.7)% | (2.9)% | (1.9) |
| Overall non-financial public sector balance (deficit) ⁽¹¹⁾ | (2,393) | (137) | (2,044) | (2,419) | (2,205.8) |
| As a % of GDP | (3.6)% | (0.2)% | (2.7)% | (3.0)% | (2.6)% |
| Public sector debt⁽¹²⁾ | | | | | |
| Public sector external debt ⁽¹³⁾ | 17,280 | 16,928 | 18,170 | 19,124 | 21,860 |
| As a % of GDP | 25.7% | 23.8% | 24.0% | 23.9% | 25.6% |
| Public sector domestic debt ⁽¹⁴⁾ | 12,049 | 13,715 | 15,933 | 18,091 | 19,115 |
| As a % of GDP | 17.9% | 19.2% | 21.0% | 22.6% | 22.3% |
| Total public sector debt | 29,329 | 30,643 | 34,103 | 37,215 | 40,975 |
| As a % of GDP | 43.6% | 43.0% | 45.0% | 46.5% | 47.9% |
| Public sector external debt service | | | | | |
| Amortizations | 1,938 | 3,450 | 1,206 | 1,332 | 984 |
| Interest payments | 606 | 767 | 918 | 1,000 | 1,093 |
| Total external debt service | 2,544 | 4,217 | 2,124 | 2,332 | 2,077 |
| As a % of total exports | 15.0% | 24.8% | 11.7% | 12.3% | 10.3% |

(1) Preliminary data.

- (2) For additional information on this methodology see “Defined Terms and Conventions—Certain Defined Terms—GDP.”
- (3) Percentage change from previous year.
- (4) Refers to population at or above the legal working age that is not employed and is actively seeking work, as a percentage of the total labor force.
- (5) Open unemployment information for 2014 corresponds to the average of the last two quarters of the year. See “The Economy—Employment and Labor—Employment.”
- (6) 2014-2017 revised data; 2018 preliminary data as indicated. All data conforms to IMF’s 6th Edition of the Balance of Payments Manual. For further details of these methodologies and terminologies see “*Implementación del Sexto Manual de Balanza de Pagos y Posición de Inversión Internacional del FMI en la República Dominicana*” accessible on the website of the Central Bank (www.bancentral.gov.do). The information on the Central Bank’s website is not incorporated by reference herein and does not form a part of this offering memorandum.
- (7) 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.
- (8) As presented, gold reserves have been valued at their corresponding market prices as of December 31 of each year.
- (9) Includes total revenue and grants.
- (10) Includes “Statistical Discrepancy” (difference between the overall balance and overall financing).
- (11) The non-financial public sector includes the Central Government and non-financial public sector entities (such as state-owned enterprises and other decentralized, government-owned entities).
- (12) Consolidated public sector debt. Excludes debt owed by *Banco de Reservas* (“BanReservas”) to foreign creditors.
- (13) External debt is defined as all public sector debt issued in foreign countries and under the jurisdiction of a foreign court, independent of the creditor’s nationality.
- (14) Net of Central Government liabilities owned by the Central Bank.

Sources: Central Bank, Ministry of Finance and IMF.

Recent Developments

The information contained in this section supplements the information about the Dominican Republic corresponding to the headings that are contained in this offering memorandum. This information is not necessarily indicative of the Dominican Republic's economy or fiscal results for the full fiscal year ending December 31, 2019 or any other period. You should read the following discussion of recent developments together with the more detailed information appearing elsewhere in this offering memorandum.

The Dominican Republic

History, Government and Political Parties

Political Parties

The next country-wide municipal elections are scheduled for February 16, 2020, while presidential and congressional elections are scheduled for May 17, 2020. The elected President will be inaugurated into office on August 16, 2020 for a four-year term ending August 16, 2024.

President Danilo Medina will not seek reelection in the May 2020 presidential elections. Mr. Gonzalo Castillo, former minister of public works, will run on behalf of the PLD (as defined below). Mr. Luis Abinader will run for the PRM (as defined below), as was the case in the 2016 presidential elections.

After the October 2019 primary elections, Leonel Fernández, former president of the Republic, left the PLD and joined a minority party, *Partido de los Trabajadores*, which changed its name to *La Fuerza del Pueblo* for the 2020 elections, and Fernández is representing them as presidential candidate.

Relations with Haiti

In July 2018, a protest over fuel shortages, rising inflation and food scarcity, among other issues, erupted in Haiti, leading to a decrease in exports from the Republic to Haiti. For the nine-month period ended September 30, 2019, exports from the Republic to Haiti amounted to US\$901.1 million, compared to US\$988.4 million during the same period in 2018.

The Economy

Economic Performance

The following table sets forth the distribution of the Monthly Indicator of Economic Activity (IMAE) in the Dominican economy, indicating for each sector the annual growth rate for the nine-month period ended September 30, 2019, as compared to the same period in 2018.

Real Gross Domestic Product by Sector
(% change from prior period, chained volume indexes referenced to 2007)⁽³⁾

| | For the Nine-Month Period ended September 30, 2019⁽¹⁾ |
|--|---|
| Primary production: | |
| Agriculture, livestock, fishing and forestry | 4.2 |
| Mining | 3.9 |
| Total primary production | 4.1 |
| Secondary production: | |
| Manufacturing | |
| Traditional manufacturing | 2.6 |
| Free trade zones | (0.2) |
| Total manufacturing | 1.9 |
| Electricity, gas and water | 7.9 |
| Construction | 8.5 |
| Total secondary production | 4.9 |
| Services: | |
| Wholesale and retail trade | 3.4 |
| Hotels, bars and restaurants | 1.0 |
| Transportation | 5.2 |
| Communications | (5.8) |
| Financial services | 8.8 |
| Real estate | 5.0 |
| Public administration | 3.6 |
| Private education | 2.5 |
| Public education | 2.2 |
| Private health | 1.9 |
| Public health | 8.7 |
| Other services | 6.9 |
| Total GDP⁽²⁾ | 4.8 |

(1) Preliminary data.

(2) Includes taxes less subsidies.

(3) For additional information on this methodology please see “Defined Terms and Conventions—Certain Defined Terms—GDP.”

Source: Central Bank.

Based on preliminary figures published in the IMAE, the Dominican economy registered a 4.8% year-over-year expansion as measured by GDP during the nine-month period ended September 30, 2019. The main economic activities that supported this expansion were: (i) mining, which recorded growth of 3.9% compared to the same period in 2018, (ii) electricity, gas and water, which recorded growth of 7.9% compared to the same period in 2018, (iii) construction, which recorded growth of 8.5% compared to the same period in 2018, (iv) transportation, which recorded growth of 5.2% compared to the same period in 2018, (v) financial services, which recorded growth of 8.8% compared to the same period in 2018, (vi) real estate, which recorded growth of 5.0% compared to the same period in 2018, (vii) public health, which recorded growth of 8.7% compared to the same period in 2018, and (viii) other services, which recorded growth of 6.9% compared to the same period in 2018.

For the nine-month period ended September 30, 2019, the main economic activities as a share of GDP were construction (11.6% of GDP), manufacturing (10.6% of GDP), wholesale and retail trade (10.0% of GDP), transportation (8.5% of GDP), real estate (7.7% of GDP), hotels bars and restaurants (7.6% of GDP), education (5.3% of GDP) and agriculture (5.2% of GDP).

In the nine-month period ended September 30, 2019, the economy registered a 4.8% year-over-year expansion driven by the application of monetary easing measures aimed at boosting availability of credit, which resulted in an increase in consumption and private investment.

The Tourism Sector

During the second half of 2019, the tourism sector experienced the negative effects of a media campaign focused on a series of unfortunate events involving certain United States residents while visiting the Dominican Republic, which generated a high volume of trip cancellations, including inbound flights and hotel bookings.

As a result, the figures of non-resident arrivals to the country totaled 6,446,036 travelers in 2019, 122,852 less tourists than in the previous year. Non-resident Dominican arrivals experienced a year-on-year growth of 14.5%, contributing in part to offset the contraction of 4.6% recorded in non-resident foreigners' arrivals compared to 2018.

In the final months of 2019, the effects of such media campaign started to dissipate, reflecting a slower decline in non-resident arrivals than in the months closer to the events that generated the aforementioned campaign.

The Electricity Sector

For the nine-month period ended September 30, 2019, technical and non-technical losses in the electricity distribution network were estimated at 27.3%, as compared to 28.5% for the same period in 2018. This decrease in technical and non-technical losses was mainly due to network maintenance and rehabilitation projects that the Republic has been conducting over the past years, which have been funded by long-term financing from the World Bank, the Inter-American Development Bank ("IDB"), the Organization of Petroleum Exporting Countries ("OPEC"), Fund for International Development ("OFID"), and the European Investment Bank ("EIB"). See "The Economy—The Electricity Sector." During the nine-month period ended September 30, 2019 total loan disbursements by these institutions used for these projects amounted to US\$22.2 million.

In 2019, the electric sector continued to diversify the energy generation matrix to reduce costs. As of December 31, 2019, the energy generation matrix consisted of plants dependent on fuel oil, natural gas, coal, hydro and renewable resources, representing 39.4%, 16.0%, 21.6%, 12.6% and 10.4%, respectively, of the generation matrix.

During the nine-month period ended September 30, 2019, total expenditures on electricity increased 9.2% to US\$27.5 million as compared to the same period in 2018, mainly due to a 6.4% increase in the amount of electricity distributed by CDEEE's subsidiaries (measured in gigawatt hours) as a result of an increase in coverage and a 2.6% increase in average prices. As of September 30, 2019, the average price for import per barrel of oil into the Dominican Republic was US\$58.00.

During the nine-month period ended September 30, 2019, the electricity sector deficit was US\$615.7 million, representing an increase of 57.3% as compared to the deficit recorded during the same period in 2018, mainly due to the increase in electricity coverage mentioned above, payments due to generators and high non-technical losses. During the nine-month period ended September 30, 2019, the Central Government transferred US\$335.3 million to the electricity sector as a tariff subsidy (which subsidy was contemplated in the 2019 Budget) and to partially finance the current deficit of distribution companies ("EDEs"), representing an increase in subsidies of 11.9%, or US\$35.7 million, compared to the same period in 2018.

In December 2019, the Republic (i) issued US\$600.0 million in sovereign bonds in the domestic market, the proceeds of which were used to pay outstanding commercial debt of the government-owned EDEs (Edenorte, Edesur and Edeste) and (ii) entered into a US\$495.0 million long-term loan with local commercial banks to

refinance short-term debt held by EDEs. Further, EDEs were authorized to enter into a long-term facility with local commercial banks and financial intermediaries, the proceeds of which were used to pay amounts due to energy generators for energy bought during 2018. All three facilities were approved under the 2019 Budget, as revised, and are now part of the non-financial public sector debt and managed by the Government's public debt office.

Furthermore, to avoid accumulating arrears with electricity generators, the 2020 Budget allowed EDEs to enter into a DOP20.0 billion line of credit with local commercial banks to pay received energy on a timely basis and avoid accruing interest on arrears at higher rates. Any outstanding amounts due on such line of credit by December 31, 2020 will be converted into long-term debt of the Government by means of financing transactions that the Government will enter into to cancel the short-term debt owed by EDEs. The conversion of the outstanding amounts was also approved by the 2020 Budget.

Balance of Payments and Foreign Trade

Balance of Payments

Based on preliminary information, the current account recorded a deficit of US\$709.1 million during the nine-month period ended September 30, 2019, which represents a 50.6% increase compared to the US\$470.7 million deficit recorded in the same period in 2018. This deficit increase was mainly due to an increase in imports, as described below.

For the nine-month period ended September 30, 2019, total exports totaled US\$8.4 billion, which represents a 2.9% increase compared to the same period in 2018, mainly due to an increase in the export of minerals, particularly gold. For the nine-month period ended September 30, 2019, exports from free trade zones reached US\$4.7 billion, a 0.5% increase as compared to the same period in 2018.

For the nine-month period ended September 30, 2019, total imports totaled US\$15.2 billion, which represents a 2.1% increase as compared to the same period in 2018, mainly due to a 3.0% increase in non-oil imports.

The net borrowing balance of the financial account reached US\$1.9 billion as of September 30, 2019, which represents a 10.5% increase compared to the US\$1.7 billion balance as of September 30, 2018. This increase in the fiscal account balance was mainly due to the Republic's issuance of public debt securities in an aggregate principal amount of US\$2.5 billion in May 2019, and an increase in FDI inflows and foreign currency holdings and deposits.

In the nine-month period ended September 30, 2019, FDI inflows totaled US\$2.3 billion, which represents a 33.2% increase compared to the US\$1.7 billion inflows registered in the same period in 2018. The sectors that received most of FDI inflows were tourism (29.4% of total FDI), real estate (14.6% of total FDI), telecommunications (12.8% of total FDI) and wholesale and retail (10.8% of total FDI).

In the nine-month period ended September 30, 2019, the Republic observed a net inflow of US\$2.2 billion of portfolio investment, which represents a 14.2% decrease compared to the US\$2.6 billion net inflow recorded during the same period in 2018.

In the nine-month period ended September 30, 2019, remittances totaled US\$5.3 billion, which represents a 8.8% increase compared to the US\$4.9 billion registered in the same period in 2018.

The Central Bank's net international reserves increased 3.5% from US\$7.3 billion as of September 30, 2018 to US\$7.6 billion as of September 30, 2019.

As of September 30, 2019, the nominal DOP/US\$ exchange rate reached DOP52.25 per dollar, a depreciation of 3.9% compared to the last business day of 2018. As of December 31, 2019, the exchange rate was DOP52.90 per dollar.

The Monetary System

Monetary Policy

During the five-month period ended May 31, 2019, the Central Bank maintained the monetary policy rate (“MPR”) at 5.50% per annum. Between June and August 2019, in a context of moderate economic growth in a low inflationary environment, the Central Bank decreased the MPR by 100 basis points to 4.50% per annum. The interest rate corridor continued to be defined as the MPR plus or minus 150 basis points. See “The Monetary System—Monetary Policy.”

In the Dominican financial system, the weighted average annualized lending rate charged by commercial banks was 12.14% as of September 30, 2019, representing a decrease of 118 basis points from the rate recorded as of September 30, 2018. Additionally, annualized interest rates paid on peso deposits during the nine-month period ended September 30, 2019 decreased to 5.62%, representing a decrease of 138 basis points as compared to the same period in 2018.

Inflation and Credit Growth

For 2019, the Central Bank established a medium-term inflation target of 4.0%, within a range of plus or minus 1.0%. During the nine-month period ended September 30, 2019, annualized inflation was below the Central Bank’s target range, primarily due to lower energy prices as well as moderate demand-side pressures. However, inflation rate showed an upward trend towards the target range beginning in June 2019, as domestic demand recovered, reaching 2.02% on September 30, 2019. For more information on inflation, see “The Monetary System—Inflation.”

Credit to the private sector in pesos continued to expand during the nine-month period ended September 30, 2019, as a result of the continued expansion in economic activity. As of September 30, 2019 lending in pesos amounted to DOP936.3 billion (US\$17.9 billion), which represented an increase of DOP94.0 billion (US\$1.8 billion), or 11.2%, as compared to the same period in 2018. This increase provided resources to economic sectors such as manufacturing, as well as to finance home purchases and private consumption.

Financial Sector

As of September 30, 2019, the Dominican financial sector consisted of 50 operating financial institutions:

- 18 commercial banks (including BanReservas);
- 14 savings and credit banks;
- 10 savings and loan associations;
- 6 credit corporations; and
- 2 government-owned financial institutions (*Banco Nacional de las Exportaciones (BANDEX)* and *Banco Agrícola de la República Dominicana*).

Financial System and Reforms

As of September 30, 2019, the financial system had total assets of US\$35.8 billion, loans of US\$21.7 billion and total deposits of US\$28.6 billion, as compared to US\$34.2 billion, US\$20.8 billion and US\$27.0 billion, respectively, as of September 30, 2018. As of September 30, 2019, the capital adequacy ratio of the financial system as a whole was 17.2%, which is higher than the 10% minimum required pursuant to the Monetary and Financial Law, and the financial system had a capital surplus of US\$1,840.0 million, as compared to 17.7% and US\$1,810.1 million, respectively, as of September 30, 2018.

As of September 30, 2019, the financial system's loan portfolio consisted mainly of loans to individuals (27.9%), the housing sector (21.7%), wholesale & retail trade (16.3%), construction (6.4%) and manufacturing (6.3%).

As of September 30, 2019, the financial system had a non-performing loan ratio of 1.9%, and provisions that cover 151.1% of the loan portfolio due, as compared to 2.0% and 149.7%, respectively, as of September 30, 2018. Average return on equity (ROAE) of the financial system as a whole was 19.8% and return on average assets (ROAA) was 2.4% as of September 30, 2019, as compared to 20.2% and 2.4%, respectively, as of September 30, 2018. These indicators show the capacity of financial intermediation entities to generate income, maintain a competitive market position, as well as replenish and increase their assets.

On January 24, 2019, the Monetary Board issued its Third Resolution, approving the Regulation of External Audits (*Reglamento de Auditorías Externas*), which modifies the Regulation of External Auditors (*Reglamento de Auditores Externos*) issued by the First Resolution of August 5, 2004 and is based on international best practices issued by the International Auditing and Assurance Standards Board (IAASB), the recommendations of the Basel Committee on Banking Supervision in a document published in 2014, "External Audits in Banks", and the regulatory requirements issued by the Public Company Accounting Oversight Board (PCAOB), a private entity that supervises external auditors who provide their services for public companies in the United States.

On August 8, 2019, the Monetary Board issued its Fourth Resolution, approving the modification of the Foreign Exchange Regulation (*Reglamento Cambiario*), first issued by the Monetary Board on October 12, 2006. The proposal seeks to update the Foreign Exchange Regulation (*Reglamento Cambiario*) to regulate the functioning of the Central Bank's Electronic Trading Platform (*Plataforma Electrónica de Negociación de Divisas del Banco Central*). The proposal also adjusts the limits of foreign exchange positions, and implements a limit on the daily variation in such positions.

For a discussion of other reforms of the Financial System, see "The Monetary System—Supervision of the Financial System—Reforms of the Financial System."

Public Sector Finances

The 2020 National Budget Law (the "2020 Budget") includes further commitments to those set forth in the 2019 National Budget Law (the "2019 Budget") adopted in an effort to decrease the fiscal deficit as a percentage of GDP. The 2020 Budget contemplates a primary surplus for the Central Government of 0.8% of estimated GDP and an overall deficit for the Central Government of 2.2% of estimated GDP in 2020, with a 6.0% increase in tax collections as compared to the 2019 Budget (an additional 0.9% of estimated 2020 GDP). In addition, the 2020 Budget increases allocations to public education, public health and safety, and social programs. The 2020 Budget was prepared assuming an estimated price of US\$59.10 per barrel of West Texas Intermediate (WTI) oil in the international market.

The revenue estimates in the 2020 Budget are based on the continued implementation of measures by the *Dirección General de Impuestos Internos* ("Internal Revenue Agency") to increase awareness of tax evasion, reduce tax evasion, and ensure the proper use of tax incentives. In addition, the 2020 Budget includes other measures that are expected to increase government revenues, including: (i) extension of the electronic invoice pilot plan; (ii) a traceability project to combat fuel smuggling; (iii) application of Article 3 of Law No. 193-11 that establishes a 1% tax on the gross sales of casinos and other gambling operations; (iv) collection of the tax on digital services; and (v) revision of the tax system to comply with the actions included in the Organization for Economic Co-operation and Development's ("OECD") Base Erosion and Profit Shifting ("BEPS") Project.

The following table sets forth certain information regarding the Republic's fiscal accounts for the periods presented.

Fiscal Accounts⁽¹⁾
(in millions of US\$ and as a % of GDP, at current prices)

| | For the Nine-Month Period ended September 30, | | | | | | | |
|---|--|-------|-------------|-------|--------------------------|------------------|--------------------------|------------------|
| | 2019 Budget | | 2020 Budget | | 2018 ⁽¹⁾⁽²⁾ | | 2019 ⁽²⁾⁽³⁾ | |
| | US\$ | % | US\$ | % | US\$ | % ⁽⁴⁾ | US\$ | % ⁽⁵⁾ |
| Central Government | | | | | | | | |
| Total revenues | 13,167.7 | 15.9 | 13,963.4 | 15.2 | 9,101.0 | 10.6 | 9,712.8 | 10.9 |
| Tax revenues | 12,239.6 | 14.8 | 12,750.2 | 13.9 | 8,439.8 | 9.9 | 8,954.4 | 10.0 |
| Other revenues ⁽⁶⁾ | 928.1 | 1.1 | 1,213.2 | 1.3 | 661.3 | 0.7 | 758.4 | 0.9 |
| Grants | 55.3 | 0.1 | 55.9 | 0.1 | 6.0 | — | 12.1 | — |
| Total revenues and grants | 13,223.0 | 16.0 | 14,019.3 | 15.3 | 9,107.0 | 10.6 | 9,725.0 | 10.9 |
| Primary expenditures ⁽⁷⁾ ... | 11,835.4 | 14.3 | 13,291.6 | 14.5 | 7,979.4 | 9.3 | 9,502.7 | 10.7 |
| Wages and salaries | 3,572.4 | 4.3 | 3,899.5 | 4.2 | 2,638.2 | 3.1 | 2,761.6 | 3.1 |
| Goods and services | 1,881.9 | 2.3 | 2,062.1 | 2.2 | 1,002.9 | 1.2 | 1,175.6 | 1.3 |
| Current transfers | 4,051.6 | 4.9 | 4,757.1 | 5.2 | 2,707.5 | 3.2 | 3,088.4 | 3.5 |
| Of which: | | | | | | | | |
| to CDEEE | 550.4 | 0.7 | 455.6 | 0.5 | 269.6 | 0.3 | 321.6 | 0.4 |
| to Social Security | | | | | | | | |
| Payments..... | 708.5 | 0.9 | 809.4 | 0.9 | 501.6 | 0.6 | 548.5 | 0.6 |
| Capital expenditures | 2,329.4 | 2.8 | 2,572.8 | 2.8 | 1,400.1 | 1.6 | 1,465.7 | 1.6 |
| Statistical discrepancy ⁽⁸⁾ .. | — | — | — | — | 230.8 | 0.3 | 1,011.4 | 1.1 |
| Primary balance (deficit) .. | 1,386.8 | 1.7 | 726.8 | 0.8 | 1,127.6 | 1.3 | 114.8 | 0.1 |
| Interest payments | 2,834.2 | 3.4 | 2,785.2 | 3.0 | 1,905.6 | 2.2 | 1,756.5 | 2.0 |
| Foreign..... | 1,336.5 | 1.6 | 1,423.6 | 1.6 | 853.3 | 1.0 | 992.2 | 1.1 |
| Domestic ⁽⁹⁾ | 1,497.6 | 1.8 | 1,361.6 | 1.5 | 1,052.4 | 1.2 | 764.2 | 0.9 |
| Of which: | | | | | | | | |
| for Central Bank | | | | | | | | |
| recap | 579.3 | 0.7 | 551.0 | 0.6 | 350.3 | 0.4 | 216.4 | 0.2 |
| Total expenditures | 14,669.5 | 17.7 | 16,076.8 | 17.5 | 9,885.1 | 11.6 | 11,259.2 | 12.7 |
| Overall balance (deficit) .. | (1,447.4) | (1.7) | (2,058.5) | (2.2) | (778.0) | (0.9) | (1,534.2) | (1.7) |
| Overall balance rest of | | | | | | | | |
| NFPS ⁽¹⁰⁾ | — | — | — | — | (27.6) | — | (283.7) | (0.3) |
| Overall balance NFPS | (1,447.4) | (1.7) | (2,058.5) | (2.2) | (805.7) | (0.9) | (1,817.9) | (2.0) |
| Quasi-fiscal balance | (827.6) | (1.0) | (918.4) | (1.0) | (726.9) | (0.8) | (605.3) | (0.7) |
| Consolidated public | | | | | | | | |
| sector balance | (2,275.0) | (2.7) | (2,976.8) | (3.2) | (1,532.5) | (1.8) | (2,423.2) | (2.7) |
| GDP (at current prices) | 82,761.9 | | 91,836.3 | | 85,536.9 ⁽¹¹⁾ | | 88,952.8 ⁽¹²⁾ | |

(1) Includes additional resources that were previously approved in the 2017 National Budget Law and therefore do not require further approval from Congress, such as grants and decentralized institutions' revenues from government-owned entities, as well as additional resources approved in standard revisions to the 2018 Budget.

(2) Preliminary data.

(3) GDP results for the nine-months period ended September 30, 2019 were revised during the year by the National Accounts Department of the Central Bank.

(4) Percentage relates to total amount as of September 30, 2018 in terms of annual GDP.

(5) Percentage relates to total amount as of September 30, 2019 in terms of annual GDP.

(6) Includes non-tax revenues, social security contributions and capital revenues.

(7) Including the "Statistical Discrepancy" (difference between the overall balance and overall financing).

(8) Difference between financing below the line and the overall fiscal balance registered above the line.

(9) Includes interest payments on Central Bank recapitalization bonds and direct transfers for that purpose according to Law No. 167-07.

(10) Includes electricity distribution companies (CDEEE, Egehid, ETED, EdeNorte, EdeSur and EdeEste).

(11) Data corresponds to annual information for the year ended December 31, 2018.

(12) Data corresponds to estimated annual information for 2019.

Sources: 2019 Budget, 2020 Budget and Central Bank.

Principal Budgetary Assumptions for 2020

| | |
|--|------------------------|
| Projected real GDP growth rate | 5.00% |
| Projected annual inflation rate | 4.00% |
| Projected annual exchange rate..... | DOP53.56 per dollar |
| Projected annual WTI oil price..... | US\$59.10 per barrel |
| Projected annual price of gold | US\$1,390.80 per ounce |
| Projected external financing sources (including proceeds from this offering) | US\$2,987.2 million |
| Projected domestic financing sources..... | US\$1,611.6 million |

Source: 2020 Budget and its complementary documents. These assumptions are made by the Republic only for planning purposes for the 2020 Budget. Actual results may be materially different.

As of September 30, 2019, total Central Government revenues (including grants) amounted to US\$9.7 billion (10.9% of GDP estimated in the 2019 Budget, as revised), representing 73.5% of projected total revenues and grants for 2019, as set forth in the 2019 Budget. This result includes the collection of US\$100.1 million, arising primarily from taxes on capital gains in the financial sector, excise taxes on the sale of alcoholic beverages and taxes on dividends in the telecommunications sector. As of September 30, 2019, primary expenditures amounted to US\$9.5 billion (10.7% of GDP estimated in the 2019 Budget, as revised), representing 80.3% of annual primary expenditures in the 2019 Budget. During the nine-month period ended September 30, 2019, total expenditures amounted to US\$11.3 billion (12.7% of GDP estimated in the 2019 Budget, as revised), representing 76.8% of the total annual expenditures set forth in the 2019 Budget. Consumption expenditures increased 8.1% during the period, while capital expenditures increased 4.7% and current transfers increased 14.1%, in each case as compared to the same period in 2018.

Public Sector Debt

On June 5, 2019, the Republic issued (i) DOP50.5 billion principal amount of its 9.750% Bonds due 2026, which accrue interest at a rate of 9.750% per year, payable semi-annually in arrears in U.S. dollars, and (ii) US\$1.5 billion principal amount of its 6.400% bonds due 2049, which accrue interest at a rate of 6.400% per year, payable semi-annually in arrears in dollars.

As of September 30, 2019, the principal amount of consolidated public sector debt represented 49.2% of GDP estimated in the 2019 Budget, as revised. As of September 30, 2019, the principal amount of financial public sector debt represented 13.6% of GDP estimated in the 2019 Budget, as revised, and non-financial public sector debt outstanding represented 38.5% of GDP estimated in the 2019 Budget, as revised (net of intragovernmental debt, representing 2.9% of GDP estimated in the 2019 Budget).

As of September 30, 2019, the Republic's public sector external debt totaled US\$23.4 billion, representing 26.3% of GDP estimated in the 2019 Budget, as revised, compared to US\$21.7 billion as of September 30, 2018. As of September 30, 2019, the Republic's public sector external debt was composed of the following:

- outstanding bonds in an aggregate principal amount of US\$16.5 billion (as compared to US\$14.6 billion as of September 30, 2018), which represented 70.7% of the Republic's total public external debt at that date;
- debt owed to official, multilateral and bilateral creditors in an aggregate principal amount of US\$6.8 billion (as compared to US\$6.8 billion as of September 30, 2018), which represented 29.1% of the Republic's total public external debt at that date; and
- debt owed to other private creditors in an aggregate principal of US\$56.8 million (as compared to US\$233.0 million as of September 30, 2018), which represented 0.2% of the Republic's total public external debt at that date.

As of September 30, 2019, the Republic's net domestic debt totaled US\$20.4 billion, representing 22.9% of GDP estimated in the 2019 Budget, as revised, compared to US\$19.0 billion as of September 30, 2018. As of September 30, 2019, the Republic's public sector domestic debt was primarily composed of the following:

- the equivalent of US\$191.9 million outstanding principal amount of loans due to commercial banks by the Central Government (as compared to US\$153.7 million as of September 30, 2018), representing 0.8% of total domestic debt outstanding at that date, of which the equivalent of US\$18.5 million consists of a credit facility granted by the Central Bank to the Government for the financing of natural disaster emergencies, which is considered intra-governmental debt and, thus, is deducted for purposes of calculating total net domestic debt outstanding;
- the equivalent of US\$10.4 billion outstanding principal amount of bonds issued by the Central Government in the local market denominated in pesos and U.S. dollars (as compared to US\$9.6 billion as of September 30, 2018), representing 45.3% of total domestic debt outstanding at that date, of which the equivalent of US\$2.6 billion were used for the recapitalization of the Central Bank (as compared to US\$2.7 billion as of September 30, 2018), which is considered intra-governmental debt, and, thus, is deducted for purposes of calculating total net domestic debt outstanding;
- the equivalent of US\$571.9 million outstanding principal amount of loans due to commercial banks by other public sector institutions (as compared to US\$418.4 million as of September 30, 2018) representing 2.5% of total domestic debt outstanding at that date; and
- the equivalent of US\$11.8 billion outstanding principal amount in certificates issued by the Central Bank (as compared to US\$11.6 billion as of September 30, 2018) representing 51.4% of total domestic debt outstanding at that date.

As of September 30, 2019, non-financial public sector external debt represented 26.0% of 2019 estimated GDP, as revised, while domestic debt represented 12.5% of 2019 estimated GDP, as revised, compared to 25.2% and 12.4% of 2018 GDP, respectively, as of December 31, 2018. As of September 30, 2019, the average time to maturity of the non-financial public sector was 10.2 years, compared to 9.2 years as of December 31, 2018. The Government has reduced the exposure to interest rates volatility decreasing the percentage of variable rate debt from 12.8% in 2018 to 11.5% as of September, 2019. The average interest rate of the debt decreased from 7.6% to 7.5%.

Other Developments

In December 2018, a group of Dominican citizens challenged the constitutionality of the 2019 National Budget Law before the *Tribunal Constitucional* (Constitutional Court) alleging a lack of compliance with certain procedural requirements for approval by Congress of such law. In January 2019, the same plaintiffs filed a similar action against Law No. 64-18, which authorizes the executive branch to issue public debt securities. On May 21, 2019, the Constitutional Court issued a judgment rejecting the challenge to Law No. 64-18, declaring that such law is valid under the Dominican Constitution. On May 21, 2019, the Constitutional Court resolved to reject the challenge to the 2019 National Budget Law and declared the law valid under the Dominican Constitution.

In January 2020, the same group of Dominican citizens that challenged the constitutionality of the 2019 National Budget Law and 2019 Bond Law went again before the Tribunal Constitucional (Constitutional Court) and filed a challenge against the 2020 National Budget Law and Law No. 512-19 (which authorizes the executive branch to issue public debt securities during 2020), on similar grounds as the prior challenge (i.e., alleged lack of compliance with certain procedural requirements for approval by Congress of such laws). The prior 2019 challenges were decided on May 21, 2019 and the Constitutional Court issued two judgments rejecting the challenge and declaring that such laws are valid under the Dominican Constitution. As of the date of this offering memorandum, the Constitutional Court had not yet set a date for hearing arguments in this new case.

On January 7, 2019, the Republic's Ministry of Finance announced that it had selected, through a competitive process, Guggenheim Securities to serve as an advisory firm in the design of a potential bid for the sale of shares of the Punta Catalina Thermal Power Plant. The process design includes the elaboration of strategies for the sale of shares to a high level partner, design of the bidding mechanism, analysis of the potential purchase offers, advice for the negotiation of the corporate and financial aspects of the potential sale, and recommendations regarding the corporate governance of the Thermal Power Plant after the sale of shares, among others.

On February 20, 2019, Law No. 17-19 for the eradication of illegal trade, smuggling and counterfeiting of regulated products, was enacted as part of ongoing efforts by the Internal Revenue Agency through a comprehensive strategy with administrative and technological changes and inter-institutional initiatives to combat tax non-compliance and smuggling of products such as alcohol, cigarettes and fuels.

On February 20, 2019, Congress ratified the Convention on Mutual Administrative Assistance in Fiscal Matters (*Convención sobre Asistencia Administrativa Mutua en Materia Fiscal*), and approved by Resolution No. 18-19, which was developed jointly by the OECD and the Council of Europe, and amended by Protocol in 2010. This Convention represents the most comprehensive multilateral instrument available for all forms of tax cooperation to tackle tax evasion and avoidance.

In addition, in February 2019, the Internal Revenue Agency initiated a pilot plan to implement the “Electronic Invoice”, with the participation of 11 companies representing various sectors of the national economy. As of September 30, 2019, a total of 258,875 electronic invoices have been issued relating to transactions undertaken between taxpayers participating in the pilot plan.

On April 8, 2019, the Internal Revenue Agency issued General Standard No. 05-2019 which regulates the use of special fiscal invoices, as per Article 5 of Decree No. 254-06 that establishes the Regulation for the Printing, Issuance and Delivery of Fiscal Invoices. Among other things, this general standard creates new fiscal invoices including those relating to payments abroad, exports and electronic invoices.

On June 5, 2019, the Executive Board of the IMF concluded the Article IV consultation with the Republic. The IMF staff concluded that the Republic’s economic activity has seen moderate growth, aided by, among other factors, strong private investment, consumption responses to timely monetary stimulus initiatives and favorable external conditions. Additionally, the IMF Executive Directors supported the Monetary Board’s continued neutral monetary policy stance and accumulation of international reserves. The 2019 Article IV Consultation—Press Release and Staff Report (IMF Country Report No. 19/273) was published on August 15, 2019.

On August 1, 2019, the Government established a Simplified Tax Regime (*Régimen Simplificado de Tributación* or “STR”), replacing the Simplified Tax Procedure (*Procedimiento Simplificado de Tributación*) implemented in 2008. The STR may be used by either: (i) taxpayers (natural persons or legal entities) whose annual gross income does not exceed DOP8.7 million each fiscal year and that reside in the Republic, provided that they are (a) service providers or in the agricultural sector, or (b) legal entities which are producers of goods, and (ii) by merchants (either natural persons or legal entities) whose purchases and imports do not exceed DOP40.0 million each fiscal year. This procedure (i) exempts taxpayers from submitting monthly purchase and sale forms and from paying income tax advances or taxes on assets related to their economic activity, (ii) simplifies taxpayers’ annual declaration form for VAT and income tax, and (iii) allows taxpayers to set up automatic payments for income tax payment installments.

On November 12, 2019, the Global Forum on Transparency and Exchange of Information for Tax Purposes rated the Republic as “Largely Compliant” with the international standard of transparency and exchange of information on requests handled over the period from April 1, 2015 to March 31, 2018. The rating is the result of efforts made by the Ministry of Finance and the Internal Revenue Agency in addressing the deficiencies identified in a report published in 2016, most importantly by phasing out bearer shares, putting in place an effective oversight system for entities that failed to register with the Internal Revenue Agency and a new procedure to timely access banking information. The Republic has also strengthened its Anti-Money Laundering framework in order to ensure that beneficial ownership information is available in line with the standard.

Since 2019, the Dominican Republic has served as Vice-chair of The Inter-American Committee against Terrorism, a regional entity with the purpose of preventing and combating terrorism in the Americas.

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 description of the bonds, see “Description of the Bonds.”

| | |
|--------------------------------|---|
| Issuer | The Dominican Republic. |
| Securities Offered | US\$1,000,000,000 aggregate principal amount of 4.500% bonds due 2030. US\$1,500,000,000 aggregate principal amount of 5.875% bonds due 2060. |
| Issue Price of the Bonds | 99.206%, plus accrued interest, if any, from January 30, 2020, with respect to the 2030 bonds. 98.860%, plus accrued interest, if any, from January 30, 2020, with respect to the 2060 bonds. |
| Final Maturity Date | January 30, 2030, with respect to the 2030 bonds, unless earlier redeemed in accordance with the terms of the bonds. January 30, 2060, with respect to the 2060 bonds, unless earlier redeemed in accordance with the terms of the bonds. |
| Principal..... | The Republic will make payment of principal on the bonds on the relevant final maturity date. |
| Interest Rate..... | Interest on the 2030 bonds will accrue from January 30, 2020, on the outstanding principal amount of the 2030 bonds, at a rate of 4.500% per year. Interest on the 2060 bonds will accrue from January 30, 2020, on the outstanding principal amount of the 2060 bonds, at a rate of 5.875% per year. |
| Interest Payment Dates | Each January 30 and July 30, commencing on July 30, 2020. |
| 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 Euroclear and Clearstream Banking). 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.” Any bonds sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act will be in fully registered form, without interest coupons attached, only in minimum denominations of US\$150,000 and in integral multiples of US\$1,000 in excess thereof. Any bonds sold pursuant to Rule 144A under the Securities Act will be issued in fully registered form in denominations of US\$150,000 and integral multiples of US\$1,000 in excess thereof. |

| | |
|---|---|
| Sinking Fund | The bonds will not have the benefit of any sinking fund. |
| Optional Redemption..... | <p>We may redeem the bonds, in whole or in part, at any time by paying the greater of the outstanding principal amount of the bonds and a “make-whole” amount calculated by the Republic, in each case, plus accrued and unpaid interest to the redemption date.</p> <p>See “Description of the Bonds—Optional Redemption.”</p> |
| Status | The bonds will be direct, general, unconditional and unsubordinated Public External Debt of the Republic for which the full faith and credit of the Republic is pledged. The bonds rank and will rank without any preference among themselves and equally with all other unsubordinated Public External Debt of the Republic. It is understood that this provision shall not be construed so as to require the Republic to make payments under the bonds ratably with payments being made under any Public External Debt of the Republic. See “Description of the Bonds—Status.” |
| Covenants | <p>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.”</p> <p>The Republic has agreed to comply with several other covenants as described under “Description of the Bonds.”</p> |
| Listing..... | Application will be made to list the bonds on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market. |
| Transfer Restrictions; Absence of a Public Market for the Bonds | The bonds have not been and will not be registered under the Securities Act 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, the initial purchasers are not obligated to do so, and any market making with respect to the bonds may be discontinued without notice. |
| Risk Factors | An investment in the bonds involves a high degree of risk. Before deciding to purchase the bonds, you should read carefully all the information contained in this offering memorandum, including, in particular, the “Risk Factors” section beginning on page 16 of this offering memorandum. |
| Taxation..... | 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 due on the bonds to bondholders. See “Description of the Bonds—Additional Amounts” and “Taxation” |

for important information regarding possible tax consequences to holders of the bonds.

| | |
|---|--|
| Trustee, Principal Paying Agent, Transfer Agent and Registrar | The Bank of New York Mellon |
| Luxembourg Listing Agent and Paying Agent | The Bank of New York Mellon SA/NV, Luxembourg Branch |
| Governing Law | State of New York |

RISK FACTORS

An investment in the bonds involves a high degree of risk. Before deciding to purchase the bonds, you should read carefully all of the information contained in this offering memorandum, including in particular, the following risk factors. We believe the following risks and uncertainties may adversely affect the market value of the bonds or our ability to fulfill our obligations under the bonds. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not currently known to us or that we currently do not believe are material may also adversely affect us.

Risks Relating to the Republic

The Dominican economy may contract in the future, which could have a material adverse effect on public finances and on the market price of the bonds.

Economic growth depends on a variety of factors, including, among others, international demand for Dominican exports and services (mainly tourism), the stability and competitiveness of the peso against foreign currencies, confidence among Dominican consumers and foreign and domestic investors and their rates of investment in the Republic, the willingness and ability of businesses to engage in new capital spending and the rate of inflation. Some of these factors are outside the Republic's control. An economic contraction could result in a material decrease in the Republic's revenues, which in turn would materially and adversely affect the ability of the Republic to service its public debt, including the bonds.

From 2014 to 2018, the Dominican economy experienced an annual average GDP growth rate of approximately 6.5%. However, the Republic cannot offer any assurance that the Dominican economy will continue to grow in the future.

The Republic may be unable to obtain financing on satisfactory terms in the future, which could adversely affect its ability to service its public debt, including the bonds.

The Republic is currently implementing public sector reforms aimed at improving the efficiency of the Internal Revenue Agency and increasing tax revenues generally. See "Recent Developments—Monetary System—Inflation and Credit Growth" and "Public Sector Finances—Tax Regime." Notwithstanding the foregoing, the Republic's future fiscal results (*i.e.*, tax receipts excluding interest payments on the Republic's public debt) may be insufficient to meet its debt service obligations and it may have to rely in part on additional financing from domestic and international capital markets in order to meet future debt service obligations. In the future, the Republic may not be able or willing to access international or domestic capital markets, and the Republic's ability to service the Republic's public debt, including the bonds, may be adversely affected.

The Republic relies on multilateral lenders for financing certain projects and to finance budget shortfalls, including the IDB and the World Bank. The IDB was the Republic's largest single lender as of December 31, 2018. In certain cases, disbursements under these financing arrangements are subject to compliance by the Republic with specific fiscal, performance and other targets. Failure to comply with these undertakings may result in the suspension of disbursements under such financing arrangements with bilateral and multilateral lenders, which may materially affect the Republic's economic condition and access to sources of financing. See "Public Sector Debt—External Debt—Debt Owed to Official Institutions."

A significant decrease in remittances from Dominicans living abroad may adversely affect the ability of the Republic to service its external debt, including the bonds.

Remittances from Dominicans living abroad are a significant source of foreign exchange to the Republic, providing a portion of the foreign currency required to purchase imports and service external debt, and are a significant source of net transfers to the Republic's current account. Since 2014, Central Bank remittance data is published using a reporting system which increased coverage for data from 2010 onwards. With this data, remittances totaled US\$4.6 billion in 2014, US\$5.0 billion in 2015, US\$5.3 billion in 2016, US\$5.9 billion in 2017 and US\$6.5 billion in 2018. The majority of remittances to the Republic originate in the United States. According to

the Central Bank's estimates for 2018, the United States and Spain represented 77.4% and 10.6% of total remittances to the Republic, respectively. There can be no assurance that the level of remittances to the Republic will not decrease significantly in the future as a result of a reduction in the number of Dominicans abroad, contraction in the source markets, or for any other reason. A significant decrease in remittances may lead to depreciation of the peso and negatively affect the ability of the Republic to meet its external debt obligations, including the bonds.

Volatility in the exchange rate between pesos and the U.S. dollar may adversely affect the Dominican Republic's economy and its inflation levels, which could adversely affect the country's ability to service its public debt.

Exchange rate volatility is a matter of concern for economic agents, mainly because of its pass-through effects on domestic prices. The peso has depreciated in the past and may depreciate significantly in the future. As a result, exchange rate depreciation may increase the Republic's cost of servicing its debt obligations denominated in foreign currency. Exchange rate appreciation may increase the cost of Dominican exports, which could reduce the country's ability to receive foreign currency, thus adversely affecting the ability of the Dominican Republic to service its public debt.

In order to mitigate the unfavorable effects of exchange rate volatility, the Central Bank intervenes from time to time in the foreign exchange market to achieve the Government's monetary policy and to avoid excessive volatility in the prevailing exchange rate. The Central Bank has an exchange market intervention framework that aims to keep the exchange rate level around its long-term equilibrium value, consistent with the fundamentals of the Republic's economy and its inflation targeting scheme. There can be no assurance, however, that these measures will be sufficient to prevent or manage exchange rate volatility.

The Dominican economy is vulnerable to external shocks, which could have a material adverse effect on economic growth and the Republic's ability to make payments on its debt, including the bonds.

A decline in the economic growth of any of the Republic's major trading partners, especially the United States, could have a material adverse effect on the Republic's balance of trade and adversely affect the Republic's economic growth. As of the date of this offering memorandum, the United States is the Republic's largest export market. The decline in demand for Dominican imports in the United States may have a material adverse effect on exports and the Republic's economic growth. In addition, because international investors' reactions to the events occurring in one emerging market economy sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, the Republic could be adversely affected by negative economic or financial developments in other emerging market countries. Furthermore, the recession in the United States between 2007 and 2009 resulted in declines in tourism and foreign direct investment, which are important factors in the Republic's economy. Economic conditions in the Republic may also be affected by political developments in the United States. The Republic cannot assure you that events affecting other countries or markets will not have a material adverse effect on the Republic's growth and its ability to service its public debt, including the bonds.

The Republic relies heavily on foreign oil and oil products supplies, which may be disrupted or experience an increase in cost in the future.

The Republic is dependent on oil imports to satisfy domestic energy consumption. The 2020 Budget was prepared assuming an estimated price of US\$59.10 per barrel of oil in the international market. The average price for import per barrel of oil into the Dominican Republic was US\$88.92 during 2014, US\$51.79 during 2015, US\$43.05 during 2016, US\$55.26 during 2017, US\$68.89 during 2018 and US\$63.20 as of September 30, 2019. Any disruption in oil supply or increases in the cost of crude oil resulting, for example, from political or social instability or armed conflict in oil-producing states, such as Venezuela and countries in the Middle East, may have a material adverse effect on the Dominican economy and the achievability of the 2020 Budget and could adversely affect the Republic's ability to service its public debt generally, including the bonds.

A significant rise in interest rates in developed economies such as the United States could have a material adverse effect on the economies of the Dominican Republic's trading partners and adversely affect Dominican economic growth and the ability of the Republic to service its public debt, including the bonds.

If interest rates increase significantly in developed economies, including the United States, the Republic's trading partners could find it more difficult and expensive to borrow capital and refinance existing debt, which could adversely affect economic growth in those countries. Decreased growth on the part of the Republic's trading partners could have a material adverse effect on the markets for Dominican exports and, in turn, adversely affect the Dominican economy. An increase in interest rates in developed economies would also increase the Republic's debt service requirements with respect to its debt obligations that accrue interest at floating rates and would increase the rate that the Republic pays on its new borrowings in foreign currencies, including the U.S. dollar, which could adversely affect the ability of the Republic to service its public debt generally, including the bonds.

The deficit crisis in the electricity sector could have a material adverse impact on the Republic's economic growth and, ultimately, on the Republic's ability to service its public debt, including the bonds.

Electricity generators and distributors in the Republic have been beset by financial problems that have resulted in frequent blackouts, widespread public protests and several temporary and permanent shutdowns of generating facilities. Distributors, which have experienced financial difficulties because of late payments and collection problems, have been unable to meet all of their payment obligations to generators, which have consequently incurred significant debt to finance operations.

The Government coordinates the generation, transmission and distribution of energy primarily through the *Corporación Dominicana de Empresas Eléctricas Estatales* (Dominican Corporation of State-Owned Electric Entities or "CDEEE"). From 2014 to 2018, the Government has provided annual subsidies to CDEEE to cover operating deficits resulting from increases in fuel costs and continued inefficiencies in collections and operations.

The deficit for the electricity sector was US\$889.1 million in 2014, primarily due to high technical and non-technical losses in the electricity distribution network, increased fuel costs, inefficiencies in collections and operations, and increased energy demand. During 2015, the deficit for the electricity sector was US\$471.7 million, compared to US\$265.9 million in 2016, and US\$301.8 million in 2017. The decreases in the recorded deficits for 2015 and 2016 were primarily due to lower fuel costs during 2015 and the first half of 2016. During 2017, the deficit for the electricity sector was US\$301.8 million, representing an increase of 11.9% compared to the deficit recorded in 2016, mainly due to an increase in international oil prices. During 2018, the deficit for the electricity sector was US\$643.6 million, representing an increase of 113.2% compared to the deficit recorded in 2017, mainly due to an increase in international oil prices and the fact that the AES Andres power plant was inoperative during most part of the year due to damage caused by lightning. For more information, see "The Economy—Principal Sectors of the Economy—Secondary Production—Electricity, Gas and Water—Electricity" and "The Economy—Secondary Production—Punta Catalina Thermal Power Plant."

Continued deficits in the electricity sector could have a material adverse impact on the Republic's economic growth and, ultimately, on the Republic's ability to service its public debt, including the bonds

Decreases in the market price for commodities, particularly gold and silver, could have a material adverse effect on the Dominican Republic's economy and adversely affect the ability of the Republic to service its public debt, including the bonds.

The Dominican Republic's economy is exposed to commodity price volatility, especially with regards to gold and silver, which accounted for 16.5%, 13.5%, 16.7%, 15.2% and 13.4% of total exports in 2014, 2015, 2016, 2017 and 2018, respectively. For example, the increase in gold exports in recent years is principally due to the operations of the Pueblo Viejo gold mine. A significant drop in the price of commodities, such as gold and silver, or the interruption of production of mines, could have a material adverse effect on the Dominican Republic's economy and adversely affect the ability of the Republic to service its public debt, including the bonds.

Stability and growth in the Dominican Republic may be adversely affected if the level of unemployment does not decline.

The Republic has experienced high rates of unemployment in the past. According to the National Work Force Survey, open unemployment stood at 8.3%, 7.3%, 7.1% , 5.5% and 5.6% in 2014, 2015, 2016, 2017 and 2018, respectively. This percentage has varied moderately during the previous years. Increases in the rate of unemployment or any failure to reduce unemployment may have negative effects on the Republic's economy and, as a result, a material adverse effect on the Republic's ability to service its public debt, including the bonds.

Any revision to the Republic's official financial or economic data resulting from any subsequent review of such data by the Central Bank or other government entities could have a material adverse effect on the Republic's ability to service its public debt, including the bonds.

Certain financial and other information presented in this offering memorandum may subsequently be materially adjusted or revised to reflect new or more accurate data as a result of the periodic review of the Republic's official financial and economic statistics. Such revisions could reveal that the Republic's economic and financial conditions as of any particular date are materially different from those described in this offering memorandum. The Republic can offer no assurance that such adjustments or revisions will not have a material adverse effect on the interests of the Republic's creditors, including any purchasers of the bonds pursuant to this offer.

Future political support for the Government's economic reform program, including servicing of the external debt, is not assured.

The Medina administration's party, the *Partido de la Liberación Dominicana*, currently controls a majority in both houses of Congress. However, future changes in the political environment and commodities prices may lead to a shift in economic policy and a reduction in the proportion of the Government's budget devoted to debt service or have other adverse effects on the Republic's ability to meet its debt obligations in the future, including the bonds.

Corruption activity may hinder the growth of the Dominican economy, and ongoing high profile corruption investigations in the Republic may affect the perception of the Republic and its ability to access financing in the international markets.

The Republic, like other countries in Latin America, has experienced allegations and/or cases of corruption involving members of the Government and other public officials which may have a negative effect on the Republic's reputation and ability to attract foreign investment and international financing, which, in turn, could affect the Republic's economic growth.

As of the date of this offering memorandum, the Dominican judicial system has several high-profile corruption cases relating to the activities of certain Brazilian companies in the energy, infrastructure and transportation sectors, which follow similar investigations conducted by Brazilian and U.S. authorities responsible for corruption and related investigations. Amongst other matters, there are ongoing proceedings in the Dominican judicial system against (i) six individuals in connection with corruption allegations made with respect to Odebrecht S.A. ("Odebrecht"), a prominent Brazilian construction company that was awarded a significant number of public works contracts in the Republic (including as a member of the consortium that was awarded the contract to construct the Punta Catalina Thermal Power Plant), and (ii) Embraer S.A. ("Embraer"), a Brazilian aerospace conglomerate that produces commercial, military, executive and agricultural aircraft that was awarded a military supply contract in the Republic, along with other individuals and legal entities. For further details on, and the current status of, these investigations, see "The Dominican Republic—History, Government and Political Parties—Government."

The outcome of such judicial proceedings, or any other potential high-profile corruption proceeding, and the potential adverse impact on the ability of the relevant companies involved to comply with their obligations to the Government is uncertain. The Republic cannot predict how long these, or other corruption investigations may continue, whether these investigations will have negative effects or whether new allegations against Government officials or other companies with operations in the Republic will arise in the future.

Allegations of or concerns about corruption activity, or actual or alleged violations of applicable anti-corruption, anti-bribery or similar laws and policies by governmental authorities, could materially and adversely impact the Republic's reputation, ability to attract foreign investment and access international financing, any or all of which could have a material and adverse effect on the Republic's economic growth and its ability to make payments on its debt, including the bonds.

Extreme weather conditions and natural disasters could adversely affect the Republic and its financial condition.

The Republic is located on an island in the Caribbean region, which may be affected by meteorological events and extreme weather conditions from time to time. The location of the Republic often puts it in the path of hurricanes and tropical storms that sweep the region typically between the months of June and November, which have the potential to cause extensive physical and economic damage. The Republic is also located in a geographical area that has experienced earthquakes, such as the January 2020 earthquakes that affected Puerto Rico. A meteorological catastrophe, other extreme weather event or other natural disaster could, among other things, limit access to, damage or destroy one or more of the Republic's properties or parts of its infrastructure, including roads and bridges. A catastrophe or other extreme weather event may also result in disruption to the local economy, and may cause labor, fuel and other resource shortages.

Risks Relating to the Bonds

The Republic is a sovereign state and it may be difficult to obtain or enforce judgments against it.

The Republic is a sovereign state. Consequently, while the Republic has irrevocably submitted to the jurisdiction of U.S. state or federal courts sitting in the Borough of Manhattan, The City of New York, with respect to the bonds, which are governed by New York law, it may be difficult for holders of the bonds or the trustee to obtain or enforce judgments with respect to the bonds from courts in the United States or elsewhere against the Republic. No treaty currently exists between the United States and the Dominican Republic providing for reciprocal enforcement of foreign judgments.

Additionally, while the Republic has, to the fullest extent permitted under applicable law, including the U.S. Foreign Sovereign Immunities Act of 1976 and including the limitation mandated by the Constitution of the Dominican Republic which submits to Dominican law and Dominican courts all agreements executed between the Dominican Government and foreign entities or individuals domiciled in the Dominican Republic, irrevocably waived sovereign or other immunity from jurisdiction with respect to any suit, action or proceeding arising from 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), there are important exceptions to this waiver. It may not be possible to enforce in the Republic a judgment based on such a U.S. judgment. In addition, 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 "Description of the Bonds—Submission to Jurisdiction."

Moreover, 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 of 1976, 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. See "Enforceability of Civil Liabilities."

There is no assurance that a trading market for the bonds will be established, and the price at which the bonds will trade in the secondary market is uncertain.

The bonds will be a new issue of securities with no established trading market. The Republic does not know the extent to which investor interest will support an active trading market for the bonds or how liquid that market may become. If the bonds are traded after their initial issuance, they may trade at a price lower than their principal amount, depending upon prevailing interest rates, the market for similar securities and general economic conditions in the United States, the Dominican Republic and elsewhere.

The Republic will submit an application to list the bonds on the Official List of the Luxembourg Stock Exchange to trade them on the Euro MTF Market. The bonds cannot be traded on the Euro MTF Market until such time as the application is approved. The Republic cannot assure you that a trading market for the bonds will develop or be maintained or that the price at which the bonds will trade in the secondary market will be sustainable. If an active market for the bonds fails to develop or continue, this failure could harm the trading price of the bonds.

The ability of holders to transfer bonds in the United States and certain other jurisdictions will be limited.

The bonds have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction and, therefore, may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. These exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A. For a discussion of restrictions on resale and transfer, see “Transfer Restrictions” and “Plan of Distribution.”

Any investment in securities of a sovereign issuer in an emerging market involves significant risks.

The Dominican Republic is an emerging market economy and investing in securities of emerging market issuers generally involves risks, including, among others, political, social and economic instability that may affect economic and fiscal results. Instability in the Dominican Republic and in other Latin American and emerging market countries has been caused by many different factors, including, among others, the following:

- high interest rates in the United States and financial markets of the Republic;
- devaluation or depreciation of the currency;
- inflation;
- changes in governmental economic, tax or other policies;
- the imposition of trade barriers;
- fluctuations in international fuel prices;
- the impact of hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy;
- internal security issues relating to crime; and
- dependence on remittances and tourism.

Any of these factors, as well as volatility in the markets for securities similar to the bonds, may adversely affect the liquidity of, and trading market for, the bonds.

There can be no assurance that any crises such as those described above or similar events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Dominican Republic. In addition, there can be no assurance that these events will not adversely affect the Dominican economy, its ability to raise capital in the external debt markets in the future or its ability to service its public debt.

The bonds will contain provisions that permit the Republic to amend the payment terms of the bonds without the consent of all holders.

The bonds will contain provisions regarding voting on amendments, modifications and waivers which are commonly referred to as “collective action clauses.” Under these provisions, certain key terms of the bonds may be amended, including the maturity date, interest rate and other payment terms, without your consent. See “Description of the Bonds—Meetings, Amendments and Waivers.”

USE OF PROCEEDS

The Republic estimates that, after deducting fees, commissions and estimated expenses payable by the Republic, the net proceeds from the sale of the bonds will be approximately US\$2,470.3 million.

The Republic intends to use the net proceeds from the sale of the bonds for general purposes of the Government of the Republic, including the partial financing of the 2020 Budget.

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 1,288-kilometer coastline and a 360-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, San Pedro de Macorís, La Romana and Puerto Plata.

The Dominican Republic has a tropical maritime climate, with average annual temperatures of about 78 degrees Fahrenheit (equivalent to approximately 26 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. The occurrence of a major hurricane, and the threat of future hurricanes in the region, could adversely affect the Dominican economy.

The Dominican Republic's population of approximately 10.3 million is multi-racial and multi-cultural, with a predominant Spanish cultural influence. Slightly more than one quarter of the population resides in rural areas. According to the national census conducted in 2010, the population grew at an estimated average annual rate of 1.5% in the period from 2000 to 2010. The Dominican Republic's adult literacy rate is approximately 93.8%. 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 31 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.

The World Bank classifies the Dominican Republic as an upper middle-income developing country. The following table sets forth comparative GDP figures and selected other comparative statistics of the countries listed.

| | Dominican Republic | Jamaica | Guatemala | El Salvador | Panama | Colombia | Costa Rica | Mexico | United States |
|--|---------------------------|----------------|------------------|--------------------|---------------|-----------------|-------------------|---------------|----------------------|
| Per capita GDP (PPP) ⁽¹⁾ | US\$17,748 | US\$9,327 | US\$8,462 | US\$8,332 | US\$25,554 | US\$15,013 | US\$17,671 | US\$19,845 | US\$62,795 |
| United Nations index of human development (world ranking) ⁽²⁾ | 89 | 96 | 126 | 124 | 67 | 79 | 68 | 76 | 15 |
| Life expectancy at birth (in years) ⁽³⁾ | 74 | 74 | 74 | 73 | 78 | 77 | 80 | 75 | 79 |
| Adult literacy rate (% of people ages 15 and above) ⁽⁴⁾ | 93.8% | 88.1% | 81.3% | 88.5% | 95.4% | 95.1% | 97.9% | 95.4% | N.A. |
| % of population below the poverty line ⁽⁵⁾ | 6.3% | 9.3% | 20.4% | 8.8% | 5.6% | 10.2% | 3.1% | 8.2% | 1.4% |

(1) Data refer to 2018.

(2) Data refer to 2017 or the most recent year available.

(3) Data refer to 2017.

(4) Data refer to 2018, except for Jamaica and Guatemala (2014), Dominican Republic (2016) and El Salvador (2017).

(5) Data refer to 2017, except for Jamaica (2004), Guatemala (2014), the Dominican Republic (2016), Mexico (2016) and the United States (2016). Poverty is defined as an income of US\$5.50 per day per capita per household, adjusted by differences in purchasing power.

N.A. = not available.

Sources: World Bank Development Indicators (updated as of September 9, 2019) and 2018 United Nations Human Development Report. Includes data as of the most recent year available for each country.

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. A brief period of political instability followed during which the Dominican Republic was governed by a series of different factions and was subject to foreign military intervention under the auspices of the Organization of American States.

Juan Bosch, then leader of the *Partido Revolucionario Dominicano* (the Dominican Revolutionary Party, or 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 reform agenda, 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, or 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 following two 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. 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 election, Leonel Fernández of the PLD, a party founded by Juan Bosch following his split from the PRD, defeated Peña Gomez as the result of an alliance with Balaguer and the PRSC. Fernández was succeeded as President in 2000 by Hipólito Mejía, of the PRD. In 2004, Fernández was again elected President after obtaining 57% of the votes cast (followed by Mejía with 33.6% and the PRSC candidate, Eduardo Estrella, with 8.7%). On August 16, 2004, Leonel Fernández was inaugurated as President for his second non-consecutive four-year term. President Fernández was re-elected in 2008 after obtaining 53.8% of the votes cast (followed by Miguel Vargas with 40.5% and Amable Aristy with 4.6%).

In August 2012, President Danilo Medina, also a member of the PLD, was inaugurated as President of the Republic for a single four-year term, without the possibility of running for reelection in 2016 pursuant to the Constitution then in effect. President Medina was elected after obtaining 51.21% of the votes cast during the first ballot, against former President Hipólito Mejía’s 46.95% of the Dominican Revolutionary Party (“PRD”). In June 2015, Congress approved an amendment to the Constitution allowing presidents to serve for two consecutive terms of office. In the presidential election held on May 15, 2016, President Medina was elected for a further four-year term, after obtaining 61.74% of the votes cast during the first ballot, against Luis Abinader of the *Partido Revolucionario Moderno* (“PRM”) Party, who obtained 34.98% of the votes cast. The PLD has been the majority party in Congress since 2006, with 87.5% of the Senate seats and 66.9% of the Chamber of Deputies seats following the most recent election in May 2016.

The next presidential elections are scheduled for May 2020. The elected President will assume office in August 2020 for a four-year term ending in August 2024. See “Recent Developments—The Dominican Republic—History, Government and Political Parties—Political Parties.”

Government

The Dominican Republic is politically organized as a representative democratic government, and is geographically and administratively divided into 31 provinces and one national district, each with its own civil government. The 1966 Constitution, amended on January 26, 2010, 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. 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 at least 50% plus one vote of the total votes cast).

Pursuant to the 2010 amendments to the Constitution, a President was elected for a period of four years and may not be reelected for a consecutive term. However, on June 12, 2015, Congress approved additional amendments to the Constitution, whereby a President is allowed to run for reelection for a consecutive four-year term after which he cannot run again in the future. Since the aforementioned constitutional amendments, presidential elections will be held during the same year as legislative and municipal elections.

The legislative branch is composed of a 32-member Senate and a 190-member Chamber of Deputies, which together constitute 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 allowing for the next congressional elections to be carried out during the same year as the presidential election as determined by the 2010 amendment.

Many Dominican nationals living abroad maintain personal and business ties with the Republic, including by sending remittances into the Republic, which is a significant source of the Republic's foreign exchange. The 2010 constitutional reform allows these Dominicans to maintain active political involvement as well. In accordance with the 2010 constitutional reform and for the first time in Dominican history, in the elections held on May 20, 2012, seven overseas deputies (lower chamber of the Legislative Branch) were elected in representation of the Dominican diaspora. The PRD won four out of these seven newly-created legislative seats and the PLD won the three remaining seats.

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

As a result of the 2010 constitutional reforms, the 16 members of the Supreme Court are appointed for life, with a mandatory retirement age of 75 years, by the *Consejo Nacional de la Magistratura* (the National Council of the Judiciary), a body that was created solely for this purpose in the 1994 constitutional reforms. Pursuant to the 2010 constitutional reforms, the National Council of the Judiciary has the authority to appoint the President of the Supreme Court and the two substitute justices, all of whom hold office for a seven-year term and may be re-elected for one consecutive seven-year term. 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, another Supreme Court judge appointed by the Supreme Court and the Attorney General (*Procurador General de la República*). The Supreme Court has exclusive jurisdiction over actions against the President, designated members of the cabinet and members of Congress as well as over cassation remedies (*recursos de casación*). The Supreme Court may also hear appeals from lower courts in certain cases.

The Dominican judicial system is also composed of the following courts:

- Courts of First Instance, which have jurisdiction over all cases that do not have jurisdiction expressly granted to other courts;

- Courts of Appeals, which review judgments rendered by the Courts of First Instance; and
- Peace Courts, which handle a broad variety of minor cases.

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. Under the 2010 constitutional amendments, the *Tribunal Constitucional* (Constitutional Court) was created. It is composed of 13 judges elected by the National Council of the Judiciary who serve for a nine-year term. All decisions of this Court are final.

Like many countries in Latin America, Dominican authorities are currently conducting several high-profile corruption investigations relating to the activities of certain Brazilian companies in the energy, infrastructure and transportation sectors, which follow similar investigations conducted by Brazilian and U.S. authorities responsible for corruption and related investigations. For example, Odebrecht, a Brazilian conglomerate consisting of diversified businesses in the fields of engineering, construction, chemicals and petrochemicals, has admitted as part of its plea agreement in December 2016 with the U.S. Department of Justice that it made and caused to be made, through intermediaries working on its behalf, more than US\$92.0 million in corrupt payments to Government officials between 2001 and 2014. Through these corrupt payments, Odebrecht admitted it was able to influence the Government's budget for certain works and its financing approvals for several infrastructure projects in the Republic. The *Ministerio Público* or PEPCA has sent several requests for information and cooperation to the U.S. Department of Justice and the Brazilian Secretary of Justice, among other public officers in Brazil and in the United States.

On March 16, 2017, PEPCA and Odebrecht entered into a leniency agreement in connection with these allegations (the "PEPCA-Odebrecht Leniency Agreement"). Under this agreement, Odebrecht agreed to provide all necessary information to identify the Government officials who received corrupt payments between 2001 and 2014 and the relevant infrastructure works that were adjudicated as a result of the corrupt payments, among other collaborative measures to provide information related to the corruption scheme. Odebrecht also agreed to pay US\$184 million in damages to the Republic in a multi-year payment plan ending in 2025. In return, the *Ministerio Público* agreed to not prosecute Odebrecht, its subsidiaries, affiliates, employees or directors in connection with these violations of anti-corruption laws. Odebrecht also agreed to adopt measures and take specific initiatives relating to ethics, transparency and corporate governance of its Dominican affiliate, including a duly certified compliance program as well as a training schedule for its Dominican branch's compliance department, among others. On April 19, 2017, the judge in charge of the *Tercer Juzgado de la Instrucción del Distrito Nacional* (Third Court of Instruction of the National District) ratified the PEPCA-Odebrecht Leniency Agreement.

As a result, the criminal investigation has entered into a new phase in which the Dominican authorities began investigating and brought criminal proceedings against the Government officials who were the alleged recipients of the improper payments from Odebrecht. On June 7, 2018, the Attorney General formalized accusations against seven individuals, including senators, deputies and former government ministers, among others. On June 21, 2019, the Special Court of Instruction of the Supreme Court issued a resolution allowing the case to proceed to trial regarding accusations of bribery, money laundering, illicit enrichment, and falsehood against six of the seven individuals accused. On December 17, 2019, the Plenary of the Supreme Court declared it had no jurisdiction and remanded the case, as it relates to five of the six individuals, to a first-instance court and to the Second Chamber of the Supreme Court with regards to Tommy Alberto Galán, given that he is currently a Senator.

In June 2019, Odebrecht applied for bankruptcy in Brazil and failed to make the US\$32.0 million payment scheduled for July 30, 2019 under the PEPCA-Odebrecht Leniency Agreement. The Public Prosecutor's Office has initiated judicial proceedings to be included as a creditor in the company's liquidation proceedings.

In addition, Embraer, a Brazilian aerospace conglomerate that produces commercial, military, executive and agricultural aircraft, has admitted as part of its deferred prosecution agreement with the U.S. Department of Justice that in 2009 and 2010 it made US\$3.5 million in corrupt payments to Dominican authorities to secure the approval by the Dominican Senate of the purchase and financing of eight military aircraft. The *Procuraduría Especializada de Corrupción Administrativa* reached a leniency agreement with Embraer in August 2018, pursuant to which Embraer paid the Republic a US\$7.04 million settlement and provided government authorities with

detailed information about the alleged improper payments. In December 2018, the *Procuraduría Especializada de Corrupción Administrativa* formally charged six individuals, including government ministers, among others, and several companies for their alleged involvement. In January 2019, the *Procuraduría Especializada de Corrupción Administrativa* held preliminary hearings to determine whether these individuals would face trial, and the most recent hearing was held on February 14, 2019. As of the date of this offering memorandum, the hearings are still ongoing.

The Republic has implemented legislative and administrative measures to combat corruption, including the ratification of the Inter-American Convention Against Corruption (*Convención Interamericana contra la Corrupción*) and the creation of the *Procuraduría Especializada de Corrupción Administrativa* (Special Corruption Public Prosecutor's Office), a specialized branch of the *Ministerio Público* (Public Prosecutor's Office). The Special Corruption Public Prosecutor's Office is currently investigating the Odebrecht and Embraer corruption cases, among other corruption cases. In addition, on January 10, 2017, President Medina issued Decree No. 6-17, which designated an independent commission to investigate the tender process and adjudication of the engineering, procurement and construction contract related to the two thermal coal units in Punta Catalina, Baní, province of Peravia that was awarded in 2013 to the consortium formed by Construtora Norberto Odebrecht, S.A., Tecnimont S.p.A. and Ingeniería Estrella S.R.L. On June 30, 2017, the independent commission issued a report that indicated that it had found no evidence of any criminal or illicit activity relating to the tender process and adjudication of these contracts and recommended that the same consortium continue performing the concessioned works to avoid undue delays and increased costs in connection with the project. Further, on June 7, 2018, the Attorney General announced that the Public Prosecutor's Office had found no evidence of any activity involving patronage or unlawful exchanges relating to Punta Catalina's tender process and financing. For more information, see "The Economy—Secondary Production—Punta Catalina Thermal Power Plant."

Political Parties

The principal political parties in the Dominican Republic are the *Partido de la Liberación Dominicana* or PLD (democratic center left), the *Partido Revolucionario Dominicano* or PRD (social democratic), the *Partido Revolucionario Moderno* (social democratic) and the *Partido Reformista Social Cristiano* or PRSC (conservative democratic). The following is a brief explanation of the history and orientation of each principal party.

Partido de la Liberación Dominicana. The PLD is a democratic center-left party that supports socially-oriented market policies. The PLD was founded by late former President Juan Bosch, who died in November 2001, after his split with the PRD. Its principal leader is currently President Danilo Medina. The PLD derives its political support primarily from the middle class and certain professional and intellectual circles. The PLD and its allies (known as the *Bloque Progresista* or "Progressive Bloc") have an absolute majority in the Senate and in the Chamber of Deputies. In 2019, former President Leonel Fernández and other PLD officials left the party to form the political movement *La Fuerza del Pueblo*, later joining the *Partido de los Trabajadores Dominicanos* which has since changed its name to *La Fuerza del Pueblo*.

Partido Revolucionario Moderno. The PRM is a newly created social democratic party, formerly known as *Alianza Social Dominicana*. Its principal leaders are former President Hipólito Mejía Domínguez and its 2016 presidential candidate Luis Abinader. Its members are mostly persons who resigned from the PRD to form a new party. The PRM derives its political support primarily from the lower and lower-middle classes. The PRM has two members in the Senate and is the opposition party with the most representatives in the Chamber of Deputies.

Partido Reformista Social Cristiano. The PRSC is a conservative Christian democratic party. Its principal leader, the late former President Joaquín Balaguer, died in July 2002. Its current leader and president is Federico Antón Batlle. Former PRSC President, Carlos Morales Troncoso, died in October 2014 and PRSC's 2008 presidential candidate and current Senator, Amable Arísty Castro, resigned from the organization and joined the Partido Liberal La Estructura in February 2015. During the rule of President Balaguer, the PRSC established close ties with certain business sectors, particularly in the fields of industry and construction. Since President Balaguer's death, the PRSC has undergone a process of reorganization. On December 13, 2015, the PRSC approved a political alliance with the PRM, at the same time refusing a proposed alliance by the PLD.

Partido Revolucionario Dominicano. The PRD is a social democratic party. Its principal leader, José Francisco Peña Gómez, died in 1998. The party's current leader is Mr. Miguel Vargas, who ran for office in the 2008 presidential elections. The PRD derives its political support primarily from the lower and lower-middle classes. On September 7, 2015, the PLD and PRD signed a political alliance agreement for the general elections held in May 2016, in which they agreed to propose common candidates for such elections, including for the presidency (President Danilo Medina, who won the May 2016 presidential election, ran as the candidate for both parties). The PRD has one member in the Senate and is the minority bloc in the Chamber of Deputies.

The first 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 2004-2008 Fernández administration faced considerable challenges when it took office, including stressed public finances and economic instability following a banking crisis and a downturn in GDP growth in 2003. In its first two years in office, the Fernández administration focused on restoring order to public finances, fostering an economic recovery and tackling the structural problems that contributed to the 2003 crisis by adopting measures to strengthen state institutions, improve banking supervision and regulation and combat corruption. Several of the Fernández administration reforms have successfully been carried out. See “The Economy—Economic Policies of the Republic” and “The Monetary System—Supervision of the Financial System—Reforms of the Financial System.”

The priorities of the third Fernández administration (2008-2012) included the following:

- a reform of the Constitution to consolidate democracy, fortify state institutions, include social, environmental and cultural rights and transfer more power to citizens, which was approved by Congress in January 2010; and
- execution of an ambitious infrastructure plan, including the first Santo Domingo subway line, which started commercial operations in January 2009.

The priorities of the first Medina administration (2012-2016) included the following:

- macroeconomic stability;
- fiscal consolidation;
- debt reduction;
- improvement of the education system;
- promotion of micro-loans access;
- rural and urban infrastructure development;
- modernization of the healthcare system; and
- the creation of new employment opportunities.

The priorities of the second Medina administration (2016-2020) include the following:

- macroeconomic stability;
- fiscal consolidation;
- debt reduction;
- reduction of poverty and extreme poverty to strengthen the middle class;
- the creation of new employment opportunities;

- enhancement of the labor market and equal opportunities across genders;
- improvement of the education system;
- development of affordable housing and implementation of other housing solutions; and
- diversification of the electricity generation matrix by implementing new low cost energy generation projects and renewable energy.

Congressional representation of each of the political parties since the most recent elections in May 2016 is as follows:

| | Senate | | Chamber of Deputies ⁽¹⁾ | |
|--|-----------|-------------|------------------------------------|-------------|
| | Seats | % | Seats | % |
| Partido de la Liberación Dominicana and allied parties..... | 28 | 87.5 | 127 | 66.9 |
| Partido Revolucionario Moderno and allied parties | 2 | 6.3 | 46 | 24.2 |
| Partido Reformista Social Cristiano and allied parties | 1 | 3.1 | 14 | 7.4 |
| Bloque Institucional Social Demócrata and allied parties | 1 | 3.1 | 1 | 0.5 |
| Alianza País | – | – | 1 | 0.5 |
| Partido Quisqueyano Demócrata Cristiano..... | – | – | 1 | 0.5 |
| Total | 32 | 100% | 190 | 100% |

(1) Includes seven Deputies elected as representatives of the Diaspora (Dominicans living abroad) elected in May 2016.

Source: Junta Central Electoral.

Significant Litigation

On January 16, 2018, Dominicana Renovables S.L. (“Dominicana Renovables”) filed a request for arbitration with the Secretary of the International Court of Arbitration of the International Chamber of Commerce alleging a breach of a contract entered into between the National Energy Commission (*Comisión Nacional de la Energía*, the “CNE”) and Dominicana Renovables. According to the claimant, the contract required the CDEEE to enter into a purchase agreement with Dominicana Renovables for the purchase of energy and CDEEE allegedly failed to do so. In addition, Dominicana Renovables alleges that the CNE violated Law No. 57-07 regarding the Incentive to the Development of Renewable Energy Sources (*Incentivo al Desarrollo de Fuentes Renovables de Energía*). The claimant is seeking an award of US\$287.6 million for damages. As of the date of this offering memorandum, the proceeding is still pending.

Foreign Policy and Membership in International and Regional Organizations

On April 30, 2018, the Republic announced the establishment of diplomatic relations with China, one of its largest trading partners. As of the date of this offering memorandum, the Dominican Republic maintains diplomatic relations with 129 countries and is a member of several regional and international organizations, including:

- the United Nations (founding member), including many of its specialized agencies;
- the Caribbean Forum of African, Caribbean and Pacific States;
- the Economic Commission for Latin America and the Caribbean;
- the IDB;
- the Inter-American Investment Corporation;
- the Caribbean Development Bank;
- the IMF;

- the World Bank;
- the International Centre for Settlement of Investment Disputes;
- the International Finance Corporation;
- the International Labour Organization;
- the Multilateral Investment Guaranty Agency;
- the Organization of American States;
- the World Trade Organization (the “WTO”);
- the Central American Integration System (the “SICA”);
- the Central American Monetary Council (the “CMCA”); and
- the Central American Bank for Economic Integration (the “CABEI”).

On June 8, 2018, the United Nations General Assembly elected the Dominican Republic among five new non-permanent members of the United Nations Security Council, each of which will serve a two-year term.

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:

- The Dominican Republic – Central America Free Trade Agreement, or “DR-CAFTA”, with the United States and several Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua). DR-CAFTA, which replaced the prior U.S.-Caribbean Textile Parity Agreement, increases the percentage of Dominican exports to the United States that will be free of tariffs. DR-CAFTA became effective in 2007.
- Free trade agreements with the members of the Central American Common Market, Panama and the Caribbean Community (“Caricom”), each of 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.
- The LOME IV Convention, which in 2000 became the Cotonou 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 Republic benefits from donations, development loans and technical cooperation provided by the European Union.
- The Economic Partnership Agreement (the “EPA”), in effect since 2007, among the Caricom Countries and the European Union, pursuant to which all goods exported to the European Union (except for firearms) from Caricom Countries enter European markets free from import duties. In addition, the EPA provides a framework for liberalization in the services trade between the Dominican Republic and members of the European Union, liberalizes investment regulations, and strengthens protection of intellectual property rights.
- The Free Trade Agreement of the Americas, which seeks to create a free trade zone in the Western Hemisphere. Negotiations continue as to the implementation of this agreement, and the Republic has continued to participate in the periodic Summits of the Americas since 1998.
- 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 June 2016, the Republic signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters developed by the OECD and the Council of Europe. This Convention provides assistance in tax matters, such as the exchange of information, simultaneous and coordinated tax audits and tax recovery, with a view to combating tax evasion. The Convention was approved by the Constitutional Court of the Republic on December 12, 2017 and was ratified by Congress on October 17, 2018.

The Republic has also worked closely with the World Bank and the IDB to promote economic development and financial stability. Currently, these multilateral organizations are financing several projects in the Republic in areas such as electricity, public education, agriculture, public sector reform, transportation, telecommunications, disaster relief, public health and safety, environmental reform and financial sector reform. See “Public Sector Debt—Consolidated Public Sector External Debt—Debt Owed to Official Institutions.”

Relations with Haiti

The Dominican 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 inaugurated a bi-national free trade zone on the Dominican Republic-Haiti border on April 8, 2002.

According to the Second National Immigrant Survey (*Segunda Encuesta Nacional de Inmigrantes*) conducted in 2017, an estimated 497,825 Haitians live in the Dominican Republic, accounting for 87.2% of total immigration. This represents an 8.6% increase in the estimated number of Haitians living in the Dominican Republic when compared to the results of the First National Immigrant Survey (*Primera Encuesta Nacional de Inmigrantes*) conducted in 2012. This population is generally comprised of three distinct subgroups: seasonal agricultural workers, undocumented immigrants and political refugees. Almost half of Haitians living in the Dominican Republic are undocumented, and illegal immigration occasionally becomes a source of tension between the two countries.

In 2015 and 2016, the Government implemented the National Regularization Plan for Foreigners, establishing the terms for the regularization of foreigners in irregular immigration status who are residing in the Dominican Republic. The plan establishes the conditions under which immigrants with irregular immigration status, including Haitians, may have access to health services, education and social security. Additionally, the Government seeks to improve living conditions in the *bateyes*, which are communities within 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 Central Bank has reported that annual exports to Haiti were US\$1,310.0 million on average from 2014 to 2018. Haiti remains the second most important destination for Dominican exports, representing, on average 13.1% of total annual exports from 2014 to 2018. In October 2015, the Haitian government implemented a restriction on exports from the Dominican Republic, prohibiting land commerce and transportation (but not through sea or air) of a total of 23 products, which represent the most relevant products in terms of volume of exports from the Dominican Republic to Haiti. For the year ended December 31, 2016, exports to Haiti were US\$1,221.3 million, representing a 10% decrease as compared to 2015, due to a decrease in garments, clothing accessories and cotton exports. For the year ended December 31, 2017, exports to Haiti were US\$1,238.6 million, representing an increase of 1.5% as compared to 2016, due to a 2% increase in exports from outside the free-trade zone. For the year ended December 31, 2018, exports to Haiti were US\$1,290.9 million, representing an increase of 4.2% as compared to 2017 due to a 10.8% increase in exports from outside the free-trade zone. For more information on exports to Haiti, see “Recent Developments—Other Developments.”

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:

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

The policies of import substitution took place in the Dominican Republic approximately between 1945 and 1985. During this period, the Government promoted industrialization primarily through fiscal incentives and investments in infrastructure. The Dominican economy expanded due to 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 due to rural-urban migration.

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

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

The oil crisis in 1979 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—Free Trade Zones.” Workers’ remittances also increased dramatically during the 1980s, becoming one of the Republic’s main sources of foreign currency. By the late 1980s, however, high public spending on infrastructure projects (principally roads, highways, dams and tourism facilities) resulted in a public sector deficit that was domestically financed, and, in turn, resulted in an increase in inflation.

In the 1990s, 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, improved banking supervision and introduced measures to stimulate foreign direct investments. On the basis of these policies, the IMF and the Republic agreed on two stand-by loan arrangements.

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 a decline in poverty. Between 1992 and 1999, the Republic's real GDP grew at an annual rate of 6.8%, which placed it among the fastest growing economies in Latin America.

The Republic continued to experience robust economic growth through 2000. However, from 2001 economic growth began to decline as a result of several external shocks, including the aftermath of the terrorist attacks of September 11, 2001 and the economic slowdown in the United States and the European Union. These shocks led to weakened demand for the export of Dominican goods and services, the depreciation of the Euro and a further steady increase in oil prices which had started in the last quarter of 2000.

In 2003, the Dominican economy experienced severe setbacks that led to an acute crisis. The economic crisis was precipitated by the collapse of Banco Intercontinental, S.A. ("Baninter"), the country's second largest commercial bank in terms of deposits, in May 2003. The Banking Superintendency intervened in Baninter in response to accusations of fraud and losses of approximately US\$2.3 billion. Public confidence in the banking system severely eroded, leading many depositors to withdraw their deposits from banks, causing two other private domestic banks, Bancrédito and Banco Mercantil, to experience liquidity crises and near collapse. The Central Bank provided liquidity assistance to Bancrédito and Banco Mercantil of approximately DOP11.7 billion (US\$333.7 million at the DOP/US\$ exchange rate of DOP35.06 per US\$1.00 as of December 31, 2003) and the Government financed the costs of the banking crisis, guaranteeing deposits and honoring interbank liabilities domestically and abroad. In order to cover the costs of this bailout, the Central Bank relaxed its monetary policy, increasing the money supply as it financed lost deposits. This led to an increase in inflation, a depreciation of the peso and an increase in domestic real interest rates.

The banking crisis provoked a broader deterioration of the economy, which included a decrease in real GDP (which declined 1.3% in 2003 compared to 2002), a substantial increase in the non-financial public sector deficit, a sharp depreciation of the peso, a substantial reduction in the levels of the Central Bank's net international reserves (from US\$376 million at December 31, 2002 to US\$123.6 million at December 31, 2003), an increase in domestic real interest rates as a result of the Central Bank's open-market operations to curb inflation, and an increase in unemployment. The economic crisis gave rise to social unrest as economic conditions deteriorated and labor strikes and street demonstrations became prevalent.

As a result of significant pressure on the peso and concerns over further economic deterioration, the Republic requested the assistance of the IMF and agreed to a US\$603 million financing program in August 2003. As part of the program, the Government agreed to a package of economic reforms and political measures designed to strengthen the country's financial system, public finances and the Central Bank's monetary policy. The IMF suspended the facility in September 2003, after the Government deviated from the agreed economic program set forth in the IMF stand-by arrangement in effect at the time by re-purchasing two electrical distribution companies from Spanish company Unión Fenosa, which had previously been privatized by the Mejía administration. See "Public Sector Debt—External Debt—Debt Owed to Official Institutions—IMF."

The economic crisis negatively affected the Government's fiscal receipts and liquidity, resulting in arrears and the eventual restructuring of public sector external debt owed to multilateral institutions, bilateral lenders (both Paris Club and non-Paris Club members), private banks and suppliers.

In the second half of 2004, the Dominican economy started to show signs of improvement, particularly during the fourth quarter. In 2004 and 2005, real GDP increased by 2.6% and 9.4%, respectively, as compared to the prior year, the Central Bank's net international reserves increased to US\$602.2 million at December 31, 2004 and US\$917.5 million at December 31, 2005, compared to US\$123.6 million at December 31, 2003 and the rate of inflation decreased to 28.7% in 2014 and 7.4% in 2015, as compared to 42.7% in 2003.

On January 31, 2005, the IMF approved a two-year Stand-by Arrangement of approximately US\$665.2 million, conditioned on the Republic's commitment to implementing measures designed to promote macroeconomic stabilization and structural reforms in the fiscal, monetary, financial and electricity sectors specified in the Stand-by Arrangement.

In 2005, the Government successfully implemented its comprehensive strategy for the restructuring of its outstanding debt, including the exchange of approximately US\$1.07 billion, or 97% of the aggregate outstanding principal amount of its 9.50% bonds due 2006 and 9.04% bonds due 2013, for new 9.50% amortizing bonds due 2011 and new 9.04% amortizing bonds due 2018; the rescheduling of past due supplier financing and debt service payments due in 2005 and 2006 to several international commercial banks and to members of the Paris Club; and the refinancing of the Republic's payment obligations in connection with the repurchase from Unión Fenosa of two electricity distribution companies in 2003.

2014-2018 Developments

In 2014, the Republic's real GDP grew by 7.1%, a significant improvement compared to real GDP growth of 4.9% registered in 2013. This real GDP growth in 2014 was mainly due to the favorable behavior of domestic demand, with a reactivation of consumption and public and private investment, as well as external demand, led by an increase in the export of goods and services. For 2014, the Central Bank had established an inflation target of 4.5%, plus or minus 1%. However, as a result of the reduced external inflationary pressures during the second half of 2014, the annual rate of inflation remained below the lower limit of the Central Bank's target, and the inflation rate closed at 1.58% in 2014. In addition, during 2014 the Central Bank's net international reserves increased 6.0% from US\$4,386.5 million as of December 31, 2013 to US\$4,650.4 million as of December 31, 2014. The nominal DOP/US\$ exchange rate increased gradually during 2014, reaching DOP44.20 per dollar on the last business day of December, which represented an annualized peso depreciation rate of 3.5% since the beginning of 2014. The average DOP/US\$ exchange rate for the purchase of dollars in 2014 was DOP43.45 per US\$1.00 compared to DOP41.71 per US\$1.00 for 2013, which represents a 4.0% nominal average depreciation.

In 2015, the Republic's real GDP grew by 6.9%, which was a slightly lower rate of growth than in 2014. This real GDP expansion in 2015 was due, among other things, to the favorable behavior of all domestic demand components, notably gross fixed investments and total consumption. For 2015, the Central Bank had established an inflation target of 4.0%, plus or minus 1%. As a result of the low oil prices that persisted throughout the year in international markets, the annual rate of inflation remained below the lower limit of the Central Bank's target for the second year in a row, with an inflation rate of 2.34% at year end. In addition, during 2015 the Central Bank's net international reserves increased 11.7% from US\$4,650.4 million as of December 31, 2014 to US\$5,195.1 million as of December 31, 2015. The nominal DOP/US\$ exchange rate increased gradually during 2015, reaching DOP45.47 per dollar on the last business day of December, which represented an annualized peso depreciation rate of 2.7% since the beginning of 2015. The average DOP/US\$ exchange rate for the purchase of dollars in 2015 was DOP44.94 per US\$1.00 compared to DOP43.45 per US\$1.00 for 2014, which represents a 3.3% nominal average depreciation.

In 2016, the Republic's real GDP grew by 6.7%, a growth rate similar to that of the previous year. This real GDP expansion in 2016 was due, among other things, to the favorable internal and external macroeconomic conditions that boosted consumption and investment. For 2016, the Central Bank had established an inflation target of 4.0%, plus or minus 1%. As a result of the low oil prices that persisted throughout the year in international markets, the annual rate of inflation remained below the lower limit of the Central Bank's target for the third year in a row, with an inflation rate of 1.70% at year end. In addition, during 2016 the Central Bank's net international reserves increased by 16.4% from US\$5,195.1 million as of December 31, 2015 to US\$6,046.7 million as of December 31, 2016. The nominal depreciation of the DOP/US\$ exchange rate increased gradually during 2016, reaching DOP46.62 per dollar on the last business day of December 2016, which represented an annualized peso depreciation rate of 2.5% since the beginning of 2016. The average DOP/US\$ exchange rate for the purchase of dollars in 2016 was DOP45.99 per US\$1.00 compared to DOP44.94 per US\$1.00 for 2015, which represents a 2.3% nominal average depreciation.

In 2017, based on preliminary figures, the Republic's real GDP grew 4.7%, mainly due to a 6.6% GDP growth registered in the last quarter of the year. During the first half of the year, the economy experienced a cyclical deceleration of domestic demand, particularly in public and private investment due to changes in expectations as a result of uncertainty generated by external and internal factors, combined with a greater than expected adjustment in fiscal policy. Further, during the third quarter, the country was impacted by two hurricanes, Irma and Maria, which had significant effects on production and commercial activity, causing damage to road infrastructure and leading to a temporary suspension of labor activities for several days. Notwithstanding the foregoing, the economy expanded

during the second half of the year, largely due to the application of monetary easing measures aimed at boosting availability of credit and more active fiscal policies, which resulted in an increase in consumption and private investment. In addition, during 2017 the Central Bank's net international reserves increased 12.1% from US\$6,046.7 million as of December 31, 2016 to US\$6,780.4 million as of December 31, 2017. The nominal depreciation of the DOP against the dollar increased gradually during 2017, reaching DOP48.19 per US\$1.00 on the last business day of December, which represented an annualized peso depreciation of 3.3% from the beginning of 2017. The average DOP/US\$ exchange rate for the purchase of dollars in 2017 was DOP47.44 per US\$1.00 compared to DOP45.99 per US\$1.00 for 2016, which represents a 3.1% nominal average depreciation.

In 2018, based on preliminary figures, real GDP grew by 7.0%, a significant improvement compared to real GDP growth of 4.7% in 2017, primarily driven by investment and consumption, which have benefited from the continuing effects of the monetary easing measures implemented in August 2017 that have stimulated financial credit to the private sector. For 2018, the Central Bank had established an inflation target of 4.0%, plus or minus 1%. However, the inflation rate stood at 1.17% on December 31, 2018, below the Central Bank's target range, primarily due to the rapid decline registered in the fourth quarter of 2018 in international oil prices and consequently in local prices of refined oil products and energy production. In addition, during 2018, the Central Bank's net international reserves increased by 12.5% from US\$6,780.8 million as of December 29, 2017 to US\$7,627.6 million as of December 31, 2018. The nominal depreciation of the DOP/US\$ exchange rate increased gradually during 2018, reaching DOP50.20 per dollar on the last business day of 2018, which represented an annualized peso depreciation rate of 4.0% since the beginning of 2018, as compared to 3.1% during the same period in 2017. The average DOP/US\$ exchange rate for the purchase of dollars in 2018 was DOP49.43 per US\$1.00 compared to DOP47.44 per US\$1.00 for 2017, which represents a 4.0% nominal average depreciation in 2018 compared to 2017.

During recent years the economy has benefited from positive supply-side conditions, due to low international prices of several commodities, such as oil and other imported inputs, as well as an increase in the price of gold that boosted export revenues. Furthermore, the economic recovery in the United States, the Republic's major trading partner, has contributed to increased export and tourism revenues, thus fostering certain economic sectors with high external demand.

Gross Domestic Product and Structure of the Economy

The Dominican economy is driven primarily by private consumption, investment and exports. The GDP by expenditure approach shows that as of December 31, 2018, private consumption accounted for 68.3% of GDP, government consumption for 10.9% of GDP and gross investment for 25.8% of GDP.

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

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

| | As of December 31, | | | | | | | | | |
|-------------------------------------|--------------------|--------------|-----------------|--------------|-----------------|--------------|---------------------|--------------|---------------------|--------------|
| | 2014 | | 2015 | | 2016 | | 2017 ⁽²⁾ | | 2018 ⁽²⁾ | |
| | US\$ | % | US\$ | % | US\$ | % | US\$ | % | US\$ | % |
| Government consumption | 7,042.4 | 10.5 | 7,330.0 | 10.3 | 7,805.3 | 10.3 | 8,753.6 | 10.9 | 9,289.2 | 10.9 |
| Private consumption | 48,160.5 | 71.6 | 50,523.4 | 70.9 | 53,404.6 | 70.5 | 55,577.2 | 69.5 | 58,419.6 | 68.3 |
| Total consumption | 55,202.9 | 82.1 | 57,853.4 | 81.2 | 61,209.9 | 80.8 | 64,330.8 | 80.4 | 67,708.8 | 79.2 |
| Total gross investment | 15,544.5 | 23.1 | 16,700.9 | 23.4 | 17,403.6 | 23.0 | 17,983.0 | 22.5 | 22,064.8 | 25.8 |
| Exports of goods and services | 16,915.4 | 25.2 | 16,928.5 | 23.8 | 18,113.6 | 23.9 | 18,951.5 | 23.7 | 20,145.2 | 23.6 |
| Imports of goods and services | (20,408.4) | (30.3) | (20,239.8) | (28.4) | (20,967.6) | (27.7) | (21,240.9) | (26.5) | (24,381.9) | (28.5) |
| Net imports | (3,493.0) | (5.2) | (3,311.3) | (4.6) | (2,854.0) | (3.8) | (2,289.3) | (2.9) | (4,236.7) | (5.0) |
| GDP | 67,254.4 | 100.0 | 71,243.0 | 100.0 | 75,759.4 | 100.0 | 80,024.5 | 100.0 | 85,536.9 | 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 prior year, at current prices)

| | As of December 31, | | | | | | | | | |
|-------------------------------|--------------------|-------------|--------------------|------------|--------------------|------------|---------------------|------------|---------------------|-------------|
| | 2014 | | 2015 | | 2016 | | 2017 ⁽¹⁾ | | 2018 ⁽¹⁾ | |
| | DOP | % | DOP | % | DOP | % | DOP | % | DOP | % |
| Government consumption | 306,354.9 | 11.9 | 329,821.7 | 7.7 | 359,285.0 | 8.9 | 415,959.0 | 15.8 | 460,006.9 | 10.6 |
| Private consumption | 2,095,051.6 | 9.3 | 2,273,355.2 | 8.5 | 2,458,273.8 | 8.1 | 2,640,954.6 | 7.4 | 2,892,980.7 | 9.5 |
| Total consumption | 2,401,406.5 | 9.6 | 2,603,176.9 | 8.4 | 2,817,558.7 | 8.2 | 3,056,913.5 | 8.5 | 3,352,987.6 | 9.7 |
| Total gross investment | 676,207.2 | 13.6 | 751,474.3 | 11.1 | 801,107.5 | 6.6 | 854,528.4 | 6.7 | 1,092,665.1 | 27.9 |
| Exports of goods and services | 735,845.5 | 11.6 | 761,714.4 | 3.5 | 833,790.0 | 9.5 | 900,550.5 | 8.0 | 997,602.5 | 10.8 |
| Imports of goods and services | (887,794.0) | 7.5 | (910,710.4) | 2.6 | (965,163.7) | 6.0 | (1,009,336.6) | 4.6 | (1,207,408.4) | 19.6 |
| Net exports (imports) | (151,948.6) | (8.6) | (148,996.1) | (1.9) | (131,373.7) | (11.8) | (108,786.2) | (17.2) | (209,805.9) | 92.9 |
| GDP | 2,925,665.1 | 11.7 | 3,205,655.1 | 9.6 | 3,487,292.5 | 8.8 | 3,802,655.8 | 9.0 | 4,235,846.8 | 11.4 |

(1) Preliminary data.

Source: Central Bank.

Gross Domestic Product by Expenditure
(in chained volume indexes (or “Index”) referenced to 2007 and as % change from prior year)⁽¹⁾

| | As of December 31, | | | | | | | | | |
|---|--------------------|-----|-------|------|-------|------|---------------------|-------|---------------------|------|
| | 2014 | | 2015 | | 2016 | | 2017 ⁽²⁾ | | 2018 ⁽²⁾ | |
| | Index | % | Index | % | Index | % | Index | % | Index | % |
| Government consumption | 129.8 | 4.3 | 138.8 | 6.9 | 141.5 | 1.9 | 142.7 | 0.8 | 146.7 | 2.8 |
| Private consumption | 136.2 | 5.3 | 144.9 | 6.4 | 153.7 | 6.0 | 160.4 | 4.4 | 169.5 | 5.7 |
| Total consumption | 135.4 | 5.1 | 144.1 | 6.5 | 152.1 | 5.5 | 158.1 | 3.9 | 166.4 | 5.2 |
| Gross fixed investment ⁽³⁾ | 110.5 | 9.3 | 131.4 | 18.9 | 147.6 | 12.3 | 147.2 | (0.3) | 166.8 | 13.3 |
| Exports of goods and services | 136.1 | 8.7 | 140.2 | 3.1 | 150.7 | 7.5 | 158.1 | 4.9 | 167.6 | 6.1 |
| Imports of goods and services | 116.7 | 4.8 | 129.6 | 11.0 | 140.1 | 8.1 | 135.9 | (3.0) | 147.5 | 8.5 |
| Real GDP | 134.2 | 7.1 | 143.5 | 6.9 | 153.1 | 6.7 | 160.2 | 4.7 | 171.4 | 7.0 |

(1) For additional information on this methodology please see “Defined Terms and Conventions—Certain Defined Terms—GDP.”

(2) Preliminary data.

(3) Changes in inventories are a volatile component of total gross investment; therefore their chained indexes and y-o-y changes may lack economic consistency. Thus, total gross investment indexes and changes are not estimated. A gross fixed investment index is estimated, which accounts for most of the gross investment component of GDP.

Source: Central Bank.

In 2014, the Republic’s real GDP grew by 7.1% as compared to 2013, mainly due to an increase in domestic demand, which resulted primarily from improvements in gross fixed investment (9.3%) and total consumption (5.1%), as well as an increase in exports (8.7%), primarily as a result of increased exports of gold and silver. The positive results in gross fixed investment were driven by the recovery in private investment, which occurred since the fourth quarter of 2013, encouraged by the acceleration of financial lending and by the increase of public investment, particularly in civil infrastructure.

In 2015, the Republic’s real GDP grew by 6.9% as compared to 2014, as a result, among other things, of an expansion in domestic demand, mainly driven by the performance in gross fixed investment (18.9%) and total consumption (6.5%). Gross fixed investment benefited from the continued momentum in public investment and an increase in financial lending for private construction projects.

In 2016, the Republic’s real GDP grew by 6.7% as compared to 2015. Similar to the previous year, this increase was a result, among other things, of an expansion in domestic demand, mainly driven by the performance in gross fixed investment (12.3%) and total consumption (5.5%), as well as an increase in exports (7.5%), primarily as a result of increased exports of gold, silver and services, which increased 28.4%, 37.1% and 10.2%, respectively.

In 2017, the Republic’s real GDP grew by 4.7% as compared to 2016, mainly due to the implementation of a fiscal and monetary stimulus program aimed at enhancing economic activity, which reflected positive results in the last quarter of the year. This increase was also a result of a higher total consumption and exports, which registered a 3.9% and 4.9% growth rate, respectively. Gross fixed investment decreased by 0.3% in 2017.

In 2018, the Republic's real GDP grew by 7.0% as compared to 2017, mainly as a result of higher domestic demand, which resulted mainly from the expansion in gross fixed investment (13.3%) and total consumption (5.2%). This growth in GDP was due to the continuing effects of the monetary easing measures implemented in 2017, that stimulated an increase in financial credit to the private sector, in a context of low inflationary pressures and low effective annual interest rates, which in turn allowed the expansion of investment and consumption. Total exports grew by 6.1% compared to 2017, due to the increase in tourism revenues driven by an increase in the number of non-resident visitor arrivals.

The following table sets forth investment and savings in U.S. dollars and as a percentage of total GDP at current prices for the periods indicated.

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

| | As of December 31, | | | | | | | | | |
|---------------------------------------|--------------------|-------------|---------------------|-------------|---------------------|-------------|---------------------|-------------|---------------------|-------------|
| | 2014 | | 2015 ⁽¹⁾ | | 2016 ⁽¹⁾ | | 2017 ⁽¹⁾ | | 2018 ⁽¹⁾ | |
| | US\$ | % | US\$ | % | US\$ | % | US\$ | % | US\$ | % |
| Domestic investment..... | 15,544.5 | 23.1 | 16,700.9 | 23.4 | 17,403.6 | 23.0 | 17,983.0 | 22.5 | 22,064.8 | 25.8 |
| Domestic savings: | | | | | | | | | | |
| Public savings..... | 354.7 | 0.5 | 478.2 | 0.7 | 720.3 | 1.0 | 817.0 | 1.0 | 724.7 | 0.8 |
| Private savings | 13,019.6 | 19.4 | 14,942.4 | 21.0 | 15,868.6 | 20.9 | 17,032.9 | 21.2 | 20,180.6 | 23.6 |
| Total domestic savings..... | 13,374.3 | 19.9 | 15,420.6 | 21.6 | 16,588.9 | 21.9 | 17,849.9 | 22.3 | 20,905.2 | 24.4 |
| External savings ⁽²⁾ | 2,170.2 | 3.2 | 1,280.3 | 1.8 | 814.7 | 1.1 | 133.1 | 0.2 | 1,159.6 | 1.4 |
| Total savings | 15,544.5 | 23.1 | 16,700.9 | 23.4 | 17,403.6 | 23.0 | 17,983.0 | 22.5 | 22,064.8 | 25.8 |

(1) Preliminary data.

(2) Calculated as the inverse negative of the current account balance.

Source: Central Bank.

During the period from 2014 through 2018, there was an improvement in terms of reducing the need for external savings (equivalent to the reduction of current account deficit) to finance total domestic investment. This positive trend has become even more apparent in 2017 and 2018, with domestic savings representing 22.3% and 24.4% of GDP, respectively, and external savings representing only 0.2% and 1.4% of GDP, respectively.

The following table sets forth annual per capita GDP and per capita income in U.S. dollars for the periods indicated.

Per Capita GDP⁽¹⁾ and Per Capita Income⁽²⁾
(in US\$ and as a % change from prior year, at current prices)⁽³⁾

| | As of December 31, | | | | | | | | | |
|-----------------------|--------------------|-----|---------|-----|---------|-----|---------------------|-----|---------------------|-----|
| | 2014 | | 2015 | | 2016 | | 2017 ⁽⁴⁾ | | 2018 ⁽⁴⁾ | |
| | US\$ | % | US\$ | % | US\$ | % | US\$ | % | US\$ | % |
| Per capita GDP | 6,804.7 | 6.2 | 7,138.4 | 4.9 | 7,519.5 | 5.3 | 7,869.3 | 4.7 | 8,331.9 | 5.9 |
| Per capita income ... | 6,937.9 | 5.9 | 7,340.1 | 5.8 | 7,720.1 | 5.2 | 8,057.8 | 4.4 | 8,551.7 | 6.1 |

(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 for each year.

(3) Based on the weighted average exchange rate for each year.

(4) Preliminary data.

Source: Central Bank.

During the period from 2014 through 2018, economic growth and improved employment levels resulted in an expansion of per capita GDP and per capita income.

Principal Sectors of the Economy

The main economic activities in the Dominican Republic are:

- agriculture and livestock;
- manufacturing;
- construction;
- wholesale and retail trade;
- tourism (which has secondary effects on various sectors of the economy); and
- transportation.

The contribution of these sectors to GDP, coupled with the value they added to other sectors of the economy, contributed to the overall growth of the Dominican economy during the period from 2014 to 2018. The annual average GDP growth rate for 2014 to 2018 was 6.5%.

The following table sets forth the principal sectors of the economy in 2018.

Sectors of the Dominican Economy
(as a % of GDP for 2018, at current prices)

| | 2018⁽¹⁾ |
|---|---------------------------|
| Primary production ⁽²⁾ | 6.9 |
| Manufacturing ⁽³⁾ | 14.1 |
| Other Secondary Production ⁽⁴⁾ | 12.9 |
| Services ⁽⁵⁾ | 58.6 |
| Taxes (less subsidies) | 7.4 |

(1) Preliminary data.

(2) Includes agriculture, livestock, fishing and forestry and mining.

(3) Includes traditional manufacturing and free trade zones.

(4) Includes electricity, gas and water, and construction.

(5) Includes wholesale and retail trade; communications; hotels, bars and restaurants; and other service industries.

Source: Central Bank.

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 periods indicated, in each case, as compared to the comparable period in the prior year.

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

| As of December 31, | | | | | | | | | | |
|--|--------------------|--------------|--------------------|--------------|--------------------|--------------|---------------------|--------------|---------------------|--------------|
| | 2014 | | 2015 | | 2016 | | 2017 ⁽¹⁾ | | 2018 ⁽¹⁾ | |
| | DOP | % | DOP | % | DOP | % | DOP | % | DOP | % |
| Primary production: | | | | | | | | | | |
| Agriculture, livestock, fishing and forestry | 151,943.1 | 5.2 | 175,820.4 | 5.5 | 192,054.7 | 5.5 | 203,163.2 | 5.3 | 218,052.2 | 5.1 |
| Mining | 59,251.8 | 2.0 | 49,880.0 | 1.6 | 68,971.7 | 2.0 | 70,388.1 | 1.9 | 73,574.2 | 1.7 |
| Total primary production..... | 211,194.9 | 7.2 | 225,700.5 | 7.0 | 261,026.4 | 7.5 | 273,551.3 | 7.2 | 291,626.4 | 6.9 |
| Secondary production: | | | | | | | | | | |
| Manufacturing: | | | | | | | | | | |
| Traditional..... | 329,090.2 | 11.2 | 366,193.1 | 11.4 | 386,688.6 | 11.1 | 410,978.1 | 10.8 | 456,900.9 | 10.8 |
| Free trade zones | 96,492.5 | 3.3 | 105,116.7 | 3.3 | 116,137.1 | 3.3 | 125,039.1 | 3.3 | 141,858.7 | 3.3 |
| Total manufacturing | 425,582.7 | 14.5 | 471,309.8 | 14.7 | 502,825.7 | 14.4 | 536,017.2 | 14.1 | 598,759.6 | 14.1 |
| Electricity, gas and water | 73,940.7 | 2.5 | 64,099.6 | 2.0 | 60,220.2 | 1.7 | 62,187.6 | 1.6 | 65,909.5 | 1.6 |
| Construction | 312,167.8 | 10.7 | 328,205.9 | 10.2 | 329,711.0 | 9.5 | 398,765.9 | 10.5 | 482,158.6 | 11.4 |
| Total secondary production. | 811,691.2 | 27.7 | 863,615.3 | 26.9 | 892,756.9 | 25.6 | 996,970.7 | 26.2 | 1,146,827.7 | 27.1 |
| Services: | | | | | | | | | | |
| Wholesale and retail trade ... | 286,607.5 | 9.8 | 333,877.5 | 10.4 | 374,146.3 | 10.7 | 395,718.2 | 10.4 | 437,201.0 | 10.3 |
| Hotels, bars and restaurants. | 219,346.1 | 7.5 | 249,022.6 | 7.8 | 272,527.5 | 7.8 | 297,203.9 | 7.8 | 323,927.0 | 7.6 |
| Transportation..... | 245,237.3 | 8.4 | 265,398.8 | 8.3 | 287,234.4 | 8.2 | 315,149.8 | 8.3 | 347,875.9 | 8.2 |
| Communications..... | 32,020.7 | 1.1 | 33,565.4 | 1.0 | 34,905.8 | 1.0 | 36,470.6 | 1.0 | 40,595.4 | 1.0 |
| Financial services | 114,326.6 | 3.9 | 128,690.7 | 4.0 | 147,575.5 | 4.2 | 157,911.6 | 4.2 | 171,595.7 | 4.1 |
| Real estate..... | 250,303.9 | 8.6 | 263,288.1 | 8.2 | 281,741.3 | 8.1 | 300,902.8 | 7.9 | 321,221.5 | 7.6 |
| Public administration..... | 129,751.4 | 4.4 | 127,583.2 | 4.0 | 136,755.6 | 3.9 | 154,464.7 | 4.1 | 174,791.1 | 4.1 |
| Private education | 65,250.1 | 2.2 | 69,669.0 | 2.2 | 76,078.2 | 2.2 | 80,967.6 | 2.1 | 86,378.0 | 2.0 |
| Public education | 70,467.5 | 2.4 | 89,670.9 | 2.8 | 107,570.0 | 3.1 | 122,601.9 | 3.2 | 139,831.6 | 3.3 |
| Private health | 53,090.1 | 1.8 | 59,734.2 | 1.9 | 70,767.3 | 2.0 | 77,536.1 | 2.0 | 89,604.1 | 2.1 |
| Public health | 30,256.1 | 1.0 | 33,300.2 | 1.0 | 33,594.7 | 1.0 | 39,151.6 | 1.0 | 45,614.1 | 1.1 |
| Other services | 221,280.7 | 7.6 | 239,507.4 | 7.5 | 264,195.5 | 7.6 | 281,687.6 | 7.4 | 304,717.0 | 7.2 |
| Total services..... | 1,717,938.0 | 58.7 | 1,893,308.1 | 59.1 | 2,087,092.1 | 59.8 | 2,259,766.3 | 59.4 | 2,483,352.5 | 58.6 |
| Taxes to production net of subsidies..... | 184,841.0 | 6.3 | 223,031.3 | 7.0 | 246,417.1 | 7.1 | 272,367.4 | 7.2 | 314,040.2 | 7.4 |
| Total GDP | 2,925,665.1 | 100.0 | 3,205,655.1 | 100.0 | 3,487,292.5 | 100.0 | 3,802,655.8 | 100.0 | 4,235,846.8 | 100.0 |

(1) Preliminary data.

Source: Central Bank.

Gross Domestic Product by Sector
(in millions of US\$ and as a % of GDP, at current prices)

| | As of December 31, | | | | | | | | | |
|--|--------------------|--------------|-----------------|--------------|-----------------|--------------|---------------------|--------------|---------------------|--------------|
| | 2014 | | 2015 | | 2016 | | 2017 ⁽¹⁾ | | 2018 ⁽¹⁾ | |
| | US\$ | % | US\$ | % | US\$ | % | US\$ | % | US\$ | % |
| Primary production: | | | | | | | | | | |
| Agriculture, livestock, fishing and forestry | 3,492.8 | 5.2 | 3,907.5 | 5.5 | 4,172.3 | 5.5 | 4,275.4 | 5.3 | 4,403.3 | 5.1 |
| Mining | 1,362.1 | 2.0 | 1,108.5 | 1.6 | 1,498.4 | 2.0 | 1,481.3 | 1.9 | 1,485.7 | 1.7 |
| Total primary production ... | 4,854.9 | 7.2 | 5,016.0 | 7.0 | 5,670.6 | 7.5 | 5,756.7 | 7.2 | 5,889.0 | 6.9 |
| Secondary production: | | | | | | | | | | |
| Manufacturing: | | | | | | | | | | |
| Traditional | 7,565.0 | 11.2 | 8,138.3 | 11.4 | 8,400.6 | 11.1 | 8,648.8 | 10.8 | 9,226.5 | 10.8 |
| Free trade zones | 2,218.1 | 3.3 | 2,336.1 | 3.3 | 2,523.0 | 3.3 | 2,631.4 | 3.3 | 2,864.6 | 3.3 |
| Total manufacturing | 9,783.2 | 14.5 | 10,474.5 | 14.7 | 10,923.6 | 14.4 | 11,280.1 | 14.1 | 12,091.1 | 14.1 |
| Electricity, gas and water | 1,699.7 | 2.5 | 1,424.6 | 2.0 | 1,308.3 | 1.7 | 1,308.7 | 1.6 | 1,330.9 | 1.6 |
| Construction | 7,176.0 | 10.7 | 7,294.1 | 10.2 | 7,162.8 | 9.5 | 8,391.8 | 10.5 | 9,736.5 | 11.4 |
| Total secondary production | 18,658.9 | 27.7 | 19,193.1 | 26.9 | 19,394.6 | 25.6 | 20,980.6 | 26.2 | 23,158.6 | 27.1 |
| Services: | | | | | | | | | | |
| Wholesale and retail trade | 6,588.5 | 9.8 | 7,420.1 | 10.4 | 8,128.1 | 10.7 | 8,327.6 | 10.4 | 8,828.7 | 10.3 |
| Hotels, bars and restaurant | 5,042.3 | 7.5 | 5,534.3 | 7.8 | 5,920.5 | 7.8 | 6,254.5 | 7.8 | 6,541.2 | 7.6 |
| Transportation | 5,637.5 | 8.4 | 5,898.3 | 8.3 | 6,240.0 | 8.2 | 6,632.1 | 8.3 | 7,024.9 | 8.2 |
| Communications | 736.1 | 1.1 | 746.0 | 1.0 | 758.3 | 1.0 | 767.5 | 1.0 | 819.8 | 1.0 |
| Financial services | 2,628.1 | 3.9 | 2,860.0 | 4.0 | 3,206.0 | 4.2 | 3,323.2 | 4.2 | 3,465.1 | 4.1 |
| Real estate | 5,753.9 | 8.6 | 5,851.4 | 8.2 | 6,120.7 | 8.1 | 6,332.3 | 7.9 | 6,486.6 | 7.6 |
| Public administration | 2,982.7 | 4.4 | 2,835.4 | 4.0 | 2,970.9 | 3.9 | 3,250.6 | 4.1 | 3,529.7 | 4.1 |
| Private education | 1,500.0 | 2.2 | 1,548.3 | 2.2 | 1,652.8 | 2.2 | 1,703.9 | 2.1 | 1,744.3 | 2.0 |
| Public education | 1,619.9 | 2.4 | 1,992.9 | 2.8 | 2,336.9 | 3.1 | 2,580.1 | 3.2 | 2,823.7 | 3.3 |
| Private health | 1,220.4 | 1.8 | 1,327.5 | 1.9 | 1,537.4 | 2.0 | 1,631.7 | 2.0 | 1,809.4 | 2.1 |
| Public health | 695.5 | 1.0 | 740.1 | 1.0 | 729.8 | 1.0 | 823.9 | 1.0 | 921.1 | 1.1 |
| Other services | 5,086.7 | 7.6 | 5,322.9 | 7.5 | 5,739.5 | 7.6 | 5,927.9 | 7.4 | 6,153.3 | 7.2 |
| Total services | 39,491.5 | 58.7 | 42,077.2 | 59.1 | 45,340.9 | 59.8 | 47,555.4 | 59.4 | 50,147.8 | 58.6 |
| Taxes to production net of subsidies | 4,249.1 | 6.3 | 4,956.7 | 7.0 | 5,353.3 | 7.1 | 5,731.8 | 7.2 | 6,341.6 | 7.4 |
| Total GDP | 67,254.4 | 100.0 | 71,243.0 | 100.0 | 75,759.4 | 100.0 | 80,024.5 | 100.0 | 85,536.9 | 100.0 |

(1) Preliminary data.

Source: Central Bank.

Gross Domestic Product by Sector
(in chained volume indexes referenced to 2007)⁽²⁾

| | As of December 31, | | | | |
|--|--------------------|--------------|--------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Primary production: | | | | | |
| Agriculture, livestock, fishing and forestry | 134.4 | 137.5 | 145.3 | 153.7 | 162.2 |
| Mining | 358.5 | 326.0 | 409.8 | 397.8 | 392.7 |
| Total primary production..... | 194.2 | 190.4 | 203.7 | 218.2 | 221.5 |
| Secondary production: | | | | | |
| Manufacturing: | | | | | |
| Traditional | 124.7 | 130.9 | 135.0 | 138.2 | 146.0 |
| Free trade zones | 116.6 | 119.3 | 123.5 | 128.0 | 138.4 |
| Total manufacturing..... | 122.8 | 128.3 | 132.4 | 135.8 | 144.2 |
| Electricity, gas and water..... | 121.8 | 121.1 | 119.4 | 123.8 | 130.8 |
| Construction | 119.6 | 141.0 | 155.8 | 163.5 | 182.8 |
| Total secondary production..... | 121.5 | 132.5 | 140.3 | 145.2 | 158.8 |
| Services: | | | | | |
| Wholesale and retail trade..... | 123.2 | 134.0 | 143.8 | 147.6 | 159.2 |
| Hotels, bars and restaurants | 129.1 | 137.4 | 146.0 | 155.9 | 164.8 |
| Transportation | 148.2 | 156.9 | 167.0 | 174.9 | 185.4 |
| Communications | 144.0 | 152.4 | 161.4 | 167.7 | 188.8 |
| Financial services | 160.3 | 174.9 | 194.3 | 202.0 | 216.6 |
| Real estate | 129.9 | 134.0 | 140.9 | 147.0 | 153.2 |
| Public administration | 131.4 | 136.5 | 136.7 | 137.2 | 141.1 |
| Private education..... | 120.6 | 121.1 | 125.6 | 127.1 | 129.3 |
| Public education | 154.7 | 176.9 | 181.5 | 187.7 | 193.7 |
| Private health..... | 161.6 | 172.4 | 196.4 | 207.7 | 231.9 |
| Public health..... | 145.3 | 151.9 | 157.6 | 148.1 | 150.7 |
| Other services..... | 144.5 | 151.8 | 163.2 | 169.0 | 177.1 |
| Total services..... | 137.6 | 146.0 | 155.7 | 161.9 | 171.4 |
| Total GDP..... | 134.2 | 143.5 | 153.1 | 160.2 | 171.4 |

(1) Preliminary data.

(2) For additional information on this methodology please see “Defined Terms and Conventions—Certain Defined Terms—GDP.”

Source: Central Bank.

Real Gross Domestic Product by Sector
(% change from prior year, chained volume indexes referenced to 2007)⁽³⁾

| | As of December 31, | | | | |
|--|--------------------|------------|------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Primary production: | | | | | |
| Agriculture, livestock, fishing and forestry | 2.4 | 2.3 | 5.6 | 5.8 | 5.5 |
| Mining | 25.4 | (9.1) | 25.7 | (2.9) | (1.3) |
| Total primary production | 26.7 | (1.9) | 7.0 | 7.1 | 1.5 |
| Secondary production: | | | | | |
| Manufacturing: | | | | | |
| Traditional | 5.9 | 5.0 | 3.1 | 2.4 | 5.6 |
| Free trade zones | 3.2 | 2.3 | 3.5 | 3.6 | 8.1 |
| Total manufacturing | 5.3 | 4.4 | 3.2 | 2.6 | 6.2 |
| Electricity, gas and water | 5.5 | (0.5) | (1.4) | 3.7 | 5.7 |
| Construction | 11.7 | 17.9 | 10.5 | 5.0 | 11.8 |
| Total secondary production | 7.5 | 9.0 | 5.9 | 3.5 | 9.3 |
| Services: | | | | | |
| Wholesale and retail trade | 6.3 | 8.8 | 7.3 | 2.6 | 7.9 |
| Hotels, bars and restaurants | 9.1 | 6.4 | 6.3 | 6.8 | 5.7 |
| Transportation | 7.7 | 5.9 | 6.4 | 4.8 | 6.0 |
| Communications | 2.3 | 5.8 | 5.9 | 3.9 | 12.5 |
| Financial services | 5.4 | 9.2 | 11.1 | 4.0 | 7.2 |
| Real estate | 5.1 | 3.1 | 5.1 | 4.4 | 4.2 |
| Public administration | 7.0 | 3.9 | 0.1 | 0.4 | 2.8 |
| Private education | 1.7 | 0.4 | 3.7 | 1.2 | 1.7 |
| Public education | 9.8 | 14.3 | 2.6 | 3.4 | 3.2 |
| Private health | 8.6 | 6.7 | 13.9 | 5.7 | 11.7 |
| Public health | 7.0 | 4.6 | 3.8 | (6.0) | 1.8 |
| Other services | 6.0 | 5.1 | 7.5 | 3.6 | 4.8 |
| Total services | 6.6 | 6.1 | 6.6 | 4.0 | 5.9 |
| Real GDP growth⁽²⁾ | 7.1 | 6.9 | 6.7 | 4.7 | 7.0 |

(1) Preliminary data.

(2) Includes taxes less subsidies.

(3) For additional information on this methodology please see “Defined Terms and Conventions—Certain Defined Terms—GDP.”

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, beef, eggs, pork and poultry. The sector exhibited a 4.3% average annual growth between 2014 and 2018.

For the years 2014 and 2015, this sector registered moderate growth rates of 2.4% and 2.3%, respectively, reflecting the impact on agricultural production of the infestation of pests and drought seasons, which required that the sector receive assistance through the Ministry of Agriculture and the *Banco Agrícola de la República Dominicana* (Agricultural Bank of the Dominican Republic), such as:

- the development of new production areas and the introduction of different varieties of agricultural crops;
- the adoption of new technologies, technical assistance, preparation and clearing of land through the Program of Agricultural Machinery Services;
- introduction of financial support and price stabilization policies;
- the distribution of certain inputs, including agricultural seeds, fertilizers and chemicals; and

- logistics support and training for farmers regarding cultivation and pest management practices in different areas of production.

In 2016, however, this sector grew at a rate of 5.6% compared to 2015, due to favorable weather conditions throughout most of the year and the positive effects derived from the continuity of assistance from the Ministry of Agriculture and the *Banco Agrícola de la República Dominicana* (Agricultural Bank of the Dominican Republic) to support sustained production.

In 2017, this sector grew at a rate of 5.8%, despite the impact of two hurricanes, Irma and Maria, and various floods in agricultural regions at the end of 2016 and the beginning of 2017, which had significant effects on production and commercial activity, causing damage to road infrastructure and leading to a temporary suspension of labor activities for several days. Notwithstanding the foregoing, the sector expanded during the second half of 2017, largely due to the positive effects of monetary easing measures that boosted availability of credit and fiscal policies, which resulted in increased consumption and private investment. In addition, the Monetary Board contributed DOP6,566.0 million in December 2016 to agricultural producers in some provinces affected by the abovementioned floods.

In 2018, this sector grew at a rate of 5.5% compared to 2017, driven primarily by the implementation of public policies such as technical assistance, financial support, land repair and infrastructure maintenance, distribution of seeds and fertilizers to agricultural producers, the supply of foodstuff to breeders, genetic diversification of seeds and the reprogramming of crop cycles to achieve greater efficiency and productivity.

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)

| | As of December 31, | | | | |
|-------------------------------------|--------------------|----------------|----------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 ⁽²⁾ | 2018 ⁽²⁾ |
| Crops: | | | | | |
| Fruits..... | 684.3 | 825.6 | 915.9 | 944.4 | 984.8 |
| Rice..... | 314.7 | 307.9 | 318.2 | 333.5 | 355.7 |
| Root crops..... | 167.4 | 213.6 | 254.9 | 226.9 | 251.1 |
| Vegetables..... | 164.6 | 178.1 | 177.0 | 203.7 | 235.9 |
| Sugarcane..... | 206.5 | 169.6 | 187.8 | 224.8 | 227.0 |
| Coffee..... | 56.1 | 38.9 | 48.9 | 43.9 | 46.0 |
| Legumes..... | 67.4 | 53.4 | 65.1 | 63.6 | 69.1 |
| Corn..... | 13.6 | 14.6 | 16.0 | 17.3 | 18.8 |
| Tobacco..... | 19.8 | 22.8 | 18.0 | 17.6 | 20.3 |
| Oleaginous crops..... | 5.0 | 5.7 | 6.3 | 5.6 | 7.3 |
| Other agricultural (plantains)..... | 265.7 | 313.0 | 319.1 | 328.1 | 353.4 |
| Total crops..... | 1,964.9 | 2,143.1 | 2,327.2 | 2,409.4 | 2,569.2 |
| Livestock: | | | | | |
| Poultry..... | 420.2 | 441.4 | 428.3 | 433.6 | 472.3 |
| Milk..... | 376.7 | 396.8 | 449.1 | 478.2 | 513.0 |
| Beef..... | 514.5 | 543.4 | 560.4 | 573.7 | 610.3 |
| Eggs..... | 152.8 | 150.0 | 156.9 | 167.2 | 186.8 |
| Pork..... | 192.9 | 201.3 | 201.9 | 197.7 | 212.7 |
| Lamb..... | — | — | — | — | — |
| Total livestock..... | 1,657.1 | 1,732.8 | 1,796.7 | 1,850.4 | 1,995.2 |
| Honey and bees' wax..... | — | — | — | — | — |
| Fishing and forestry..... | 51.1 | 51.9 | 52.7 | 53.7 | 55.2 |

(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.

Sources: *Ministerio de Agricultura* (Ministry of Agriculture) and Central Bank.

The following table sets forth the annual percentage change in production of selected primary goods for the periods indicated:

Selected Primary Goods Production
(% change in volume for the period indicated)

| | As of December 31, | | | | |
|-------------------------------------|--------------------|--------|--------|---------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Crops: | | | | | |
| Fruits..... | 11.2 | 2.1 | 2.6 | (0.9) | (3.4) |
| Rice..... | (0.7) | 0.7 | 3.9 | 5.6 | 6.7 |
| Root crops | 3.7 | (0.6) | 4.8 | 2.2 | (1.1) |
| Vegetables | (16.5) | 1.2 | (2.4) | 15.3 | 15.7 |
| Sugar cane | 4.5 | (15.1) | 13.3 | 23.6 | 1.0 |
| Coffee | (20.7) | (10.6) | 22.2 | 16.4 | 4.8 |
| Legumes | (7.8) | (22.7) | 15.6 | 6.1 | 6.9 |
| Corn | (20.8) | (5.3) | 22.3 | 5.6 | 1.5 |
| Tobacco | 17.1 | 5.5 | (21.9) | 0.8 | 6.7 |
| Oleaginous crops | 0.5 | (4.1) | 15.1 | 8.1 | 1.9 |
| Other agricultural (plantains)..... | 10.9 | (11.1) | 9.4 | 5.3 | 1.6 |
| Total crops..... | 2.7 | (5.7) | 5.7 | 7.0 | 3.4 |
| Livestock: | | | | | |
| Poultry | 7.9 | 3.2 | 3.0 | 3.9 | 3.2 |
| Milk | 3.6 | 5.1 | 15.2 | 9.4 | 14.2 |
| Beef | 1.0 | 1.0 | 0.9 | 0.9 | 1.0 |
| Eggs | 1.8 | 1.9 | (1.8) | 8.8 | 11.0 |
| Pork | (7.5) | 1.5 | 2.2 | 1.6 | (1.1) |
| Lamb..... | — | — | — | — | — |
| Total livestock | 2.6 | 3.1 | 5.5 | 5.0 | 6.9 |
| Honey and bees' wax | — | — | — | — | — |
| Fishing and forestry..... | 2.9 | 2.7 | 3.8 | 4.0 | 3.9 |

(1) Preliminary data.

Sources: *Ministerio de Agricultura* (Ministry of Agriculture) and Central Bank.

Mining

The mining sector had been historically concentrated in the production of nickel-iron, marble and quarry products, such as sand, coarse sand and lime sulfate, but since the fourth quarter of 2012, gold and silver became the most important mining products. Even though the mining sector represents a relatively small component of the Dominican economy, it has increased its importance over time, from a share of only 0.9% of GDP in 2012, to 1.7% of GDP in 2018.

During 2014, the mining sector grew by 25.4%, as compared to 2013, as a result of stabilization in the production levels of gold and silver following a noticeable boom during the previous year due to the commencement of operations in the Pueblo Viejo gold mine. These levels of production of gold and silver were partially offset by the closure of the nickel and iron mine at the end of 2013. During 2015, the sector suffered a contraction of 9.1% due to the decrease in the production of gold and silver as a result of mining machinery maintenance. The mining sector improved in 2016, growing by 25.7%, as compared to 2015, as a result of the increase of gold and silver production and the reopening of the nickel and iron mining operations in April 2016. The mining sector decreased in size by 2.9% during 2017, explained by the 8.7% fall in the production of gold, attributed to the temporary stoppage during such year of mining activities by the main company in the country due to machinery and equipment maintenance. This downward trend continued in 2018, albeit to a lesser extent, with a 1.3% decrease in the mining sector that resulted from a 7.3% decrease in the production of gold, attributed to the aforementioned temporary stoppage of mining activities in 2017.

Pueblo Viejo Gold Mine Operating Lease Amendment

On September 5, 2013, representatives of the Republic signed an amendment to the operating lease agreement (“Special Lease Contract of Mining Rights” or *Contrato Especial de Arrendamiento de Derechos*

Mineros) with Pueblo Viejo Dominicana Corporation (“PVDC”), a subsidiary of Barrick Gold Corporation, for the development and operation of the Pueblo Viejo gold mine, which was approved by Congress on October 1, 2013.

Among the key terms renegotiated by the Republic and PVDC were:

- the elimination of an internal rate of return requirement for PVDC’s investment as a pre-requisite for its obligation to begin paying income taxes (the *Impuesto de Participación de las Utilidades Netas* or “PUN”);
- a reduction in the applicable rate of depreciation;
- a reduction in the committed amount to be invested by PVDC;
- a reduction in the maximum allowable interest rates for loans granted by affiliates of Barrick Gold Corporation to PVDC; and
- the establishment of an annual minimum tax (the *Impuesto Mínimo Anual* or “IMA”) on the gross income of any exports of metals made by PVDC from the mine, which will be in addition to the payment of royalties on net income from exports of gold and silver.

Based on these amendments and assuming an average international market price for gold of US\$1,600 per troy ounce during the period from 2013 to 2016, the Republic expected to receive payments from PVDC equal to approximately US\$2.2 billion and of approximately US\$11.6 billion during the useful life of the mine. As of December 31, 2018, the Republic has received payments from PVDC in an amount equal to US\$1,626.3 million.

Secondary Production

Manufacturing

The manufacturing sector includes traditional manufacturing and free trade zones, where the latter are regulated under a scheme of tax exemption to promote exports. Each category comprises the following activities:

- Traditional manufacturing industries: food industry, beverage and tobacco, petroleum refining and chemicals and other manufacturing products.
- Free trade zones: textiles manufacturing and other activities such as electronics, tobacco and its derivatives, footwear and other manufacturing.

During the period 2014 to 2018, the manufacturing sector accounted, on average, for 14.4% of the GDP at current prices, performing as follows:

- in 2014, the traditional manufacturing industries grew 5.9% compared to 2013, driven primarily by a growth of 6.1% in the production of beverages and tobacco, 7.9% in other manufacturing industries, 5.1% in the food industries and 1.0% in petroleum refining and chemicals. Manufacturing in free trade zones grew by 3.2%, driven by the positive performance observed in exports in U.S. dollars of major industries, including a growth of 25.2% in pharmaceutical and medicine manufacturing, 10.4% in manufacturing of tobacco, 6.5% in footwear, 2.9% in the manufacturing of medical and surgical equipment, 1.9% in the manufacturing of textiles and 11.7% in other manufacturing industries;
- in 2015, the traditional manufacturing industries grew 5.0% compared to 2014, driven primarily by a growth of 3.7% in the food industry, 10.0% in the production of beverages and tobacco, and 7.0% in other manufacturing industries. Manufacturing in free trade zones grew by 2.3%, driven by the positive performance observed in exports in U.S. dollars of major industries, including a growth of 30.4% in jewelry and silverware manufacturing, 12.5% in manufacturing of tobacco and 7.1% in the manufacturing of medical and surgical equipment;

- in 2016, the traditional manufacturing industries grew 3.1% compared to 2015, driven primarily by a growth of 8.6% in petroleum refining and chemicals, 3.7% in the food industry and 2.0% in other manufacturing industries. Manufacturing in free trade zones grew by 3.5%, driven by the positive performance observed in exports in U.S. dollars of electrical products, pharmaceuticals, medical and surgical equipment, tobacco and food products;
- in 2017, the traditional manufacturing industries grew 2.4% compared to 2016, driven primarily by a growth of 5.6% in petroleum refining and chemicals, 5.3% in the food industry and 2.4% in the production of beverages and tobacco. Manufacturing in free trade zones grew by 3.6%, driven by the positive performance of exports in U.S. dollars of pharmaceutical products, electrical products, tobacco, jewelry and related articles and other industries; and
- in 2018, the traditional manufacturing industries grew 5.6% compared to 2017, driven primarily by a growth of 9.6% in petroleum refining and chemicals production, 6.0% in the production of beverages and tobacco, 6.0% in other manufacturing industries and 4.0% in the food industries. Manufacturing in free trade zones grew by 8.1%, driven by the positive performance observed in exports in U.S. dollars, including a growth of 30.3% of electrical products, 16.2% of jewelry and related articles, 6.5% of tobacco and 5.7% of medical and surgical equipment.

The following tables set forth information regarding traditional manufacturing production for the periods indicated:

Production of Selected Manufacturing Goods
(in volumes as specified)

| | As of December 31, | | | | |
|---|--------------------|-----------|-----------|---------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Raw sugar (in metric tons) | 536,437 | 441,419 | 407,604 | 561,496 | 625,035 |
| Refined sugar (in metric tons) | 153,887 | 141,307 | 129,116 | 171,136 | 157,494 |
| Beer (in thousands of liters) ⁽²⁾ | 439,323 | 474,454 | 476,823 | 491,488 | 522,006 |
| Cigarettes (in thousands of packs of 20 units)..... | 89,444 | 85,500 | 72,063 | 88,736 | 95,831 |
| Rum (in thousands of liters) | 50,458 | 47,174 | 46,298 | 48,708 | 47,380 |
| Milk (in thousands of liters) | 114,286 | 120,666 | 138,133 | 150,549 | 159,769 |
| Flour ⁽³⁾ | 3,654,200 | 3,396,728 | 2,816,142 | 2,779,904 | 2,961,769 |
| Cement (in metric tons)..... | 5,018,313 | 5,180,931 | 5,171,069 | 5,253,660 | 5,429,629 |
| Paint (in metric tons) | 55,624 | 60,697 | 68,115 | 74,002 | 77,150 |

(1) Preliminary data.

(2) Includes light and dark beer.

(3) In *quintales* (unit of mass, equivalent to 45 kg.).

Sources: Survey of Manufacturing Enterprises and Central Bank.

Production of Selected Manufacturing Goods
(% change from prior year, in volume)

| | As of December 31, | | | | |
|--|--------------------|--------|--------|---------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Raw sugar (in metric tons)..... | (1.4) | (17.7) | (7.7) | 37.8 | 11.3 |
| Refined sugar (in metric tons) | (2.4) | (8.2) | (8.6) | 32.5 | (8.0) |
| Beer (in thousands of liters) ⁽²⁾ | 5.5 | 8.0 | 0.5 | 3.1 | 6.2 |
| Cigarettes (in thousands of packs of 20 units) ... | (7.2) | (4.4) | (15.7) | 23.1 | 8.0 |
| Rum (in thousands of liters) | (11.2) | (6.5) | (1.9) | 5.2 | (2.7) |
| Milk (in thousands of liters) | 8.2 | 5.6 | 14.5 | 9.0 | 6.1 |
| Flour ⁽³⁾ | 4.1 | (7.0) | (17.1) | (1.3) | 6.5 |
| Cement (in metric tons) | 13.9 | 3.2 | (0.2) | 1.6 | 3.3 |
| Paint (in metric tons) | (2.0) | 9.1 | 12.2 | 8.6 | 4.3 |

(1) Preliminary data.

(2) Includes light and dark beer.

(3) In *quintales* (unit of mass, equivalent to 45 kg.).

Sources: Survey of Manufacturing Enterprises and Central Bank.

During the period from 2014 to 2018, the performance observed in manufactured goods was supported by the behavior in the domestic and international demand for such products. During this period, these goods have shown an average growth rate as follows: paint (6.3%), milk (8.6%), beer (4.6%), raw sugar (2.8%) and cement (4.3%). In contrast, the production of rum, flour and cigarettes decreased by 3.6%, 3.4% and 0.1%, respectively.

In particular, milk production grew at an average annual rate of 8.6% in the period from 2014 to 2018. In 2014, 2015, 2016, 2017 and 2018, milk production registered an increase of 8.2%, 5.6%, 14.5%, 9.0% and 6.1%, respectively, due to increased demand sustained by extended day school program (see “The Economy–Poverty and Income Distribution”).

Similarly, cement production grew at an average annual rate of 4.3% in the period from 2014 to 2018. In 2014 and 2015, cement production grew 13.9% and 3.2%, respectively, due to the sustained increase in public and private investment in construction projects of infrastructure for ground transportation, schools and residential projects. However, in 2016, cement production decreased by 0.2%, compared to 2015, mainly due to a reduction in exports of cement in U.S. dollars, although the Republic maintains adequate levels of production to satisfy domestic demand. The production of cement recovered its positive trend in 2017 and 2018, experiencing an increase of 1.6% and 3.3%, respectively, mainly due to an increase in the exports of cement in U.S. dollars.

Additionally, the production of raw sugar and refined sugar grew at an average annual rate of 2.8% and 0.0%, respectively, in the period from 2014 to 2018. In 2014, 2015 and 2016, both goods registered a negative performance due to little to no rainfall. This trend reversed in 2017 due to increased rainfall throughout the year that improved crop quality, allowing for adequate levels of production to satisfy domestic demand and to decrease imports, which are valued in U.S. dollars. In 2018, the production of raw sugar grew 11.3%, as compared to 37.8% in 2017.

Free Trade Zones

Free trade zones are industrial parks that are set aside for manufacturing of a variety of products almost exclusively for export. These industrial parks operate in a nearly free trade environment. Some of the manufacturing in the free trade zones consists of *maquiladoras* (assembly manufacturing), with the raw materials imported into the 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. As of December 31, 2016, there were 68 free trade zone parks located throughout the Republic, compared to 65 at December 31, 2015, and total employment in the free trade zones increased to 163,147 employees as of December 31, 2016, compared to 161,257 as of December 31, 2015. As of December 31, 2017, there were 71 free trade zone parks located throughout the Republic, compared to 68 at December 31, 2016, and total employment in the free trade zones increased to 165,724 employees as of December 31, 2017, compared to 163,147 as of December 31, 2016. As of December 31, 2018, there were 74 free trade zone parks operating throughout the Republic, compared to 71 at December 31, 2017, and total employment in the free trade zones increased to 171,726 employees as of December 31, 2018, compared to 165,724 as of December 31, 2017.

Textile manufacturing in the free trade zones decreased at an average rate of 4.4% during the period from 2014 to 2018, attributable primarily to an industrial diversification of the production of goods, the effects of the expiration of the WTO Agreement on Textiles and Clothing in 2005, elimination of export quotas and an international environment in which Asian countries have comparative advantages with respect to textile manufacturing. Exports from free trade zones have represented, on average, 1.8% of GDP during the period from 2014 to 2018.

In 2009, free trade zone exports decreased by 12.9% as a result of a decrease in demand for products due to the effects of the global economic crisis. Exports from free trade zones totaled US\$3.8 billion in 2009. According to U.S. Census Bureau statistics, the Republic’s textile exports to the United States declined gradually between 2005 and 2009, principally due to increased competition from China and other Asian countries, as well as Central America. In 2014, exports from free trade zones totaled US\$5.3 billion, of which textile exports accounted for 23.6% of this total. By 2018, textiles only accounted for 18.8% of total exports from free trade zones, which totaled US\$6.2 billion in 2018.

During the period from 2014 to 2018, free trade zone exports increased at an average rate of 4.4%. The increase during recent years is a result of greater export diversification, which now includes medical and surgical equipment, jewelry and related products, footwear and tobacco products, and the expansion of call centers, which was partially offset by a reduction in the production of textiles.

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

Principal Economic Indicators of the Free Trade Zones

| | As of December 31, | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 ⁽¹⁾ | 2015 ⁽¹⁾ | 2016 ⁽¹⁾ | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Existing parks | 60 | 65 | 68 | 71 | 74 |
| Employees | 153,342 | 161,257 | 163,147 | 165,724 | 171,726 |
| Exports (in millions of US\$) | 5,261.7 | 5,423.6 | 5,503.9 | 5,709.6 | 6,230.0 |
| Of which: | | | | | |
| Textile exports (in millions of US\$) | 1,241.9 | 1,247.9 | 1,102.8 | 1,067.8 | 1,106.7 |
| Exports as a percentage of GDP | 8.0 | 7.9 | 7.6 | 7.5 | 7.3 |
| Net foreign exchange earnings (in millions of US\$) | 1,837.9 | 1,925.6 | 1,969.8 | 1,962.9 | 2,391.3 |
| Average monthly salary (in US\$) ⁽²⁾ : | | | | | |
| Technicians | 439.4 | 431.7 | 447.8 | 447.1 | 479.2 |
| Workers | 231.0 | 225.7 | 231.3 | 236.0 | 243.1 |

(1) 2014-2017 revised data; 2018 preliminary data.

(2) Calculated based on the weighted average exchange rate for each year.

Sources: Consejo Nacional de Zonas Francas de Exportación (National Council of Free Trade Zones) and Central Bank.

Electricity, Gas and Water

From 2014 to 2018, the electricity, gas and water sectors collectively grew at an average annual rate of 2.5%, and contributed, in the average, 1.9% to GDP at current prices from 2014 to 2018.

Electricity. In 2014, 2015, 2016, 2017 and 2018, electricity production increased by 1.7%, 4.6%, 6.0%, 2.6% and 3.2%, respectively, and electricity consumption increased by 5.6%, 4.0%, 3.6%, 1.5% and 6.2%, respectively.

At December 31, 2014, total installed generation capacity was 3,513 megawatts, which exceeded peak estimated demand by approximately 1,033 megawatts in 2014. Electricity generated during 2014, prior to the effects of losses and electricity consumed by generators, reached 14,300 gigawatt hours while restricted estimated demand was 14,730 gigawatt hours. Net electricity generation during 2014, which accounts for losses and electricity consumed by generators, was 13,465 gigawatt hours, resulting in an electricity generation deficit during 2014 of 5.84%.

At December 31, 2015, total installed generation capacity was 3,538 megawatts, which exceeded peak estimated demand by approximately 1,358 megawatts in 2015. Electricity generated during 2015, prior to the effects of technical and commercial losses and electricity consumed by generators, reached 14,956 gigawatt hours while restricted estimated demand was 15,526 gigawatt hours. Net electricity generation during 2015, which accounts for technical losses in transmission lines and electricity consumed by generators, was 14,177 gigawatt hours, resulting in an electricity generation deficit during 2015 of 5.21%.

At December 31, 2016, total installed generation capacity was 3,745 megawatts, which exceeded peak estimated demand by approximately 1,425 megawatts in 2016. Electricity generated during 2016, prior to the effects of losses and electricity consumed by generators, reached 15,860 gigawatt hours. Net electricity generation during 2016, which accounts for losses in transmission lines and electricity consumed by generators, was 14,942 gigawatt hours, resulting in an electricity generation deficit during 2016 of 5.79%.

At December 31, 2017, total installed generation capacity was 3,667 megawatts, approximately 100 megawatts less than in 2016 due to the dismantling of operations of some plants that were becoming inefficient. Electricity generated during 2017, prior to the effects of technical and commercial losses and electricity consumed

by generators, was 16,944 gigawatt hours. Net electricity generation during 2017, which accounts for technical losses in transmission lines and electricity consumed by generators, was 15,612 gigawatt hours.

At December 31, 2018, total installed generation capacity was 3,807 megawatts, approximately 140 megawatts more than in 2017 due to the entry of new sources of renewable energy. Electricity generated during 2018, prior to the effects of technical and commercial losses and electricity consumed by generators, was 16,129 gigawatt hours. Net electricity generated during 2018, which accounts for losses in transmission lines and electricity consumed by generators, was 15,210 gigawatt hours.

The electricity sector is divided into three sub-sectors: generation, transmission and distribution. The Government coordinates all three sub-sectors, primarily through the CDEEE. The SIE (as defined below) is responsible for regulating the electricity sector.

There are six types of electricity generators in the Dominican Republic:

- independent private producers (IPP);
- thermoelectric plants operated by private companies holding a 50% ownership stake in the plants, with the remaining 50% owned by CDEEE;
- thermoelectric plants owned and operated by private companies;
- wind plants owned and operated as a public-private partnership;
- hydroelectric plants operated and owned by *Empresa de Generación Hidroeléctrica Dominicana* (Hydroelectric Generation Company, known as EGEHID), a subsidiary of CDEEE; and
- back-up generators owned by private businesses and homeowners.

Of total electricity production during 2014, 89.5% was generated by thermoelectric plants that use gas, coal, heavy fuel oil or diesel oil, while the remaining 10.5% was generated by hydroelectric plants and wind generators, which are owned by the public company EGEHID. During 2015, the mix was 91.9% generated by thermoelectric plants and 8.1% by wind and hydroelectric plants. During 2016, the mix was 88.4% generated by thermoelectric plants and 11.6% by renewables and hydroelectric plants. During 2017, the mix was 83.4% generated by thermoelectric plants and 16.6% by renewables and hydroelectric plants. During 2018, the mix was 85.1% generated by thermoelectric plants and 14.9% by renewables and hydroelectric plants.

The high voltage transmission company (known as ETED), which is a subsidiary of CDEEE, owns approximately 95% of the country's power grid and is the only company that offers transmission services; the remaining power grid is privately owned. At December 31, 2015 and 2016, ETED charged US\$0.00895 and US\$0.00717 per kilowatt/hour, respectively, to transmit electricity produced by generation companies at high voltage through the country's power grid. At December 31, 2017, ETED charged US\$0.007077 per kilowatt/hour to transmit electricity produced by generation companies at high voltage through the country's power grid. At December 31, 2018, ETED charged US\$0.007220 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 electricity generators to sell in regulated and unregulated markets to end users.

At present, almost 100% of distribution is controlled by CDEEE through three distribution companies: Empresa Distribuidora de Electricidad del Norte, S.A. or "Ede Norte", Empresa Distribuidora de Electricidad del Sur, S.A., or "Ede Sur," and Empresa Distribuidora de Electricidad del Este, S.A., or "Ede Este."

Prior to 2000, the electricity sector suffered for many years from a severe lack of generation capacity due to poorly maintained plants and inadequate capital investment, leading to frequent blackouts, which adversely impacted economic activity.

In 2000 and 2001, robust economic growth and the privatization of the electricity sector attracted considerable private investment that increased generation capacity and expansion of the distribution infrastructure. However, during this period, public institutions continued to accumulate arrears with the three partially-privatized distribution companies, which limited the cash flow available to distributors for payment to generation companies and transmission services. In addition, the financial condition of the electricity sector was adversely affected by the inability of distribution companies to improve collections from consumers.

During 2002, the electricity sector experienced further financial difficulties due to:

- losses incurred by CDEEE as a result of its agreements with independent power producers to purchase energy at prices higher than CDEEE's selling prices to distribution companies. During 2015 that situation was corrected through new agreements, and CDEEE transferred all power purchase costs to distribution companies;
- a government subsidy regime which prohibited distribution companies from increasing prices to consumers to properly reflect their increased costs. This subsidy regime, in turn, led the distribution companies to deduct these cost increases from payments due by them to CDEEE. 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 electricity consumption, which also caused distribution companies to withhold payments to CDEEE.

In order to resolve the financial crisis in the electricity sector, in May 2002 the Government established an electricity commission, which since then has taken the following key actions:

- with the exception of its power purchase agreements with *Compañía de Electricidad de San Pedro de Macorís* (the Electricity Company of San Pedro de Macorís), "CESPM" formerly "Cogentrix", and Generadora San Felipe, formerly Smith-Enron, CDEEE terminated substantially all of its remaining agreements with independent power producers and began paying its accrued debt to these producers. The contracts between distributors and generators (known collectively as the *Acuerdo de Madrid*) expired in July 2016. The *Acuerdo de Madrid* was replaced by new short- and medium-term contracts through an international public tender process. Throughout this process, local generation plants were awarded contracts to supply 511.4 megawatts to distribution companies and a public bidding process for a contract to supply the distribution companies in the long term will start in early 2019. These new contracts change all previous indexing terms and parameters, which were very costly to the distributors, to reflect the cost of fuel used by each generation plant instead of having one sole fuel index for all plants. The purchase agreement with Generadora San Felipe expired in 2015;
- the Government and the distribution companies reached an agreement to adjust the indexation formula used to set electricity prices charged to consumers, which allowed price adjustments for changes in fuel costs, inflation and exchange rates; and
- CDEEE's role as the financial intermediary between public entities and distribution companies was eliminated. As a result, distribution companies began charging these public entities directly for their electricity consumption.

In 2003, the electricity sector suffered from the collective impact of rising oil prices and the depreciation of the peso, which significantly increased generation costs. In addition, severe economic problems, which affected the ability of privatized electricity distribution companies to reliably deliver energy to the country's power grid, forced the Government to renationalize Ede Norte and Ede Sur, two of the three distribution companies that had been privatized in 1999, for aggregate compensation of US\$699.6 million (including accrued interest) and reassume their operational control in September 2003. However, both generators and distributors continued to face financial difficulties that have resulted in frequent blackouts, public protests and demonstrations, and several temporary and permanent shutdowns of generating plants. The financial strain on the Government caused by the 2003 economic crisis resulted in late and missed payments of subsidies by the Government to distributors. Distributors, already

experiencing financial difficulties because of late payments and collection problems with customers, were unable to meet all of their payment obligations to generators.

In 2005, in an effort to alleviate these pressures, the Republic entered into the PetroCaribe Agreement, which replaced certain important provisions of the Caracas Energy Cooperation Agreement. Under the PetroCaribe Agreement, Venezuela has agreed to continue providing the Republic up to 50,000 barrels of oil per day at market prices and on favorable financing terms. See “Public Sector Debt—External Debt—PetroCaribe Agreement.”

Since 2005, the Republic has made progress in improving circumstances in the electricity sector, including the following key measures:

- In 2009, the *Programa Nacional de Reducción de Apagones* (the National Blackout Reduction Program, or “PRA”), consisting of a general subsidy to all consumers in selected areas, was replaced by the *Programa de Subsidio Eléctrico* (Electricity Subsidy Program), whereby the Government grants electricity subsidies targeted at low-income households. This program, also known as “Bonoluz”, is designed to subsidize those people with the greatest economic need, focusing initially on people located in PRA areas, and secondarily, on people throughout the concession area of the distribution companies.
- The reduction of technical and non-technical energy losses in the distribution network, from 32.1% in 2014 to 28.4% in 2018.
- Improvements in the collection’s performance indicator (which measures electricity invoiced over distribution charges), which increased from 95.7% in 2014 to 95.7% in 2018.
- An increase in the cash recovery index (which is the collections performance indicator adjusted for different tariffs charged to end-users) from 65.0% in 2014 to 68.5 % in 2018.
- The execution of various loan agreements with the World Bank, IDB, CAF, OPEC, the OFID and the EIB for projects in the electricity sector were approved between 2014 and 2018, for an aggregate total amount of US\$433.0 million. These projects are designed to reduce the distribution companies’ technical and non-technical losses and to make better use of metering systems.
- The completion of projects to increase the generation capacity of the hydroelectric system.
- The completion of projects to improve the transmission network, including the connection backbone and substations related to the Santo Domingo – Santiago Project, which is expected to eliminate the current inability of the transmission system to carry electricity in the amounts demanded between the southern and the northern regions of the country. The Santo Domingo – Santiago Project is currently operating at 345kV.
- The adoption of the Renewable Energy Incentives Law in May 2007, which has stimulated the development of several new fuel and power production projects (although it is expected that these projects will play a marginal role in meeting growing demand for power over the short to medium term).
- The diversification of sources of electricity generation to mitigate the reliance on any principal source of generation capacity. In 2015, approximately 48.9% of generating plants in the Republic are thermoelectric plants that use Fuel Oil #6 and #2, which exposes the sector to fluctuations in the international price of oil. In 2016, the private sector installed three new power plants, which consist of a wind farm with total installed capacity of 50MW, a photovoltaic park with total installed capacity of 30MW, and a biomass power plant with total installed capacity of 30MW, reaching a total installed capacity of 110MW of new renewable energy. During the first quarter of 2017, the Republic added to the system 114MW of additional generation capacity from natural gas, as a result of the completion of a combined cycle unit of an existing generation plant. As of December 31, 2018, approximately 42.2% of generating plants in the Republic are thermoelectric plants that use Fuel Oil #6 and #2.

Historically, the Government has been forced to continue the subsidies provided to the electricity sector to cover costs arising from increases in fuel prices that are not transferred to end users due to tariff structure and operational deficiencies of the sector. In 2014, subsidies were US\$798.1 million, representing a 40.0% decrease compared to 2013. In 2015, subsidies were US\$671.7 million, representing a 15.8% decrease compared to 2014. In 2016, subsidies were US\$452.2 million, representing a 32.7% decrease compared to 2015. In 2017, subsidies were US\$309.8 million, representing a 16.1% decrease compared to 2016. In 2018, subsidies were US\$359.5 million, representing a 16.1% increase compared to 2017.

The Dominican Republic continues to make progress in reforming the electricity sector. In 2014, fuel oil consumption by the electricity sector increased 4.8 percentage points (from 39.9% to 44.8% of the generating matrix) compared to 2013, mainly as a result of the commencement of operations of a large scale HFO power plant that uses Fuel Oil #6, and decreased by 1.2 percentage points during the five-year period beginning in 2010 to 2014 (from 46.0% to 44.8% of the generating matrix), primarily as a result of increased use of gas and coal as well as the increase during 2012 and 2013 in the availability of hydro-electric power and the first wind-powered generation facility.

As of December 31, 2018, technical and non-technical losses in the electricity distribution network were 28.4%, as compared to 29.9% for 2017, 31.5% for 2016, 31.1% for 2015 and 32.1% for 2014. In order to further reduce these losses, the Republic has been conducting network rehabilitation projects, which have been funded by debt and equity investments from the World Bank, the IDB, OPEC and the OFID. See “Recent Developments—The Economy—The Electricity Sector.” During the period from 2014 to 2018, the total investments from these institutions in these projects amounted to US\$433.0 million.

During 2018, total expenditures on electricity increased in 16.5% to US\$1,906.3 million as compared to 2017. During 2018, the average purchase price of electricity increased by approximately 15.1% as compared to 2017. The increased cost of electricity during 2018 was mainly driven by the slight increases in international fuel oil prices in that year.

During 2018, the electricity sector deficit was US\$643.6 million, representing an increase of 113.2% compared to the deficit recorded in 2017, mainly due to an increase in international fuel prices. During 2018, the Central Government transferred US\$359.5 million to the electricity sector as a tariff subsidy (which was contemplated in the 2018 Budget) and to partially finance the current deficit of the EDEs, representing an increase in subsidies of 16.1%, or US\$49.7 million, compared to 2017.

On September 3, 2018, the AES Andres power plant suffered damage from a lightning strike, which required two months of repair. As a result, the Republic experienced power shortages and, coupled with the increase in fuel prices, the Republic registered an increase in the electricity deficit. Currently, the AES Andres power plant is operating with four gas turbines of 30 MW each, for a total capacity of 120 MW.

For the period from 2012 to 2014, the ratio of distributable energy to energy purchased increased at an average of 2.68 percentage points. In 2015, the ratio increased by 0.9 percentage points as compared to 2014, reaching 65.9%. In 2016, the ratio increased by 0.6 percentage points as compared to 2015, reaching 66.5%. In 2017, the ratio increased by 1.6 percentage points as compared to 2016, reaching 68.0%. In 2018, the ratio increased by 0.9 percentage points as compared to 2017, reaching 68.9%. During 2018, the EDEs collected 95.7% of the monetary value of the total electricity they billed.

In March 2011, the consulting firm INECON, S.A., presented the report “Study for the Determination and Adjustment of the Electric Tariffs Applicable to Regulated Customers (Technical Tariff) – and Design of a Progressive Implementation Scheme.” The study was publicly tendered by the *Superintendencia de Electricidad* (Electricity Superintendency, or “SIE”) and sponsored by the World Bank. This study examined the use of a “technical tariff” in the electricity sector, and tied implementation to a transition period “glide path” which would make possible the objectives of the proposed tariff application. As of the date of this offering memorandum, the SIE is considering measures to increase the participation of customers in the payment for energy consumed and is also seeking to reach an agreement with electricity distributors (the “*Pacto Eléctrico*”) with regards to electricity tariffs. The *Pacto Eléctrico* seeks to specify a reference rate expected to be achieved on January 1, 2023 and a transition tariff regime to be applied from 2018 to 2022.

The chart below shows the evolution of transfers made by the Central Government to the CDEEE from 2014 to 2018 to cover the current deficit, as a percentage of GDP.

Current Transfers from the Central Government to CDEEE
(as a % of GDP)

| | |
|---------------------------|-----|
| As of December 31, | |
| 2014..... | 1.4 |
| 2015..... | 0.8 |
| 2016..... | 0.6 |
| 2017..... | 0.5 |
| 2018 ⁽¹⁾ | 0.4 |

(1) Preliminary data.

Source: Ministry of Finance.

The most pressing problems currently facing the electricity sector include the following:

- although the decrease registered during 2016 in international fuel oil prices have positively impacted on the average purchase price paid to generators, the current electricity generation mix remains subject to the volatility of fuel prices, which has been partially offset by the PetroCaribe Agreement;
- the high prices of electricity resulting from the fact that in 2015 the distribution companies purchased 31.8% of their electricity under contracts using the price of Fuel Oil #6 as an index to calculate the price they pay to the generators. Under these contracts, the purchase price is determined by a formula that takes into account different cost factors in a way that generally results in high electricity prices. In addition, distribution companies buy an additional 27.9% of electricity in the spot market, where prices are even higher because of the impact of inefficient generators that drive costs up. By mid-2016, however, the prices in the spot market decreased due to lower international oil prices and the termination of the Acuerdo de Madrid, which helped stabilize the price of electricity;
- the reduction in Fuel Oil #2 prices has helped to reduce a portion of the financial deficit and losses, however, there are still high financial losses caused by the payment terms agreed under the energy purchase contract signed between CDEEE and CESPM (Cogentrix), which is one of the largest power producers in the Dominican Republic. CDEEE and CESPM are considering an agreement for the conversion of a power station to natural gas from the more costly diesel fuel that it currently uses and an amendment to the existing energy purchase contract in order to reduce losses;
- generation plants that principally use fossil fuels; and
- the need to further improve the management of distribution companies to reduce losses and increase collection levels to optimal levels.

The current and expected measures to be taken by the Republic to address the problems of this sector, include, among others, the following:

- investing in distribution assets to reduce theft and implementing strong enforcement of the anti-theft provisions set forth in the Electricity Law, approved in 2007, to significantly improve the reasonable cash recovery index;
- reduction of transfers to CDEEE from the Government;
- complete regularization of supplies to unbilled and billed customers in all areas with subsidies targeted at low-income families pursuant to the Bonoluz scheme;
- execution of the National Pact for the Reform of the Electricity Sector (*Pacto Nacional para la Reforma del Sector Eléctrico*), which aims to achieve a reliable, efficient, transparent and sustainable

electricity network that supports the Republic's objectives set forth in the National Development Strategy 2030;

- reduction of generation costs by:
 - implementing new generation projects based mainly on coal and natural gas in order to diversify the mix of generation plants which has been dominated by petroleum- based fuels;
 - increasing utilization of natural gas through the conversion of existing generation plants purchasing natural gas at low prices in the market;
 - entering into contracts at more favorable terms to the Republic with new electricity generation companies that entered the market after the end of the Acuerdo de Madrid contract periods;
 - implementing new generation projects with alternative or renewable sources in order to diversify the mix of generation plants and lower costs while helping to mitigate the environmental impact; and
 - improving the operation of the wholesale (spot) market to eliminate inefficiencies;
- continued investments in the distribution network to reduce technical and non-technical losses, which investments are supported by the loan agreements with the World Bank, IDB and OPEC to finance:
 - the Electricity Distribution Network Rehabilitation Project;
 - the implementation of a robust technological platform for telemetry in industrial circuits, and commercial and large urban centers with appropriate networks;
- improvement of the transmission system to support the required demand and connect the new power plants; and
- improvement of the management of the Dominican electricity companies pursuant to the following strategies:
 - **commercial:** increasing revenues through non-traditional collection mechanisms, higher quality customer service and technical management through standardization and supply shielding;
 - **financial:** developing innovative mechanisms to maximize the sector's ability to obtain efficient financing with more flexible terms and conditions;
 - **technological:** based on the optimization and merger of technological structures for all companies within the sector, and the implementation of systems and management tools for distribution, loss control and administrative processes; and
 - **legal:** create an operational manual containing adequate and effective mechanisms to penalize electricity theft.

Punta Catalina Thermal Power Plant

As part of the strategy of the electricity sector to diversify and extend the current generation matrix, on May 13, 2013 the CDEEE launched a public bidding process for the engineering, procurement and construction ("EPC") of two thermal coal units with a nominal net power of 300 MW (plus or minus 20%) each, including any associated facilities, which will be installed in the town of Punta Catalina, Baní, province of Peravia, and will be owned by the Dominican Republic. By 2020, the country is targeting a generation matrix distributed as follows: 19.1% fuel oil, 35.1% gas, 21.1% coal, 12.7% hydro and 12.1% renewables.

A total of 56 companies participated in the bidding process and presented their credentials in July 2013. Following the evaluation process of the technical proposals of each pre-qualified participant, on November 22, 2013, the tender committee declared that the consortium formed by Constructora Norberto Odebrecht, S.A., Tecnimont S.p.A. and Ingeniería Estrella S.R.L. was the winner of the bidding process and was awarded the project. The EPC contract with the aforementioned consortium was executed in February 2014. As of December 31, 2018, the Republic had made a total of US\$2,230 million in payments under the EPC contract. During 2016, the Republic issued bonds in the domestic capital market in an aggregate principal amount of US\$95.0 million to make scheduled payments under the EPC contract. In June 2017, the Republic issued bonds in the international capital market in an aggregate principal amount of US\$500.0 million to make scheduled payments due under the EPC contract. Recently, the consortium presented the Republic with an invoice for cost overruns related to construction through mid-2017. The Republic maintains that the consortium is not entitled to those costs under the terms of the EPC contract. Although the parties have agreed to continue construction under the current timetable, any disputes regarding the consortium's claim shall be decided pursuant to an arbitration procedure in accordance with the EPC contract. The Republic and the consortium formed by Constructora Norberto Odebrecht, S.A., Tecnimont S.p.A. and Ingeniería Estrella S.R.L. created a contingent fund of US\$336.0 million to provide the funds required for the completion of the Punta Catalina Thermal Power Plant. The party that loses the ongoing arbitration proceeding will be liable for the total amount of the contingency fund. As of the date of this offering memorandum, the arbitration proceeding has yet to formally begin.

On February 2019, CDEEE and other energy sector authorities established the guidelines to launch a long-term bidding process for a power purchase agreement to meet the Republic's future electricity demand growth. The Government intends to negotiate favorable energy pricing terms that take into account the improved and more efficient generation capacity that will be available in the country in the short to medium term, which includes the recently completed cycle of an existing natural gas unit (114 MW) and the operation of Punta Catalina at full capacity in 2019 (720 MW).

Principal Economic Indicators of the Electricity Sector ⁽¹⁾⁽²⁾

| | As of December 31, | | | | |
|---|--------------------|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Production of electricity sector (in millions of US\$) ⁽³⁾ | 1,554.4 | 1,275.9 | 1,164.3 | 1,167.2 | 1,189.1 |
| Energy Production: | | | | | |
| Generators and CDEEE (in MW/hr): | | | | | |
| Renewable | 238,780.0 | 238,470.0 | 336,000.0 | 534,239.8 | 736,839.8 |
| Coal..... | 2,201,090.0 | 2,098,050.0 | 2,140,630.0 | 2,155,042.7 | 2,084,122.1 |
| Hydroelectric | 1,260,850.0 | 934,110.0 | 1,500,560.0 | 2,169,412.2 | 1,767,732.2 |
| Gas | 4,200,089.0 | 4,296,380.0 | 4,362,260.0 | 4,901,512.5 | 5,113,972.2 |
| Fuel oil (#6 and #2) | 6,399,301.0 | 7,344,280.0 | 7,520,240.0 | 6,513,270.2 | 7,093,748.3 |
| Total generators and CDEEE | 14,300,110.0 | 14,956,290.0 | 15,859,760.0 | 16,273,477.4 | 16,796,414.7 |
| Consumption by economic sector (in MW/hr): | | | | | |
| Residential | 3,510,303.2 | 3,748,657.9 | 3,988,346.1 | 4,062,241.9 | 4,280,972.3 |
| Commercial | 588,333.6 | 643,621.9 | 817,647.0 | 857,396.5 | 939,066.7 |
| Industrial | 3,283,730.6 | 3,517,078.5 | 3,340,941.2 | 3,535,843.6 | 3,791,427.5 |
| Government | 852,604.5 | 882,800.3 | 905,623.3 | 930,383.1 | 971,627.0 |
| Municipalities | 208,596.6 | 214,247.1 | 225,822.4 | 258,394.6 | 256,765.2 |
| Total consumption | 8,443,568.5 | 9,006,405.8 | 9,278,380.0 | 9,644,264.5 | 10,239,858.8 |
| Energy sale revenue (in millions of US\$) | 1,494.8 | 1,523.7 | 1,512.4 | 1,537.2 | 1,645.6 |
| Distribution Efficiency Indicators: | | | | | |
| Energy delivered (GWh) | 12,428.0 | 13,077.5 | 13,545.6 | 13,748.5 | 14,303.5 |
| Collection on billed amounts..... | 95.7 | 96.4% | 96.4% | 96.1% | 95.7% |
| Cash Recovery Index (CRI) | 65.0% | 66.4% | 66.1% | 67.4% | 68.5% |
| Clients | 2,002,985 | 2,079,097 | 2,154,735 | 2,256,464 | 2,464,750 |

(1) Based on the weighted average exchange rate for each year.

(2) Preliminary data.

(3) Calculated using electricity sector percentage share of current GDP, multiplied by nominal GDP in U.S. dollars.

Sources: Central Bank and CDEEE.

Losses in the Electricity Sector ⁽¹⁾

| | As of December 31, | | | | |
|----------------------------------|--------------------|--------|--------|--------|-------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Energy distribution losses | 32.06% | 31.13% | 31.50% | 29.90% | 28.4% |

(1) Preliminary data.

Source: CDEEE.

Gas. Propane gas is a widely used energy source in the 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.

Water. The water sector is in need of significant investment. According to the most recent household survey (ENIGH 2007), 44.8% of all Dominican households had access to potable water in their homes. The Government has considered privatizing water distribution and has privatized the fee collection business for the water sector. However, the fact that the Government supplies water at subsidized prices poses a challenge to private sector participation, as customers are likely to object to the increase in rates that would necessarily accompany privatization of this sector. In 2001, *Corporación de Acueductos y Alcantarillados de Santo Domingo*, a state-owned company, began installing water meters in selected areas of Santo Domingo in order to increase collections.

Construction

Between 2014 and 2018, construction activity increased at an average annual rate of 11.4%, exhibiting variations throughout the period.

In 2014, the construction sector grew by 11.7%. This growth was driven by an increase in private investment in residential and non-residential buildings, as well as by public investment in infrastructure, particularly in roads and highways, and the construction of new public schools and the expansion of existing public schools.

In 2015, the construction sector continued to expand, recording a 17.9% growth rate, as the single largest contributor to the GDP growth during this period. This performance was driven by, among other things, an increase in private investment in residential and non-residential buildings, as well as by public investment in infrastructure, particularly roads and highways.

During 2016, the construction sector continued to expand, recording a 10.5% growth rate, representing the single largest contributor to the GDP growth for four consecutive years. This performance was driven by, among other things, an increase in private investment in residential and non-residential buildings, such as low-cost housing projects, hotels and classrooms in public schools, as well as by public investment in infrastructure, particularly roads and highways.

In 2017, the construction sector registered a moderate growth rate of 5.0%. During the first half of the year, the construction sector contracted 3.8%, mainly due to a reduction in private investment, which was affected by the influence that external and internal factors had on the expectations of the private sector and moderate public spending, particularly with regard to capital expenditure. However, this initial contraction in the construction sector was mitigated by increased activity that generated growth rates of 7.1% and 20.6% during the third and fourth quarters of 2017, respectively, mainly due to the combined result of the positive effect of the Central Bank's expansive monetary policy measures and a more dynamic fiscal execution during this period, which resulted in a reactivation of public and private investment.

In 2018, the construction sector continued to expand, recording growth of 11.8% compared to 2017. This performance was driven by an increase in private investment in medium- and low-cost real estate projects, non-residential buildings, the expansion of hotel units as measured by the increase in the stock of available rooms, as well as by public investment in infrastructure, particularly roads and highways, collective transportation alternatives and schools, and in the diversification of the power generation matrix.

Services

Wholesale and Retail Trade

Between 2014 and 2018, wholesale and retail trade grew at an average annual rate of 6.6% due to an increase in per capita income, among other factors. In the same period, wholesale and retail trade accounted for an average of 10.3% of GDP at current prices, making it one of the largest components of the economy.

The composition of the Dominican retail market has changed in recent years, with the entrance of a number of multinational corporations, some through the use of franchises, and with a focus primarily on mega-store supermarkets and the fast food and clothing businesses, which has in turn spurred domestic investment in retail trade.

Hotels, Bars and Restaurants

Driven primarily by tourism, the hotel, bar and restaurant sector was an important contributor to the Dominican economy between 2014 and 2018, accounting on average for 7.7% of GDP at current prices, while the sector grew at an average annual rate of 6.9% during the period. This performance was due to an increase in the number of tourists as well as in the number of hotel rooms in the country. As of December 31, 2018, the number of tourists increased by 27.8% when compared to 2014 and the number of hotel rooms in the country were approximately 79,939, an increase of 14.1% as compared to the total number of rooms as of December 31, 2014.

In October 2001, the Government enacted the *Ley de Fomento al Desarrollo Turístico* (Tourism Development Incentive Law). The law grants tax exemptions to entities that develop tourism-oriented projects in the less-developed regions of the country with the objective of promoting investment and economic growth in the tourism sector.

Since 1985, tourism has been the primary source of foreign currency for the Dominican economy. In 2018, more than 6.5 million tourists visited the Dominican Republic. See “Balance of Payments and Foreign Trade—Foreign Trade—Services Trade” for additional information regarding the tourism sector.

Transportation

The transportation sector, which consists of passenger and merchandise transportation by air, land and sea, grew at an average of 6.1% per year in the period from 2014 to 2018.

Communications

The Dominican Republic was one of the first countries in Latin America to have privatized telephone service. Privatization of the telecommunications sector took place in 1990. From 1990 to 1992, *Compañía Dominicana de Teléfonos* (the Dominican Telephone Company), currently a subsidiary of Mexican telecommunications company América Móvil, had a virtual monopoly in this sector. In 1992, the creation of Tricom S.A. introduced competition into the telephony market, which continued to increase since then. Increased competition has expanded the variety of communication services offered and resulted in an appreciable reduction in rates.

Summary of Communications Sector Information

| | As of December 31, | | | | |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 | 2015 ⁽¹⁾ | 2016 ⁽¹⁾ | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Lines (per 100 residents) | | | | | |
| Fixed wire | 10.2 | 10.7 | 11.1 | 11.1 | 10.8 |
| Cellular | 83.6 | 88.0 | 86.3 | 85.9 | 86.4 |
| Total lines | 93.8 | 98.7 | 97.4 | 96.9 | 97.2 |
| Internet accounts (number of accounts) | 3,773,134 | 4,909,933 | 6,064,695 | 6,993,667 | 7,469,405 |

Sources: Central Bank and *Instituto Dominicano de las Telecomunicaciones* (Dominican Telecommunications Institute).

In 2014, the communications sector grew at a rate 2.3%, driven by the performance of mobile telecommunications services, which had the highest weight in the production of the sector. In 2015, the sector's performance improved considerably, growing 5.8% as compared to 2014, mainly due to mobile telecommunications services. During 2016, the sector maintained a favorable growth trend, growing 5.9% as compared to 2015, mainly due to the increased use of mobile telecommunications services. In 2017, the sector grew 3.9%, mainly due to the increase in mobile telephone services, which was the greatest contributor to the increase in activity. In 2018, the sector grew by 12.5% compared to 2017, mainly due to the expansion in internet and mobile telecommunications services. The relative share of this sector in GDP at current prices was stable during the period from 2014 to 2018, averaging 1.0% of GDP.

Cellular phone service grew from 8.6 lines per 100 residents in 2000 to 86.4 lines per 100 residents in 2018, accounting for almost the entire increase in the total number of phone lines over this period. As of December 31, 2013, the total number of fixed and mobile telephone lines in the Republic was approximately 103.2 lines per 100 residents. However, as of December 31, 2014, the total number of lines was reduced to 93.8 per 100 residents as a result of a resolution by the Dominican telecommunications regulator, the Dominican Institute of Telecommunications ("INDOTEL"), which required the companies that provide mobile telecommunication services to validate the active mobile lines and to discard the ones that were not supported by an identifiable customer. Notwithstanding this measure, as of December 31, 2015, the total number of lines increased to approximately 98.7 lines per 100 residents. During 2016, 2017 and 2018, the total number of lines remained relatively constant, registering 97.4, 96.9 and 97.2 lines per 100 residents, respectively. Telephone service has grown due to, among other factors, prominent advertising campaigns, the proliferation of prepaid cellular plans and handsets and significant growth of foreign direct investment in this sector. Internet access has also increased significantly in recent years, as computers and internet use have proliferated.

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

- allocation of 60% of the 2% excise tax imposed on communication services to improve access to telephone and other communication services;
- strengthening the generation of information and communications technology statistics to improve the quality and frequency of data production;
- development of programs to provide internet access in public schools; and
- development of programs to increase access to telecommunications in rural areas.

Financial Services

Between 2014 and 2018, the financial services sector grew at an average annual rate of 7.3%, which was higher than the average annual growth rate for the entire Dominican economy, due to growth in the granting of credit resulting from adequate levels of liquidity and an increased focus on consumer credit. This sector has consolidated over time as a result of the reforms in the regulatory framework and banking supervision. In addition, the diversification in the portfolio of products and services offered by financial institutions has allowed greater access to the financial services for the general populace.

Public Administration

Between 2014 and 2018, the public administration sector exhibited an average growth rate of 2.8% due to an increase in the Government's payroll. In 2018, the public administration sector recorded a growth rate of 2.8% compared to a 0.4% increase in 2017, mainly due to a moderate increase in the number of public sector employees.

Real Estate and Other Services

Real estate expanded at a 4.4% average annual growth rate in the period from 2014 to 2018. During 2018, the real estate sector grew by 4.2% as compared to 2017.

Other services supplied in the Dominican economy include personal services, cleaning services, services rendered to private companies and computer services. During 2018, the other services sector grew by 4.8% as compared to 2017.

Role of the State in the Economy

Role of the State in the Economy

Following enactment of the Public Enterprise Reform Law on June 24, 1997, the Government reduced its direct involvement in the Dominican economy. While in the early 1990s the Government maintained a 100% equity ownership in public enterprises, the Government has reduced its ownership stakes in many of those enterprises.

As of the date of this offering memorandum, the Government holds equity ownership interests in several companies, including the most significant companies listed below:

| Company | Government Equity Ownership | Description |
|--|-----------------------------|--|
| <i>Empresa de Generación Hidroeléctrica Dominicana</i> (EGEHID), which is a public institution under CDEEE's leadership and coordination, according to article 138 of the General Electricity Law and Decree No. 923-09, dated December 30, 2009 | 100% | Operates the Republic's generation plants |
| <i>Empresa de Transmisión Eléctrica Dominicana</i> (ETED), which is a public institution under CDEEE's leadership and coordination, according to article 138 of the General Electricity Law and Decree No. 923-09, dated December 30, 2009 | 100% | Operates the Republic's transmission lines |
| <i>Ede Sur, Ede Norte and Ede Este</i> , which are owned by the Republic, through FONPER and CDEEE | Approx. 99% | Owns distribution facilities |
| <i>EGE ITABO and EGE HAINA</i> , partially owned by the Republic, through FONPER | Approx. 50% | Operates power generation business through thermoelectric plants |
| <i>Consejo Estatal del Azúcar</i> (CEA, National Sugar Board) | 100% | Owns the Dominican Republic's sugar mills and land. All sugar mills are leased to the private sector |
| <i>Instituto Nacional de Aguas Potables y Alcantarillados</i> (INAPA, National Institute of Potable Water and Sewers) | 100% | Provides potable water to urban and rural areas |
| <i>Corporación de Acueducto y Alcantarillado de Santo Domingo</i> (CAASD, Aqueduct and Sewer Corporation of Santo Domingo) | 100% | Owns and operates the aqueducts and sewers of Santo Domingo |
| <i>Corporación de Acueducto y Alcantarillado de Santiago</i> (CORAASAN, Aqueduct and Sewer Corporation of Santiago) | 100% | Owns and operates the aqueducts and sewers of Santiago |
| <i>Banco de Reservas de la República Dominicana</i> (BanReservas) | 100% | Commercial bank |
| <i>Banco Agrícola</i> (Agricultural Bank) | 100% | Development bank that provides financing for small farmers |

| Company | Government Equity Ownership | Description |
|---|-----------------------------|--|
| <i>Banco Nacional de las Exportaciones</i> (BANDEX, Exports Bank) | 100% | Development bank oriented towards fostering and financing the exports of goods and services |
| CORDE | 100% | Holding company of the Government's interest in three companies currently not in operation |
| CORPHOTELES | 100% | Owns 16 hotels throughout the Dominican Republic |
| <i>Refinería Dominicana de Petróleo</i> (REFIDOMSA, Dominican Petroleum Refinery) | 51% | Imports oil and oil derivatives, operates the Dominican Republic's refinery, and sells gasoline and other fuel products to oil derivative distributors |
| <i>Falconbridge Dominicana</i> | 10% | Operates the Dominican Republic's nickel-iron mines and exports nickel-iron to foreign markets |

Employment and Labor

Employment

In November 2016, the Central Bank released the results of the new *Encuesta Nacional Continua de Fuerza de Trabajo* (National Work Force Survey). This survey is the result of a comprehensive review of the conceptual and methodological framework of the *Encuesta Nacional de Fuerza de Trabajo* (Traditional National Work Force Survey), and adopts the latest guidelines of the XIX International Conference of Labor Statisticians in 2013 of the International Labour Organization ("ILO"). The new National Work Force Survey takes into account, among other factors, the seasonality of the Dominican labor market and provides quarterly results. The survey uses as criteria the working-age population of 15 years and older, excluding those aged 10 to 14 years, following the recommendations of the ILO that have been adopted by most Latin American countries and in accordance with the *Código Laboral de la República Dominicana* (Labor Code of the Dominican Republic). The new official series of labor market statistics resulting from the National Work Force Survey took effect in the third quarter of 2014, replacing the previous data from the Traditional National Work Force Survey.

The following table sets forth labor force statistics as of the periods indicated, based on the results of the National Work Force Survey.

| | As of December 31, | | | | |
|---|---------------------|------|------|------|------|
| | 2014 ⁽¹⁾ | 2015 | 2016 | 2017 | 2018 |
| Participation rate ⁽²⁾ | 62.0 | 61.8 | 62.3 | 62.2 | 63.6 |
| Employment rate ⁽³⁾ | 56.8 | 57.3 | 57.9 | 58.7 | 60.0 |
| Open unemployment rate ⁽⁴⁾ | 8.3 | 7.3 | 7.1 | 5.5 | 5.7 |

(1) Information for 2014 corresponds to the average of the last two quarters of the year.

(2) 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).

(3) Employment as a percentage of the total population at or above the minimum working age.

(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: *Encuesta Nacional Continua de Fuerza de Trabajo* (National Work Force Survey) of the Central Bank.

Following the best practices in calculating labor market statistics and the recommendations of the ILO for international comparison, the Central Bank has been using the open unemployment rate as an official measure of unemployment since 2011. In recent years, there has been a downward trend in the unemployment rate, falling from 8.8% in the third quarter of 2014 to an average of 5.7% in the last quarter of 2018, reaching a historically low rate of 5.1% in the last quarter of 2017.

As of December 31, 2018, the Republic's average open unemployment rate was 5.7%, a decrease of 0.2 percentage points as compared to December 31, 2017, primarily due to favorable economic conditions that have led to an increase of the labor force participation rate from 62.1% in the last quarter of 2017 to 64.3% in the last quarter of 2018.

The following table sets forth information on employment by sector (as a percentage of total employment) for the periods indicated, based on the results of the National Work Force Survey.

Employment
(% by sector)

| | As of December 31, | | | | |
|---|---------------------|--------------|--------------|--------------|--------------|
| | 2014 ⁽¹⁾ | 2015 | 2016 | 2017 | 2018 |
| Agriculture and livestock | 10.8 | 9.7 | 8.9 | 9.6 | 9.3 |
| Industries ⁽²⁾ | 10.4 | 10.1 | 10.4 | 10.2 | 10.0 |
| Electricity and water..... | 1.5 | 1.4 | 1.7 | 1.5 | 1.5 |
| Construction | 7.2 | 6.9 | 6.9 | 7.7 | 8.1 |
| Wholesale and retail trade | 20.6 | 20.0 | 19.9 | 19.6 | 20.0 |
| Hotels, bars and restaurants..... | 7.0 | 7.9 | 7.5 | 7.6 | 7.1 |
| Transportation and communications | 7.4 | 7.6 | 7.8 | 7.6 | 7.4 |
| Financial services | 2.0 | 2.2 | 2.4 | 2.2 | 2.4 |
| Public administration and defense..... | 6.0 | 5.5 | 5.3 | 4.9 | 5.0 |
| Education..... | 5.4 | 6.0 | 6.0 | 6.2 | 6.2 |
| Health and social assistance | 3.4 | 3.5 | 3.6 | 3.8 | 4.0 |
| Other services..... | 18.3 | 19.3 | 19.6 | 19.1 | 19.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

(1) Information for 2014 corresponds to the average of the last two quarters of the year.

(2) Includes manufacturing and mining.

Source: *Encuesta Nacional Continua de Fuerza de Trabajo* (National Work Force Survey) of the Central Bank.

Employment in the Dominican economy is mainly concentrated in the following economic activities: agriculture, livestock, fishing and forestry; manufacturing; transportation; wholesale and retail trade and other services.

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, such as being registered in the *Registro Nacional de Contribuyentes* (National Registry of Taxpayers) and being able to register commercial transactions in auditable accounting books. The informal sector includes businesses that are the result of individual or family initiatives. It generally involves the production and exchange of 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. In 2018, the Central Bank estimated that half of the total labor force was employed in the informal sector.

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.

In 2018, the real minimum wage recorded in the private and public sector decreased by 1.2% from the levels registered in 2017. The National Committee on Salaries did not meet in 2018 to negotiate a new minimum nominal wage adjustment for private sector large-, medium- and small-size companies. Notwithstanding the foregoing, the real minimum wages recorded in the free-trade zones in 2018 increased by 3.4% compared to 2017 due to a 5.3% increase in nominal wages in January 2018, which workers in the sector and the National Committee on Salaries had agreed to at the meeting held in 2017.

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

Index of Real Minimum Wages (2010 = 100)

| | As of December 31, | | | | |
|--|--------------------|-------|-------|-------|-------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Private sector wages: | | | | | |
| Large size companies ⁽¹⁾ | 112.9 | 125.8 | 123.7 | 142.4 | 140.8 |
| Medium size companies ⁽²⁾ | 112.9 | 125.8 | 123.7 | 142.4 | 140.8 |
| Small size companies ⁽³⁾ | 112.9 | 125.7 | 123.7 | 142.4 | 140.7 |
| Free trade zone wages | 113.2 | 127.3 | 125.1 | 138.1 | 142.8 |
| Public sector wages | 84.6 | 82.7 | 81.3 | 78.0 | 77.1 |

(1) Capitalization greater than DOP4.0 million.

(2) Capitalization greater than DOP2.0 million and lower than DOP4.0 million.

(3) Capitalization lower than DOP2.0 million.

Sources: *Ministerio de Trabajo* (Ministry of Labor) and Central Bank.

Poverty and Income Distribution

The incidence of poverty in the Republic declined during the 1990s, primarily as a result of rapid economic growth during the period. Another factor that has helped to ameliorate poverty has been the considerable rise in remittances from workers living and working abroad, which has grown even during the global economic crisis. See “Balance of Payments and Foreign Trade—Remittances.” Poverty in the 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.

From 2014 to 2018, poverty was reduced considerably. According to data published by the *Ministerio de Economía, Planificación y Desarrollo* (Ministry of Economy, Planning and Development), in 2018, approximately 23.0% of the population lived below the national poverty line, as compared to 34.8% in 2014, and 2.9% of the population lived below the national extreme poverty line, as compared to 7.7% in 2014. Among the factors that explain this poverty reduction are the Government support to micro and small enterprises (through financing and Government procurement) and increased public investment in the construction of schools.

The Republic’s most important initiative to reduce poverty is the *Programa Solidaridad* (Solidarity Program). The Solidarity Program aims to improve the income of families so as to enable them to invest in the education and health of their children. In this program, poor families receive cash transfers in exchange for meeting a series of requirements. The Solidarity Program has three basic components:

- *Comer es Primero* (Eating Comes First): In this component, each beneficiary family receives monthly financial assistance to purchase food, the amount of which is determined based on a basic basket of consumer and retail prices.
- *Incentivo a la Asistencia Escolar* (School Attendance Initiative): Through this component, each family with children and adolescents aged between 6 and 16 years (between the first and eighth grades of basic education) receives a monthly financial stipend which is conditioned on school attendance.
- *Dominicanos y Dominicanas con Nombre y Apellido* (Dominicans with First and Last Names): This component offers a free and preferential procedure to issue identity documents to families receiving conditional cash transfers.

The Dominican educational system has suffered from a lack of resources, out-of-date curricula and inadequate teacher training. In 2014, the Government, representatives of the education sector and civil society members signed the “National Pact for Educational Reform 2014-2030”. The Government has taken steps to improve the Dominican education system, including the following:

- constructing and remodeling classrooms;

- implementing an extended school day (students receive eight hours of teaching, breakfast, lunch and snacks);
- strengthening the teaching career through competitions to fill vacancies, evaluation of teacher performance, trainings for new teachers and continuous training for all teachers;
- improving teacher salaries, including providing performance benefits;
- improving student health through oral, auditory and visual health programs;
- implementing a program which provides for care, attention, early mental stimulation, initial education, health and nutrition in specialized centers to children ages 0 to 5 years;
- implementing and promoting inclusive strategies that integrate information and communication technologies in the Dominican education system, such as providing laptops or tablets to students and their teachers;

Other measures the Government has implemented in recent years to combat poverty include:

- selling medicines at low cost through *Farmacias del Pueblo* (Town Pharmacies);
- creating a public fund to cover catastrophic diseases;
- subsidizing public transportation;
- creating *Banca Solidaria* (Solidarity Banking), a program that grants loans to microenterprises;
- technical assistance and training in financial education, through the *Fundación Reservas del Pais*;
- expanding the subsidized health regime and reforming public healthcare and workers' compensation systems;
- financing the agricultural sector and subsidizing insurance to the agriculture sector; and
- increasing micro and small businesses' access to public purchases.

Environment

The most serious environmental problems currently confronting the Republic are water contamination and deforestation. The Government 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 Government created the *Ministerio de Medio Ambiente y Recursos Naturales* (the Ministry of the Environment and Natural Resources) to centralize the various functions relating to the environment previously carried out by multiple governmental entities.

The Government requires environmental impact studies before authorizing any public or private construction project. The Government undertook reforestation projects, beginning in the late 1990s, which involved community groups and private and public organizations. The drive for reforestation yielded favorable results. The Dominican Republic has a total territory of 70,894 km², which includes the land area (48,670 km²) and the territorial marine zone (22,224 km² or 12 nautical miles). According to the World Bank, the total area covered by forest grew by 9,112 square kilometers between 1990 and 2016, increasing the covered area from 22.9% to 41.7% of the Dominican's territory. According to studies by the World Bank, in 2016, 26.2% of total land territory of the Dominican Republic were protected land areas and 48.7% of the total land territory were agricultural areas, including grassland areas and permanent pastures, permanent crops and farmland, while 18.0% of total marine territory were marine protected areas.

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:

- 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 and financial accounts, which comprise 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 2014 and 2018, the Republic's current account registered annual deficits, which were partially offset by net borrowing from the financial account. During this period, the current account deficit fluctuated between 3.3% (2014) and 1.4% (2018) of GDP for each respective year.

In 2014, the current account deficit reached US\$2,170.2 million, a decrease of US\$397.7 million compared to the account deficit of US\$2,567.9 million recorded in 2013. This reduction was mainly attributable to a 5.0% increase in total exports and a 9.3% decrease in the value of crude oil imports compared to 2013. The decrease in imports of crude oil and oil derivatives is explained mainly by a decrease in international oil prices.

In 2015, the current account deficit reached US\$1,280.3 million, a decrease of US\$889.9 million compared to the account deficit of US\$2,170.2 million recorded in 2014. This reduction was mainly attributable to an 8.6% increase in tourism revenues and a 34.4% decrease in crude oil imports compared to 2014. The decrease in imports of crude oil and oil derivatives is mainly due to the downward trend in international oil prices. In addition, the nominal DOP/US\$ exchange rate increased gradually during 2015, reaching DOP 45.47 per dollar on the last business day of December, which represented an annualized depreciation rate of 2.7% since the beginning of 2015. During 2015, the average nominal DOP/US\$ exchange rate reached DOP44.94 per dollar, which represented an average depreciation of 3.3% when compared to the average exchange rate for 2014.

In 2016, the current account deficit reached US\$814.7 million, a decrease of US\$465.6 million compared to the account deficit of US\$1,280.3 million recorded in 2015. This reduction was mainly attributable to a 9.9% increase in tourism revenues and a 6.1% increase in remittances when compared to 2015. In addition, the nominal DOP/US\$ exchange rate increased gradually during 2016, reaching DOP46.62 per dollar on the last business day of December, which represented an annualized depreciation rate of 2.5% since the beginning of 2016. During 2016, the average nominal DOP/US\$ exchange rate reached DOP45.99 per dollar, which represented an average depreciation of 2.3% when compared to the average exchange rate for 2015.

In 2017, the current account deficit reached US\$133.1 million, a decrease of US\$681.6 million compared to the account deficit of US\$814.7 million recorded in 2016. This reduction was mainly attributable to a 12.4% increase in remittances and a 6.9% increase in tourism revenues when compared to 2016. In addition, the nominal DOP/US\$ exchange rate increased gradually during 2017, reaching DOP48.19 per dollar on the last business day of December, which represented an annualized depreciation rate of 3.3% since the beginning of 2017. During 2017, the average nominal DOP/US\$ exchange rate reached DOP47.44 per dollar, which represented an average depreciation of 3.1% when compared to the average exchange rate for 2016.

In 2018, the current account deficit reached US\$1,159.6 million, an increase of US\$1,026.5 million compared to the account deficit of US\$133.1 million recorded in 2017. This increase was mainly attributable to a 30% increase in fuel imports, which was partially offset by an increase in revenue from exports and tourism and higher remittances from Dominicans living abroad. In addition, the nominal DOP/US\$ exchange rate increased gradually during 2018, reaching DOP50.20 per dollar on the last business day of 2018, which represented an annualized peso depreciation rate of 4.0% since the beginning of 2018. During 2018, the average nominal DOP/US\$ exchange rate reached DOP49.43 per dollar, which represented an average depreciation of 4.0% compared to the average exchange rate for 2017.

Financial Account

The financial account quantifies foreign direct investment and monetary flows into and out of a nation's financial markets. The net borrowing balance of the financial account reached US\$3.8 billion as of December 31, 2014, which represents a decrease of US\$511.8 million, as compared to US\$4.3 billion as of December 31, 2013. The decrease resulted largely from an increase in foreign assets held by the Central Bank.

The net borrowing balance of the financial account reached US\$1.5 billion as of December 31, 2015, a decrease of US\$2.2 billion, as compared to US\$3.8 billion as of December 31, 2014. The decrease was mainly due to the reduction of liabilities following the advance payment of the accumulated debt with PetroCaribe, which resulted in a write-off of US\$2.1 billion (excluding interest) for the Republic. For more information, see "Public Sector Debt—External Debt—Paris Club and Other Bilateral Lenders."

The net borrowing balance of the financial account reached US\$2.5 billion as of December 31, 2016, an increase of US\$942 million, as compared to US\$1.5 billion as of December 31, 2015. The increase was mainly due to higher foreign direct investment inflows, which increased by US\$201.8 million or 9.2% as compared to 2015. This performance continues to demonstrate the confidence of external agents in the Dominican Republic's macroeconomic stability.

The net borrowing balance of the financial account reached US\$2.1 billion as of December 31, 2017, a decrease of US\$334.3 million, as compared to US\$2.5 billion as of December 31, 2016. The decrease resulted largely from a combination of an increase in foreign assets held by the Central Bank and a decrease in other investments liabilities.

The net borrowing balance of the financial account reached US\$2.7 billion as of December 31, 2018, an increase of US\$591.0 million, compared to US\$2.1 billion as of December 31, 2017. The increase resulted from an increase in liabilities of portfolio investments.

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

Balance of Payments
(in millions of US\$)

| | As of December 31, | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 ⁽¹⁾ | 2015 ⁽¹⁾ | 2016 ⁽¹⁾ | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Current account: | | | | | |
| Trade balance: | | | | | |
| Exports: | | | | | |
| National | 4,637.2 | 4,018.2 | 4,335.7 | 4,425.0 | 4,677.6 |
| Free trade zones | 5,261.7 | 5,423.6 | 5,503.9 | 5,709.6 | 6,230.0 |
| Total exports | 9,898.9 | 9,441.8 | 9,839.6 | 10,134.6 | 10,907.6 |
| Imports: | | | | | |
| National | 13,849.3 | 13,408.5 | 13,864.5 | 13,987.6 | 16,370.2 |
| Free trade zones | 3,423.8 | 3,498.0 | 3,534.1 | 3,746.7 | 3,838.7 |
| Total imports | 17,273.1 | 16,906.5 | 17,398.6 | 17,734.3 | 20,208.9 |
| Trade balance (deficit) | (7,374.2) | (7,464.7) | (7,559.0) | (7,599.7) | (9,301.3) |
| Services balance: | | | | | |
| Credits | 7,053.7 | 7,541.8 | 8,309.2 | 8,856.8 | 9,284.1 |
| Debits | 2,969.8 | 3,174.0 | 3,369.6 | (3,307.0) | (3,398.5) |
| Service balance | 4,083.9 | 4,367.8 | 4,939.6 | 5,549.8 | 5,885.6 |
| Primary income balance: | | | | | |
| Credits | 552.3 | 545.5 | 478.7 | 266.0 | 320.0 |
| Debits | 3,799.7 | 3,481.9 | 3,731.8 | 189.6 | 206.7 |
| Primary income balance (deficit) | (3,247.4) | (2,936.4) | (3,253.1) | (3,793.8) | (3,845.0) |
| Secondary income: | | | | | |
| Income received | 5,214.0 | 5,621.4 | 5,969.0 | 6,695.3 | 7,205.5 |
| Of which: | | | | | |
| Personal transfers | 4,571.2 | 4,960.6 | 5,260.8 | 5,911.8 | 6,494.2 |
| Income paid | 846.5 | 868.4 | 911.2 | 984.7 | 1,104.4 |
| Secondary income balance | 4,367.5 | 4,753.0 | 5,057.8 | 5,710.6 | 6,101.1 |
| Current account balance (deficit) | (2,170.2) | (1,280.3) | (814.7) | (133.1) | (1,159.6) |
| Capital account ⁽²⁾ | — | 2,087.1 | — | — | — |
| Net lending (borrowing) | (2,170.2) | 806.8 | (814.7) | (133.1) | (1,159.6) |
| Financial account: | | | | | |
| Foreign direct investment | (2,208.5) | (2,204.9) | (2,406.7) | (3,570.7) | (2,535.3) |
| Portfolio investment | (1,482.4) | (3,457.7) | (1,729.3) | (1,756.7) | (2,696.1) |
| Public and private debt, medium and long-term (net) | (53.2) | 4,101.6 | 692.5 | 1,192.8 | 230.0 |
| Public and private debt, short-term (net) | (503.7) | (206.9) | (61.7) | 185.8 | 360.8 |
| Currency and deposits | 361.3 | (114.3) | 611.2 | 1,289.4 | 1,293.5 |
| Other ⁽³⁾ | 124.8 | 369.3 | 439.1 | 538.7 | 635.4 |
| Financial account | (3,761.7) | (1,512.9) | (2,454.9) | (2,120.7) | (2,711.7) |
| Errors and omissions | (941.4) | (1,549.5) | (748.3) | (1,259.9) | (717.5) |
| Financing: | | | | | |
| Foreign assets | 195.4 | 406.9 | 779.7 | 730.7 | 848.5 |
| Use of fund credit and loans | (456.9) | (365.2) | (114.3) | — | — |
| Transfers (debt relief) | 2.2 | 1.9 | 2.0 | 1.5 | 2.2 |
| Portfolio investment (liabilities) | — | — | — | — | — |
| Other investment liabilities ⁽⁴⁾ .. | — | — | (0.1) | 1.5 | 1.5 |
| Financing | 650.1 | 770.2 | 891.9 | 727.7 | 834.6 |

(1) 2014-2017 revised data; 2018 preliminary data.

(2) Excludes components classified under Financing in accordance with the Fifth Version of the IMF Balance of Payments Manual.

(3) Includes commercial credits and other.

(4) Includes disbursements on new loans and refinanced debt.

Source: Central Bank.

Foreign Trade

In 2018, the combined value of the Republic's imports and exports of goods equaled 38.3% of the country's GDP, reflecting the high degree of openness of the Dominican economy to foreign trade.

In 2018:

- the trade deficit was US\$9.3 billion, which reflects an increase of 22.4% as compared to US\$7.6 billion in 2017;
- total exports were US\$10.9 billion, as compared to US\$10.1 billion for 2017, principally due to a 7.6% increase in exports from free trade zones as compared to 2017;
- imports totaled approximately US\$20.2 billion, as compared to US\$17.7 billion during 2017, which reflected an increase in the cost of oil mainly due to higher international market prices, which was partially offset by an increase in other imports and raw materials and capital goods in free trade zones;
- imports of raw materials in free trade zones increased by 2.4% as compared to 2017; and
- the value of imports of petroleum and its derivatives increased by 30.0% as compared to 2017, explained primarily by an increase in the price of international oil prices. During the year ended December 31, 2018, 51.7% of the Republic's total exports were bound for the United States and Puerto Rico, while 44.3% of total imports came from U.S. and Puerto Rico ports.

In August 2004, the Republic and the United States signed DR-CAFTA, which was subsequently ratified by the U.S. Congress in the summer of 2005 and by the Dominican Congress in March 2007. DR-CAFTA initially eliminated 80% of tariffs on goods imported into the Republic from the United States, with the remaining 20% to be phased out over a 5- to 20-year period. Furthermore, upon full implementation of DR-CAFTA, all Dominican exports to the United States are expected to enter the United States tariff-free (as of 2007, 99.2% of Dominican exports to the United States were tariff-free).

DR-CAFTA has helped mitigate the negative effects of the expiration of the WTO Textiles Agreement for the Republic because it grants Dominican textiles preferential access to the U.S. market. Prior to 2005, the Republic had benefited from preferential access to the U.S. market through the Textile Parity Agreement. See "The Economy—Principal Sectors of the Economy—Secondary Production—Manufacturing—Free Trade Zones." However, import quotas on textiles were eliminated in all WTO member countries on January 1, 2005, with the expiration of the WTO Agreement on Textiles and Clothing. As a result, the Republic's textiles exports to the United States and other markets have decreased significantly primarily as a result of greater competition from China and India.

In addition, since 2007, Haiti has become an increasingly important destination for Dominican exports of intermediate goods from free trade zones. These goods are typically finished in Haiti and re-exported. For more information on exports to Haiti, see "Recent Developments—Other Developments."

In 2018, exports from the Republic consisted primarily of:

- exports from free trade zones (such as textiles, medical equipment and electronics) valued at US\$6,230.0 million, accounting for 57.1% of total exports;
- traditional exports (consisting of products, such as sugar, tobacco, coffee and nickel-iron and gold) valued at US\$1,948.6 million, accounting for 17.9% of total exports; and
- non-traditional exports (consisting of other products that the Republic currently exports, such as beer and fruits) valued at US\$2,210.4 million, accounting for 20.3% of total exports.

Due to the recovery of the global economy, data for 2018 demonstrates that total exports increased by US\$773.0 million as compared to the amount of exports recorded in 2017, mainly due to a 9.1% increase in the exports of free trade zones during 2018.

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

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

| | As of December 31, | | | | | | | | | |
|----------------------------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|
| | 2014 ⁽¹⁾ | | 2015 ⁽¹⁾ | | 2016 ⁽¹⁾ | | 2017 ⁽¹⁾ | | 2018 ⁽¹⁾ | |
| | US\$ | % | US\$ | % | US\$ | % | US\$ | % | US\$ | % |
| Free trade zones: | | | | | | | | | | |
| Textiles | 1,241.9 | 12.5 | 1,247.9 | 13.2 | 1,102.8 | 11.2 | 1,095.9 | 10.8 | 1,106.7 | 10.1 |
| Footwear | 449.5 | 4.5 | 443.0 | 4.7 | 424.7 | 4.3 | 386.8 | 3.8 | 351.6 | 3.2 |
| Electronics | 752.8 | 7.6 | 707.3 | 7.5 | 750.6 | 7.6 | 883.1 | 8.7 | 1,150.3 | 10.5 |
| Tobacco Manufacturing ... | 586.9 | 5.9 | 660.3 | 7.0 | 695.9 | 7.1 | 798.4 | 7.9 | 850.3 | 7.8 |
| Jewelry | 283.7 | 2.9 | 369.9 | 3.9 | 407.0 | 4.1 | 422.2 | 4.2 | 490.5 | 4.5 |
| Pharmaceutical products .. | 105.3 | 1.1 | 113.2 | 1.2 | 152.7 | 1.6 | 64.3 | 0.6 | 53.0 | 0.5 |
| Medical products | 1,168.9 | 11.8 | 1,247.9 | 13.2 | 1,344.3 | 13.7 | 1,422.8 | 14.0 | 1,503.5 | 13.8 |
| Cocoa products | 124.2 | 1.3 | 134.7 | 1.4 | 115.1 | 1.2 | 0.9 | — | 119.3 | 1.1 |
| Other | 548.5 | 5.5 | 499.4 | 5.3 | 510.8 | 5.2 | 635.2 | 6.3 | 604.8 | 5.5 |
| Total free trade zones..... | 5,261.7 | 53.2 | 5,423.6 | 57.4 | 5,503.9 | 55.9 | 5,709.6 | 56.3 | 6,230.0 | 57.1 |
| Traditional: | | | | | | | | | | |
| Sugar and related products | 125.2 | 1.3 | 126.0 | 1.3 | 124.0 | 1.3 | 141.9 | 1.4 | 147.7 | 1.4 |
| Coffee | 10.3 | 0.1 | 7.5 | 0.1 | 7.4 | 0.1 | 8.9 | 0.1 | 8.6 | 0.1 |
| Cocoa | 88.7 | 0.9 | 117.8 | 1.2 | 120.3 | 1.2 | 62.7 | 0.6 | 95.9 | 0.9 |
| Tobacco | 16.5 | 0.2 | 16.1 | 0.2 | 22.7 | 0.2 | 19.4 | 0.2 | 6.0 | 0.1 |
| Nickel-iron | — | — | — | — | 90.9 | 0.9 | 153.6 | 1.5 | 233.8 | 2.1 |
| Gold-silver | 1,628.9 | 16.5 | 1,277.2 | 13.5 | 1,643.7 | 16.7 | 1,539.4 | 15.2 | 1,456.6 | 13.4 |
| Total traditional..... | 1,869.6 | 18.9 | 1,544.6 | 16.4 | 2,009.0 | 20.4 | 1,925.9 | 19.0 | 1,948.6 | 17.9 |
| Total non-traditional | 2,226.9 | 22.5 | 2,094.4 | 22.2 | 1,993.8 | 20.3 | 2,042.4 | 20.2 | 2,210.4 | 20.3 |
| Total other ⁽²⁾ | 540.7 | 5.5 | 379.2 | 4.0 | 332.9 | 3.4 | 456.7 | 4.5 | 518.6 | 4.8 |
| Total exports..... | 9,898.9 | 100.0 | 9,441.8 | 100.0 | 9,839.6 | 100.0 | 10,134.6 | 100.0 | 10,907.6 | 100.0 |

(1) 2014-2017 revised data; 2018 preliminary data.

(2) Includes goods sold at port.

Source: Central Bank.

Geographic Distribution of Exports
(% of total exports)

| | As of December 31, | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 ⁽¹⁾ | 2015 ⁽¹⁾ | 2016 ⁽¹⁾ | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| United States ⁽¹⁾ | 48.5 | 48.9 | 48.6 | 49.4 | 51.7 |
| Canada | 9.2 | 7.3 | 8.0 | 7.8 | 5.9 |
| Mexico | 0.3 | 0.4 | 0.4 | 0.2 | 0.4 |
| Total North America | 58.1 | 56.6 | 57.0 | 57.5 | 58.0 |
| Argentina | — | — | — | — | — |
| Brazil | 0.1 | 0.1 | — | 0.1 | 0.2 |
| Colombia | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 |
| Costa Rica..... | 0.3 | 0.4 | 0.3 | 0.4 | 0.3 |
| El Salvador | — | 0.1 | 0.1 | 0.1 | 0.1 |
| Guatemala..... | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| Haiti | 14.6 | 14.4 | 12.4 | 12.2 | 11.8 |
| Honduras..... | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| Jamaica | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 |
| Venezuela | 1.3 | 0.6 | 0.2 | 0.4 | 0.2 |
| Other | 2.9 | 3.5 | 3.2 | 3.1 | 3.2 |
| Total Latin America and the Caribbean | 20.6 | 20.7 | 17.7 | 17.8 | 17.2 |
| Belgium | 0.7 | 0.8 | 1.1 | 1.0 | 0.6 |
| France | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 |
| Germany | 1.1 | 1.1 | 1.1 | 0.9 | 0.9 |
| Italy | 0.4 | 0.3 | 0.6 | 0.6 | 0.8 |
| The Netherlands | 1.7 | 2.0 | 2.2 | 1.9 | 2.6 |
| Spain | 1.0 | 0.9 | 1.0 | 0.8 | 1.1 |
| Other | 5.5 | 3.5 | 6.4 | 4.8 | 3.4 |
| Total Europe | 10.7 | 9.0 | 12.7 | 10.3 | 9.6 |
| Japan | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 |
| Other | 4.4 | 8.5 | 8.3 | 9.1 | 9.4 |
| Total Asia | 4.6 | 8.7 | 8.4 | 9.2 | 9.6 |
| Africa | — | — | 0.2 | 0.2 | 0.3 |
| Unidentified..... | 5.9 | 5.0 | 3.9 | 5.0 | 5.3 |
| Total exports | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

(1) 2014-2017 revised data; 2018 preliminary data.

Source: Central Bank.

In 2018, imports into the Republic consisted of:

- consumer goods valued at US\$8,742.3 million, representing 43.3% of total imports;
- intermediate goods valued at US\$4,935.7 million, representing 24.4% of total imports;
- capital goods valued at US\$2,692.2 million, representing 13.3% of total imports; and
- imports into the free trade zones valued at US\$3,838.7 million, representing 19.0% of total imports.

In 2018, imports increased by 14.0% compared to 2017, mainly due to a 30.0% increase in oil import payments resulting from the increase in international oil prices recorded in the second half of 2017.

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

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

| | As of December 31, | | | | | | | | | |
|---|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|
| | 2014 ⁽¹⁾ | | 2015 ⁽¹⁾ | | 2016 ⁽¹⁾ | | 2017 ⁽¹⁾ | | 2018 ⁽¹⁾ | |
| | US\$ | % | US\$ | % | US\$ | % | US\$ | % | US\$ | % |
| Consumer goods: | | | | | | | | | | |
| Durable goods | 977.1 | 5.7 | 1,180.8 | 7.0 | 1,360.1 | 7.8 | 1,238.1 | 7.0 | 1,334.8 | 6.6 |
| Refined petroleum products | 2,939.2 | 17.0 | 2,238.7 | 13.2 | 1,962.1 | 11.3 | 2,462.6 | 13.9 | 3,065.3 | 15.2 |
| Other | 3,503.1 | 20.3 | 3,605.1 | 21.3 | 3,844.0 | 22.1 | 4,018.7 | 22.7 | 4,342.2 | 21.5 |
| Total consumer goods | 7,419.4 | 43.0 | 7,024.6 | 41.5 | 7,166.2 | 41.2 | 7,719.4 | 43.5 | 8,742.3 | 43.3 |
| Intermediate goods: | | | | | | | | | | |
| Crude oil and reconstituted fuel... | 938.4 | 5.4 | 305.3 | 1.8 | 363.2 | 2.1 | 405.8 | 2.3 | 664.8 | 3.3 |
| Other | 3,715.8 | 21.5 | 3,867.9 | 22.9 | 3,648.9 | 21.0 | 3,630.0 | 20.5 | 4,270.9 | 21.1 |
| Total intermediate goods..... | 4,654.2 | 26.9 | 4,173.2 | 24.7 | 4,012.1 | 23.1 | 4,035.8 | 22.8 | 4,935.7 | 24.4 |
| Capital goods..... | 1,775.7 | 10.3 | 2,210.7 | 13.1 | 2,686.2 | 15.4 | 2,232.4 | 12.6 | 2,692.2 | 13.3 |
| Imports into the free trade zones | 3,423.8 | 19.8 | 3,498.0 | 20.7 | 3,534.1 | 20.3 | 3,746.7 | 21.1 | 3,838.7 | 19.0 |
| Total imports | 17,273.1 | 100.0 | 16,906.5 | 100.0 | 17,398.6 | 100.0 | 17,734.3 | 100.0 | 20,208.9 | 100.0 |

(1) 2014-2017 revised data; 2018 preliminary data.

Source: Central Bank.

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

| | As of December 31, | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 ⁽²⁾ | 2015 ⁽²⁾ | 2016 ⁽²⁾ | 2017 ⁽²⁾ | 2018 ⁽²⁾ |
| United States ⁽³⁾ | 41.2 | 40.7 | 42.9 | 44.5 | 44.3 |
| Canada | 1.6 | 1.3 | 1.1 | 1.1 | 1.0 |
| Mexico | 6.1 | 4.7 | 5.9 | 4.8 | 3.7 |
| Total North America | 48.8 | 46.8 | 49.9 | 50.4 | 49.1 |
| Argentina | 0.7 | 0.7 | 0.8 | 0.6 | 0.6 |
| Brazil | 2.1 | 3.2 | 4.0 | 3.4 | 3.2 |
| Chile | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Colombia | 1.9 | 2.1 | 1.9 | 2.1 | 2.0 |
| Guatemala..... | 0.9 | 1.0 | 1.0 | 1.0 | 0.8 |
| Panama | 0.6 | 0.5 | 0.4 | 0.3 | 0.4 |
| Trinidad and Tobago | 3.5 | 1.7 | 1.4 | 1.6 | 1.2 |
| Venezuela | 5.2 | 1.9 | 0.4 | 0.2 | 0.2 |
| Other | 6.1 | 7.1 | 5.3 | 4.7 | 4.7 |
| Total Latin America and the Caribbean | 21.4 | 18.5 | 15.4 | 14.3 | 13.5 |
| Spain | 2.5 | 3.2 | 3.5 | 3.3 | 3.6 |
| Denmark | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 |
| Germany | 1.6 | 1.8 | 1.7 | 1.7 | 1.9 |
| Italy | 1.3 | 2.1 | 2.9 | 1.4 | 1.6 |
| France | 0.8 | 1.0 | 1.0 | 1.1 | 0.8 |
| Belgium | 0.4 | 0.5 | 0.5 | 0.3 | 0.4 |
| Norway | 0.3 | 0.2 | 0.3 | 0.2 | 0.2 |
| Other | 3.6 | 4.0 | 3.6 | 4.5 | 5.1 |
| Total Europe | 11.1 | 13.2 | 14.0 | 13.0 | 14.0 |
| Japan | 1.9 | 2.0 | 2.3 | 1.9 | 1.9 |
| China and Taiwan..... | 12.1 | 13.9 | 13.5 | 14.5 | 14.9 |
| South Korea..... | 1.3 | 1.5 | 1.6 | 1.5 | 1.2 |
| Other | 2.7 | 2.9 | 2.9 | 3.0 | 2.9 |
| Total Asia | 18.0 | 20.4 | 20.3 | 20.8 | 20.9 |
| Africa | 0.1 | 0.5 | 0.2 | 1.3 | 2.3 |
| Others | 0.5 | 0.6 | 0.2 | 0.2 | 0.2 |
| Total imports..... | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

(1) Based on the country of origin specified by the importer upon entry of goods into the Republic. The origin specified usually refers to the last port the merchandise came from prior to arrival in the Republic.

(2) 2014-2017 revised data; 2018 preliminary data.

(3) Includes Puerto Rico.

Source: Central Bank.

For members of the DR-CAFTA, approximately 80% of imported consumer and industrial goods from DR-CAFTA members will be entitled to duty-free treatment, and the remaining tariffs on such goods will be phased out over a ten-year period. Over 50% of agricultural imports are duty-free for members of the DR-CAFTA and the remaining tariffs on such goods will be eliminated within 20 years from the date the treaty was ratified.

Before 2006, the Republic imposed a 13% foreign exchange commission on imported goods, which was calculated based on the CIF value of an imported good at the selling rate of foreign exchange. This commission was eliminated on June 30, 2006, in order for the Republic to fully implement the DR-CAFTA. In addition, the Republic had imposed a transitory tariff of 13% on certain imported products that expired on July 1, 2006. The transitory tariff was intended to help compensate for the projected tax revenue losses in the second half of 2006 resulting from the elimination of the foreign exchange commission.

Services Trade

The Republic's services trade consists primarily of tourism. Tourism is a principal source of foreign currency in the Dominican economy, and has contributed to annual surpluses in the Republic's services trade. Various sectors of the economy benefit from tourism, including agriculture, wholesale and retail trade, restaurants, bars and hotels, construction, real estate and transportation. Income from tourism increased from US\$5.6 billion in

2014 (8.5% of GDP) to US\$7.6 billion (9.3% of GDP) in 2018. This growth resulted primarily from greater investment in the tourism sector, which led to a 25.8% increase in foreign non-resident arrivals in 2018 as compared to 2014.

In 2014, income from tourism was US\$5.6 billion, an increase of US\$575.1 million, or 11.4%, compared with 2013. Arrivals of non-resident visitors increased by 399,889 visitors, representing a 9.8% increase over 2013. In 2015, income from tourism was US\$6.1 billion, an increase of US\$486.1 million, or 8.6%, compared with 2014. Arrivals of non-resident visitors increased by 368,313 visitors, representing an 8.2% increase compared to 2014.

In 2016, income from tourism was US\$6.7 billion, an increase of US\$603.7 million, or 9.9%, compared with 2015, mainly due to improved infrastructure, including hotels, and favorable economic conditions. Arrivals of non-resident visitors increased by 301,154 visitors, representing a 6.2% increase compared to 2015. In 2017, income from tourism was US\$7.2 billion, an increase of US\$464.5 million, or 6.9%, compared with 2016. Arrivals of non-resident visitors increased by 219,907 visitors, representing a 4.3% increase compared to 2016.

In 2018, income from tourism was US\$7.6 billion, an increase of US\$376.6 million, or 5.2%, compared with 2017. Arrivals of non-resident visitors increased by 264,544 visitors, representing a 4.9% increase compared to 2017.

As of December 31, 2018, according to the latest available information from the United Nations World Tourism Organization, the Republic ranked first among Caribbean tourist destinations in terms of number of arrivals. The Republic attracts visitors primarily from the United States, Canada, Europe and to a lesser extent, from Central and South America, as well as Dominicans visiting from abroad. New markets such as Argentina, Europe and Russia have also been increasing their share of total arrivals.

The following table sets forth certain additional information on tourism in the Republic for the periods indicated.

Tourism Statistics

| | As of December 31, | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 ⁽¹⁾ | 2015 ⁽¹⁾ | 2016 ⁽¹⁾ | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Arrivals by airplane (number of passengers): | | | | | |
| Total arrivals | 5,141,377 | 5,599,859 | 5,959,347 | 6,187,542 | 6,568,888 |
| Of which: | | | | | |
| Foreign non-resident arrivals ... | 4,464,643 | 4,832,956 | 5,134,110 | 5,354,017 | 5,618,561 |
| Average length of stay (number of nights): | | | | | |
| Non-resident foreigners | 8.4 | 8.3 | 8.5 | 8.6 | 8.4 |
| Non-resident Dominicans | 15.5 | 15.0 | 15.5 | 15.6 | 15.8 |
| Hotel activity: | | | | | |
| Number of rooms | 69,523 | 71,082 | 72,105 | 75,891 | 78,320 |
| Occupancy rate (in %) | 74.8% | 75.5% | 78.0% | 77.1% | 77.5% |
| Income from hotels, bars and restaurants (in millions of US\$) .. | 127.2 | 135.0 | 143.6 | 153.3 | 162.0 |
| Income from tourism (in millions of US\$) | 5,629.8 | 6,115.9 | 6,719.6 | 7,184.1 | 7,560.7 |
| Expenses from tourism (in millions of US\$) | (407.2) | (462.8) | (503.0) | (530.3) | (548.5) |
| Balance (income less expenses) | <u>5,222.6</u> | <u>5,653.1</u> | <u>6,216.6</u> | <u>6,653.8</u> | <u>7,012.2</u> |

(1) 2014-2017 revised data; 2018 preliminary data.

Source: Central Bank.

Remittances

Remittances consist of funds sent to people and institutions in the Republic by Dominicans residing and working abroad. Remittances have grown in recent years, particularly from Dominicans living in the United States.

According to the 2010 U.S. Census, over 1,400,000 people of Dominican origin live in the United States. Remittances are one of the most important sources of foreign exchange in the Republic's 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). In addition, remittances have been one of the most stable variables in the Republic's balance of payments.

Total remittances averaged between 7.0% and 7.8% of GDP for the last five years. In 2014, 2015, 2016 and 2017, remittance inflows grew by 7.2%, 8.5%, 6.1% and 12.4%, respectively, mainly due to the continuous improvement of economic conditions in the U.S. economy. In 2018, remittance inflows grew by 9.9%, or US\$582.4 million, compared to 2017.

The following chart shows the evolution of workers' remittances for the years indicated.

Workers' Remittances
(in millions of US\$ and as a % of GDP)

| | As of December 31, | | | | |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014 ⁽¹⁾ | 2015 ⁽¹⁾ | 2016 ⁽¹⁾ | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Total remittances | 4,571.2 | 4,960.6 | 5,260.8 | 5,911.8 | 6,494.2 |
| % of GDP | 6.9 | 7.2 | 7.3 | 7.8 | 8.0 |

(1) 2014-2017 revised data; 2018 preliminary data.

Source: Central Bank.

Foreign Investment

Foreign Direct Investment

Foreign direct investment in the Republic grew considerably after enactment of the foreign investment law in 1995, which dismantled barriers to foreign direct investment that had existed previously. For a discussion of this law, see "The Economy—History and Background."

In 2014, FDI inflows increased by US\$218.0 million, and were largely directed towards the commercial, communications and financial sectors. In 2015, FDI inflows decreased by US\$3.6 million, due to the reduction of new inflows in the electricity sector. In 2016, FDI inflows increased by US\$201.8 million, and were largely directed towards the tourism, real estate and mining sectors. In 2017, FDI increased by US\$1,164.0 million, mainly because of significant investments in the commercial, tourism and real estate sectors. This significant increase in FDI inflows during 2017 includes the purchase of additional assets of the Dominican Republic-based brewery, *Cervecería Nacional Dominicana*, by the Ambev Group for a purchase price in excess of US\$900 million. In 2018, FDI decreased by US\$1,035.4 million, mainly due to a return to normal FDI levels following the purchase of *Cervecería Nacional Dominicana* in 2017.

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 a % of total foreign direct investment)

| | As of December 31, | | | | | | | | | |
|---------------------------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|
| | 2014 ⁽¹⁾ | | 2015 ⁽¹⁾ | | 2016 ⁽¹⁾ | | 2017 ⁽¹⁾ | | 2018 ⁽¹⁾ | |
| | US\$ | % | US\$ | % | US\$ | % | US\$ | % | US\$ | % |
| Electricity..... | 352.1 | 15.9 | (96.3) | (4.4) | (8.3) | (0.3) | 63.7 | 1.8 | 202.6 | 8.0 |
| Communications..... | 256.7 | 11.6 | 335.9 | 15.2 | (263.9) | (11.0) | 67.1 | 1.9 | (240.1) | (9.5) |
| Wholesale and retail trade..... | 606.9 | 27.5 | 367.9 | 16.7 | 413.2 | 17.2 | 1,365.2 | 38.2 | 539.8 | 21.3 |
| Tourism..... | 300.7 | 13.6 | 671.9 | 30.5 | 790.0 | 32.8 | 704.0 | 19.7 | 854.2 | 33.7 |
| Financial services | 207.2 | 9.4 | 189.7 | 8.6 | 124.6 | 5.2 | 90.9 | 2.5 | 178.7 | 7.0 |
| Free trade zones | 190.9 | 8.6 | 236.6 | 10.7 | 223.9 | 9.3 | 263.9 | 7.4 | 233.6 | 9.2 |
| Mining | (38.5) | (1.7) | 6.1 | 0.3 | 485.7 | 20.2 | 409.6 | 11.5 | 184.8 | 7.3 |
| Real estate..... | 305.6 | 13.8 | 411.7 | 18.7 | 587.3 | 24.4 | 545.9 | 15.3 | 518.3 | 20.4 |
| Transport..... | 26.9 | 1.2 | 81.4 | 3.7 | 54.2 | 2.3 | 60.4 | 1.7 | 63.4 | 2.5 |
| Other | — | — | — | — | — | — | — | — | — | — |
| Total | 2,208.5 | 100.0 | 2,204.9 | 100.0 | 2,406.7 | 100.0 | 3,570.7 | 100.0 | 2,535.3 | 100.0 |

(1) 2014-2017 revised data; 2018 preliminary data.

Source: Central Bank.

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

Foreign Direct Investment by Country of Origin
(in millions of US\$ and as a % of total foreign direct investment)⁽¹⁾

| | As of December 31, | | | | | | | | | |
|----------------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|
| | 2014 ⁽²⁾ | | 2015 ⁽²⁾ | | 2016 ⁽²⁾ | | 2017 ⁽²⁾ | | 2018 ⁽²⁾ | |
| | US\$ | % | US\$ | % | US\$ | % | US\$ | % | US\$ | % |
| Brazil..... | 30.7 | 1.4 | (424.5) | (19.3) | 148.0 | 6.1 | 998.8 | 28.0 | 71.1 | 2.8 |
| Canada | 157.5 | 7.1 | 90.9 | 4.1 | 479.5 | 19.9 | 473.4 | 13.3 | 329.3 | 13.0 |
| Cayman Islands..... | (9.6) | (0.4) | (53.8) | (2.4) | (122.4) | (5.1) | 9.9 | 0.3 | (33.8) | (1.3) |
| Denmark | — | — | 3.8 | 0.2 | 31.9 | 1.3 | 62.6 | 1.8 | (459.7) | (18.1) |
| France | 39.5 | 1.8 | 3.1 | 0.1 | 4.4 | 0.2 | 6.1 | 0.2 | 4.5 | 0.2 |
| Germany | 2.9 | 0.1 | 7.5 | 0.3 | 6.5 | 0.3 | 7.4 | 0.2 | 19.8 | 0.8 |
| Italy | 10.0 | 0.5 | (0.8) | — | 48.4 | 2.0 | 32.4 | 0.9 | 24.0 | 0.9 |
| Mexico | 244.0 | 11.0 | (18.8) | (0.9) | 118.3 | 4.9 | (45.4) | (1.3) | (80.4) | (3.2) |
| Panama..... | (19.7) | (0.9) | 10.9 | 0.5 | 4.7 | 0.2 | 2.9 | 0.1 | 12.4 | 0.5 |
| Spain | 6.6 | 0.3 | 32.0 | 1.5 | 281.4 | 11.7 | 205.9 | 5.8 | 287.8 | 11.4 |
| Switzerland..... | 0.9 | — | 4.5 | 0.2 | 11.8 | 0.5 | 9.0 | 0.3 | 5.8 | 0.2 |
| The Netherlands..... | 70.2 | 3.2 | (133.6) | (6.1) | 35.4 | 1.5 | 30.9 | 0.9 | 37.1 | 1.5 |
| United Kingdom | 2.6 | 0.1 | 10.5 | 0.5 | 1.1 | — | 3.1 | 0.1 | 5.3 | 0.2 |
| United States..... | 321.0 | 14.5 | 405.1 | 18.4 | 355.8 | 14.8 | 732.1 | 20.5 | 708.8 | 28.0 |
| Venezuela | 44.1 | 2.0 | 30.7 | 1.4 | 15.9 | 0.7 | 7.7 | 0.2 | 29.1 | 1.1 |
| Virgin Islands | 35.0 | 1.6 | 1.6 | 0.1 | 23.5 | 1.0 | 52.0 | 1.5 | 74.0 | 2.9 |
| Other | 1,272.8 | 57.6 | 2,235.8 | 101.4 | 962.5 | 40.0 | 981.9 | 27.5 | 1,500.2 | 59.2 |
| Total | 2,208.5 | 100.0 | 2,204.9 | 100.0 | 2,406.7 | 100.0 | 3,570.7 | 100.0 | 2,535.3 | 100.0 |

(1) Net inflows from these countries are represented with positive numbers while net outflows are represented with negative numbers.

(2) 2014-2017 revised data; 2018 preliminary data.

Source: Central Bank.

Foreign direct investment in the Republic historically has originated mainly from the United States, Spain and Canada. In 2014, 32.7% of the FDI inflows came from the United States, Mexico and Canada. In 2015, 23.9% of FDI inflows came from the United States, Canada and Spain. In 2016, 46.4% of FDI inflows came from the United States, Canada and Spain. In 2017, 61.8% of FDI inflows mainly came from Canada, Brazil and the United States. In 2018, 52.4% of FDI inflows mainly came from United States, Canada and Spain.

Foreign Portfolio Investment

With respect to portfolio investment, the Republic has not been a significant recipient of short-term speculative capital, mainly as a result of its relatively new 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.

During 2017, the Republic observed a net inflow of US\$1,756.7 million of portfolio investment, which represented an increase of US\$27.4 million compared to the US\$1,729.3 million registered in 2016. This inflow was mainly originated by capital inflows from the placement of the US\$1,700.0 million sovereign bonds in the international market.

During 2018, the Republic observed an inflow of US\$2,696.1 million of portfolio investment, which represented an increase of US\$939.4 million compared to the US\$1,756.7 million registered in 2017. This inflow was mainly originated by capital inflows from the placement of the US\$3,092.9 million sovereign bonds in the international market.

THE MONETARY SYSTEM

The Monetary and Financial Administration

The *Ley Monetaria y Financiera* (Monetary and Financial Law) was enacted in November 2002 and sets forth the rules and policies governing the Republic's monetary and financial systems. The primary goal of the Monetary and Financial Law is to maintain a stable currency and a sound financial system. The Monetary and Financial Law also created the Monetary and Financial Administration, which regulates the monetary and financial system. The Monetary and Financial Administration is composed of the *Junta Monetaria* (Monetary Board), the Central Bank and the *Superintendencia de Bancos* (Banking Superintendency).

As a result of the banking crisis in 2003 and to facilitate future economic growth and stability, the Fernández administration developed a number of policy changes and institutional reforms to strengthen the monetary system and the regulatory framework of the financial sector.

The Monetary Board

The role of the Monetary Board is to establish the monetary, exchange rate and financial policies that are implemented by the Central Bank. The Monetary Board oversees the Central Bank and the Banking Superintendency and consists of nine members, specifically:

- three *ex-officio* members (the Governor of the Central Bank, the Minister 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.

Central Bank

The Central Bank was established in 1947 pursuant to the *Ley Orgánica del Banco Central* (Organic Law of the Central Bank), as restated in 1962 and subsequently amended. The Central Bank is the only entity that can print and issue Dominican currency and is responsible for implementing monetary policy, managing the country's international reserves and supervising foreign exchange. The Fernández administration made reform of the Central Bank a key policy issue, specifically targeting new measures to ensure the Central Bank's independence and accountability.

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

Reform of the Monetary System and Banking Sector

Following the collapse of Baninter (see “The Economy—History and Background”) and its subsequent takeover by the Banking Superintendency in 2003, the financial system experienced severe instability provoked by a run on banks by depositors. In the aftermath of the collapse of Baninter and the near insolvency of other financial institutions, the Government moved to rescue depositors, which in turn strained public finances and monetary policy. The broad impact of the financial crisis underscored the necessity of imposing discipline on monetary policy and strengthening the regulatory framework of the financial sector as part of a comprehensive economic reform program. Reform of the monetary and financial systems was a key policy objective of the Fernández administration.

The following sections provide information about the various inter-related facets of the Dominican monetary and financial system, including detailed information regarding the changes and institutional reforms.

The Banking Superintendency currently complies with the recommendations of the IMF and the World Bank under the Financial Sector Assessment Program, or FSAP. After introducing those recommendations in its

strategic plan for the period 2009-2011, the Banking Superintendency augmented the level of compliance with FSAP guidelines.

Additionally, during the first quarter of 2013, the Banking Superintendency conducted a self-assessment of compliance with Basel's 29 core principles for effective banking supervision and the results showed significant progress in the adoption of technical standards and supervision of financial system, consistent with international best practices and represent a significant improvement when compared to FSAP's evaluation carried out in 2009. The main objective of this self-assessment was to identify areas of improvement and strengthen the regulatory framework of the financial system, as well as enhance the quality of supervisory practices within the risk based supervision model (the "Risk Based Supervision Model"), following the recommendations of the Basel Committee in 2012. The self-assessment results showed two (2) principles as compliant, 21 as largely compliant, five (5) as materially non-compliant, and one (1) principle as non-compliant.

The Banking Superintendency initiated a process of strengthening the regulatory framework of the financial system, which includes the revision and updating of existing regulations consistent with the Risk Based Supervision Model and international best practices. The main changes in the regulatory framework of the Dominican financial system include: the definition of principles of governance for financial intermediaries and the enhancement of the criteria and minimum standards that intermediaries have to comply with, according to their nature, size, complexity and risk profile, in accordance with international corporate governance standards and practices; the adoption of measures aimed at improving the client's condition; an update of the definition of eligible collateral, as well as of their types and percentage of admissibility, according to market needs, which generate a positive impact on access to credit to finance productive sectors; and the establishment of guidelines that financial intermediaries should consider to maintain an effective internal control system, as well as the minimum criteria to be applied by financial institutions, for the purpose of implementing and maintaining an adequate risk management framework.

Monetary Policy

The Central Bank's monetary policy is intended to control inflation and foster a stable macroeconomic environment. 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. 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."

From 2014 to 2018, the Central Bank's policy was focused on price stability under an inflation targeting framework, which was adopted in 2012. Under this framework, monetary policy decisions are designed to minimize deviations from the inflation target established by monetary authorities. The main instrument used by the Central Bank to implement its monetary policy goals is the MPR, which serves as a reference rate for one business day's operations of liquidity expansion and contraction. In this way, the MPR directly affects the interbank rate and, in turn, has an indirect effect on market interest rates, and therefore on the demand for goods and services in the economy that stimulate employment.

During 2014, the Central Bank maintained a neutral monetary policy stance, leaving its MPR unchanged at 6.25%. Its main assessment revealed that inflation rate would converge in the monetary policy horizon. Throughout 2014, the inflation rate did not show a clear trend. During the first half of 2014, the annual rate of inflation maintained a trend within the target range of 4.5%, plus or minus 1%, established for 2014. However, mainly due to declining oil prices, as well as a slower depreciation rate, the inflation rate increased at a slower rate during the second half of 2014. As of December 31, 2014, the annual inflation rate was 1.58%, while core inflation remained at 2.97%. Meanwhile, for 2014, private lending activity in local currency increased to DOP554,577.4 million increasing DOP72,882.4 million or 15.1% as compared to 2013.

In the first two months of 2015, an unexpected increase in the DOP/US\$ exchange rate volatility was observed. Given the relationship between depreciation and the formation of inflation expectations, in February the Central Bank modified the reserve requirements ratio to 14.3%. This measure, in combination with the sale of US\$200 million to meet higher market demand, effectively managed depreciation expectations. Nevertheless, inflation remained below the target, as oil prices decreased more than expected. In addition, as economic growth in the U.S. decelerated, growth projections in the region suffered constant downward revisions. This macroeconomic

scenario suggested that inflation could deviate from the target for a longer time. As a result, between March and May 2015, the Central Bank reduced its policy rate from 6.25% to 5.25%. In the period from July through December 2015, the Central Bank maintained the MPR unchanged, as projections and market expectations suggested that inflation would return to its target range. For 2015, the Central Bank established a medium-term inflation target of 4.0%, plus or minus 1.0%. The 2015 year-end inflation rate was 2.34%, below the target range, mainly due to steep declines in oil prices. Meanwhile, the expansion of economic activity continued to boost growth of credit to the private sector. As of December 31, 2015, private lending activity in local currency amounted DOP621,522.5 million, increasing by DOP66,945.0 million or 12.1% compared to 2014, in line with nominal GDP growth.

During the period between January and September 2016, the Central Bank maintained the MPR unchanged at 5.00% per annum. However, in light of the upward trend in inflation forecasts, the recovery of crude oil prices, along with expectations of interest rate hikes by the U.S. Federal Reserve, the Central Bank increased the MPR by 50 basis points in October 2016, to 5.50% per annum, which remained unchanged for the remainder of 2016. Headline inflation in 2016 was 1.70% year-over-year. During 2016, inflation remained below the target of 4.0% plus or minus 1.0%, influenced by the downward trend of oil prices. However, international crude oil prices began to increase towards the end of the year, which, together with the increase in domestic food prices, ended the positive supply shock that influenced the Dominican economy since 2014. In this regard, core inflation registered a year-over-year growth of 1.89% in 2016. In line with the change in the MPR in October 2016, the interbank interest rate increased by 78 basis points in December 2016 compared to December 2015. The weighted average lending interest rate was 14.5% by the end of December 2016, while the weighted average interest rate for deposits reached 6.8%, both recording a decrease compared to 2015. The financial intermediation margin, which is the difference between the interest rate for deposits and the lending interest rate, was 7.65% at the end of 2016. In this regard, loans to private sector in local currency grew 12.8% year-over-year by December 2016, which represented an increase of DOP79,314.1 million. Total credit to the private sector in local currency reached DOP700,836.6 million at the end of 2016.

During the first half of 2017, the monetary policy measures adopted by the Central Bank were oriented towards a more neutral stance. In March 2017, the Central Bank increased the MPR to 5.75% per annum, after taking into account the risks of higher inflation in the first quarter of the year. However, the upward trend in inflation forecasts, the interest rates hikes by the U.S. Federal Reserve and the stabilization of crude oil prices at the beginning of the second quarter resulted in a negative domestic demand shock, which led to core inflation falling below the target range, on an annualized basis, in June and July. Accordingly, the Central Bank adopted an expansionary monetary policy stance in the second half of the year. In July 2017, the Central Bank decreased the MPR to 5.25% per annum, which remained unchanged for the remainder of 2017. Additionally, the legal reserve requirement was reduced by 2.2%, with the aim of making credit financing more readily available to the productive sectors of the economy. Headline inflation in 2017 was 4.20% year-over-year, reaching a level close to the central value of the target range of 3.0% to 5.0%. In line with the more flexible monetary conditions, both the weighted average lending interest rate and the weighted average interest rate paid on deposits recorded downward trends, reaching 11.15% and 5.01%, respectively, as of December 31, 2017. The financial intermediation margin, which is the difference between the interest rate for deposits and the lending interest rate, was 6.14% at the end of 2017. In this regard, loans to the private sector in local currency grew to DOP784,739.2 million or 12.0% year-over-year in 2017, which represented an increase of DOP83,902.6 million compared to 2016.

During the first half of 2018, the Central Bank maintained the MPR at 5.25%. However, in July 2018, the Central Bank increased the MPR to 5.50% per annum, after taking into account the inflationary pressures that emerged in the second quarter of the year, especially from an economic growth above what was projected in the 2018 Budget and rising oil prices. The MPR remained unchanged for the remainder of 2018. As a result of the aforementioned monetary policy measures, inflation remained within the Central Bank's target range, on an annualized basis, during the ten-month period ended October 30, 2018. However, the inflation rate fell below the Central Bank's target range, standing at 2.37% on November 30, 2018 and 1.17% on December 31, 2018, due to a temporary decline in domestic food prices and lower energy prices in light of a decrease in international oil prices. Headline inflation in 2018 was 1.17% year-over-year, reflecting tighter financial conditions. The weighted average lending interest rate and the weighted average interest rate paid on deposits reached 12.06% and 7.44%, respectively, as of December 31, 2018. The financial intermediation margin, which is the difference between the interest rate for deposits and the lending interest rate, was 4.62% at the end of 2018. In this regard, loans to the

private sector in local currency grew to DOP869,353.6 million or 10.8% year-over-year in 2018, which represented an increase of DOP84,614.5 million compared to 2017.

Supervision of the Financial System

The Banking Superintendency was created in 1947 and forms part of the Monetary and Financial Administration. The Banking Superintendency supervises financial institutions in order to verify their compliance with regulations promulgated under the Monetary and Financial Law.

Rules Governing the Financial System

In 1992, the Banking Superintendency initiated a program with assistance from the IDB to reform its 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, which are 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 Basel Accord; and
- a more rigorous method for classifying financial assets in terms of risk.

This method of risk-based classification 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 (“loan-loss reserves”). With respect to loan-loss reserves, current regulations impose reserve requirements based on risk categories of financial assets. The Banking Superintendency revises its regulations in accordance with international standards and with the goal of increasing the average quality of the financial system’s loan portfolio. The current legal reserve requirement mandates that all commercial banks deposit 11.1% of their aggregate deposits with the Central Bank.

The following tables set forth information regarding loans of the Republic’s financial system by risk category and past-due loans by type of institution as of December 31, 2018:

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

| | As of December 31, 2018 | | |
|---|--|--|---|
| | Loans 31-90 days past due ⁽¹⁾ | Loans >90 days past due ⁽¹⁾ | Total past-due loans ⁽¹⁾ |
| Commercial banks ⁽²⁾ | 0.1 | 1.4 | 1.5 |
| Savings and loans associations..... | 0.1 | 1.7 | 1.8 |
| Saving and credit banks..... | 0.2 | 2.5 | 2.7 |
| Credit corporations..... | 0.7 | 3.4 | 4.1 |
| Government-owned financial institution ⁽³⁾ | 0.3 | 8.3 | 8.6 |
| Total past-due loans | 0.1 | 1.6 | 1.8 |

(1) Includes outstanding principal and accrued interest.

(2) Includes *Banco de Reservas*.

(3) Includes *Banco Nacional de las Exportaciones (BANDEX)*.

Source: Central Bank.

The Dominican Financial System — Loan-Loss Reserve by Type of Financial Institutions

| | As of December 31, 2018 | |
|---|--|---|
| | Loan-Loss reserve by type of financial institution | |
| | As a % of past-due loans ⁽¹⁾ | As a % of total loans ⁽¹⁾ |
| Commercial banks ⁽²⁾ | 180.5 | 2.8 |
| Savings and loans associations | 121.8 | 2.2 |
| Saving and credit banks | 136.7 | 3.7 |
| Credit corporations..... | 122.8 | 5.0 |
| Government-owned financial institution ⁽³⁾ | 121.3 | 10.5 |
| Total loan-loss reserves | 166.2 | 2.9 |

(1) Includes only outstanding principal.

(2) Includes *Banco de Reservas*.

(3) Includes *Banco Nacional de las Exportaciones (BANDEX)*.

Source: Central Bank.

The Monetary and Financial Law establishes minimum capital requirements for financial institutions. These amounts were indexed in June 2014 in accordance with the variation of the consumer price index, as follows:

- DOP275.0 million (US\$6.0 million) for banks that offer multiple financial services;
- DOP55.0 million (US\$1.2 million) for savings and credit banks;
- DOP17.0 million (US\$0.4 million) for savings and loans; and
- DOP15.0 million (US\$0.3 million) for credit corporations.

In addition, the Monetary and Financial Law establishes a contingency fund to be financed with mandatory 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 each financial institution's total deposits. The fund will serve as insurance for deposits and will insure up to DOP500,000 per depositor.

Moreover, the Monetary Board has set limits on the aggregate amount that financial institutions may lend to a single person (or group of related persons or institutions) or business, which for unsecured credits may not exceed 10% of the financial institution's total capital and reserves. This percentage increases to 20% for secured credits (*e.g.*, where tangible goods serve as collateral).

Reforms of the Financial System

In response to the banking crisis of 2003, the Government instituted numerous reforms of the financial system. The purposes of these reforms are to strengthen the regulation of domestic banks and to ensure the solvency of the financial system. The reform program included the following measures:

- *Related-Party Lending.* The Monetary Board approved a resolution that regulates lending by financial institutions to related parties to prevent financial institutions from extending credit to related parties on more favorable terms (as measured in installment periods, interest rates and adequacy of collateral) than to non-related parties. "Related parties" are defined as shareholders, members of the board of directors, officers, managers, legal counsel, employees and any other entities that directly or indirectly control a financial institution. Under the resolution:
 - unsecured credit to related parties may not exceed 10% of a financial institution's total assets;
 - credit secured with a first mortgage or equivalent collateral may not exceed 20% of a financial institution's total assets; and
 - loans to managers and employees may not exceed 10% of a financial institution's total assets.
- *Off-Shore Entities.* The Monetary Board imposed requirements on banks that maintain or establish off-shore entities or foreign branches, agencies and offices. To establish a foreign operation, a domestic bank must obtain the authorization of the Monetary Board through the Banking Superintendency. In determining whether to grant such authorization, the Monetary Board considers the financial and operational sufficiency of the financial institution. In addition, domestic banks must provide financial and operating information for their off-shore entities, on an individual and collective basis.
- *Auditor Independence.* The Monetary Board established rules that govern external auditors and their independence with respect to financial institutions and exchange agents.
- *Internal Controls.* External auditors are required to evaluate the internal controls of financial institutions that they audit.
- *Capital Adequacy.* The Banking Superintendency established procedures for determining the net worth of domestic banks and re-capitalization. Banks are required to submit audited financial statements to prove compliance with a 10% capital adequacy ratio of risk-weighted assets. Credit market and liquidity risks, considered on a consolidated basis, are subject to this requirement. Any bank that is undercapitalized is required to submit and adhere to a remediation plan.
- *Liquidity Assistance.* The Banking Superintendency has implemented stricter regulation of liquidity assistance to banks. Under this plan, if a bank requests liquidity support exceeding:
 - 20% of its capital, the bank must suspend lending activities;
 - 50% of its capital, the bank must submit a plan to liquidate associated loans within two weeks; or

- 100% of its capital, the bank's shareholders must pledge their shares as collateral.
- *Non-Bank Financial Institutions.* The Banking Superintendency implemented a plan to strengthen savings and loan associations, government-owned financial institutions and other non-bank financial institutions. As a result, five savings and loans institutions were acquired by other institutions and one institution was closed.
- *Consolidated Financial Statements.* Financial institutions that are part of an economic or financial group and financial intermediaries that directly or indirectly control other entities that provide related services are required to publish consolidated financial statements.
- *Consolidated Supervision.* The Monetary Board enacted measures regarding consolidated supervision with the purpose of assessing the risk of financial conglomerates to determine its capital needs at aggregate levels.
- *Systemic Risk Prevention.* The Monetary Board implemented an exceptional risk prevention program for financial institutions through the creation of a fund with the purpose of protecting depositors and minimizing systemic risk.
- *Financial Services Consumer Protection.* The Monetary Board has established a set of rules to protect consumers' rights in connection with services provided by financial institutions.
- *Banking Superintendency Risk Department.* The Banking Superintendency strengthened its Risk Department in order to provide updated information to financial institutions with respect to debtors' credit history and to reinforce the Banking Superintendency's supervisory authority.
- *Sanctions.* A set of guidelines has been implemented that establishes a legal framework to be used by the Central Bank and the Banking Superintendency for applying and enforcing sanctions set forth in the Monetary and Financial Law. Both the Banking Superintendency and Central Bank enforce the legal framework on sanctions.
- *Regularization Plans.* On November 24, 2011, the Banking Superintendency approved the "Instruction for Regularization Plans", which provides the basis for the preparation and presentation of the regularization plans required, in compliance to the provisions of Articles 60 and 61 of the Monetary and Financial Law.
- *Risk Based Supervision.* The Banking Superintendency adopted a model of "Risk Based Supervision", establishing an effective system for evaluating the safety and soundness of financial institutions and preserving their financial health through a systematic analysis of their financial situation, the risks assumed, and the internal controls applied by management, in addition to monitoring regulatory compliance. The implementation process of the "Risk Based Supervision" began in 2009 with the adoption of the base model of the Office of the Superintendent of Financial Institutions of Canada (OSFI), and the effective application began in April 2010 through the calibration of the model in four financial institutions. Currently, the model is applied uniformly to all financial intermediaries, taking into consideration their relevant characteristics, nature, range, complexity and risk profile.
- *Business Plans.* On May 31, 2012, the Monetary Board approved a resolution establishing that, for fiscal years ending after December 31, 2012, commercial banks and financial intermediaries with assets over DOP500.0 million must submit to the Banking Superintendency a business plan including audited financial information and financial projections for a minimum of two years. These business plans must be updated annually based on the audited financial statements at the end of each year. This resolution repeals the First and Second Resolution of the Monetary Board dated April 15 and December 29, 2004, respectively, which required commercial banks to submit twice a year audited financial statements.

- *Development of the Mortgage Market.* Law No. 189-11 for the Development of Mortgage Market and Trust Funds in the Dominican Republic enacted on July 16, 2011, creates a unified legal framework to promote the development of the mortgage market and securities in the Dominican Republic and incorporates the legal figure of Trust in order to complement the Dominican financial legislation. Following the enactment of Law No. 189-11, the Monetary Board, Tax Authorities and the Executive Branch have approved a number of regulations necessary for its appropriate enforcement.

During 2014, the Monetary Board approved regulations aimed at promoting access to financial services, and strengthening the regulatory framework and risk management standards in the financial system. In addition, the Banking Superintendency also issued instructions for the application of regulations, and aimed at improving the procedures, quality, response times and compliance with the regulations issued by the Monetary Board.

On April 10, 2014, the Monetary Board issued its Fifth Resolution adjusting to inflation the minimum paid-in capital requirements to incorporate new financial intermediaries, as established by the Monetary and Financial Law No. 183-02. As a result, the minimum paid-in capital was increased as follows: from DOP163.0 million to DOP275.0 million for commercial banks; from DOP33.0 million to DOP55.0 million for credit and loan banks; from DOP9.0 million to DOP15.0 million for credit corporations; and from DOP10.0 million to DOP17.0 million for savings and loans associations.

On June 5, 2014, the Monetary Board issued its First Resolution approving the draft Law on mutual guarantee companies (*Sociedades de Garantía Recíprocas*) and authorized its submission to the Executive Branch for its deliberation and approval and subsequent delivery to Congress. The fundamental purpose of mutual guarantee companies is to provide guarantees in favor of micro, small and medium enterprises (SMEs) to assist these entities in gaining access to formal credit at lower costs and longer terms with financial intermediaries.

On August 14, 2014, the Monetary Board issued its Second Resolution, approving the Micro Lending Regulation (*Reglamento de Microcréditos*). This regulation establishes the rules for granting microcredits, the guidelines for its administration, and the methodologies applicable to financial institutions regarding risk assessment and measurements associated with micro lending activities. The instructions for the application of this regulation were issued on December 3, 2014, and contained the minimum guidelines to be observed by financial intermediaries with respect to; micro lending, administration and methodology for identification, evaluation, measurement and control of the risks associated with these operations.

On November 13, 2014, the Banking Superintendency approved the Instructive Internal Control in Financial Institutions (*Instructivo para el Control Interno en las Entidades de Intermediación Financiera*), establishing the guidelines that financial intermediaries should consider to maintain an effective internal control system. This regulation, which represents a milestone towards full compliance with the international standards, is aimed at promoting stability, efficiency and transparency of the financial intermediaries' operations.

On August 31, 2016, the Monetary Board issued its Fourth Resolution, which regulates repurchase transactions in domestic or foreign currencies carried out among financial intermediaries, the Central Bank and/or other institutional investors.

On October 31, 2016, the Monetary Board issued its First Resolution, authorizing the amendment to the Regulation on Liquidation and Dissolution of Financial Institutions (*Reglamento de Disolución y Liquidación de Entidades de Intermediación Financiera*). The amendment updates the regulation in accordance with Law No. 126-15, which calls for the transformation of the National Housing Bank into the National Bank of Exports (*Ley para la Transformación del Banco Nacional de Fomento de la Vivienda y la Producción en el Banco Nacional de las Exportaciones*). In the case of the dissolution of a financial institution organized under the Monetary and Financial Law (*Ley Monetaria y Financiera*), the amendment outlines the process and requirements for the transfer of the financial institution's debt owed to the National Bank of Exports.

On January 27, 2017, the Banking Superintendency issued Circular SIB No. 001/17, which establishes the roles and responsibilities of the compliance officer under the Anti-Money Laundering and Terrorist Financing Act within financial intermediaries, exchange agents and remittance companies, as well as fiduciaries. This Circular updates the existing regulations based on the recommendations of the Financial Action Task Force ("FATF").

On March 16, 2017, the Monetary Board issued its Third Resolution approving the Regulation on Guidelines for Comprehensive Risk Management (*Reglamento sobre Lineamientos para la Gestión Integral de Riesgos*).

On April 27, 2017, the Monetary Board issued its Second Resolution authorizing the final version of the Regulation of Voluntary Liquidation of Financial Intermediation Entities (*Reglamento de Liquidación Voluntaria de Entidades de Intermediación Financiera*).

On September 28, 2017, the Monetary Board issued its Second Resolution approving the integral modification of the Asset Evaluation Regulation (*Reglamento de Evaluación de Activos*), which introduces important changes in the way to manage credit risk in financial intermediation entities, by specifying the criteria for determining the expected losses associated with commercial debtors and incorporating guidelines on the management of the risk of over-indebtedness.

On January 15, 2018, the Banking Superintendency issued Circular SIB No. 003/18, setting forth the Instruction on the Prevention of Money Laundering, Financing of Terrorism and the Proliferation of Weapons of Mass Destruction (*Instructivo sobre Prevención del Lavado de Activos, Financiamiento del Terrorismo y de la Proliferación de Armas de Destrucción Masiva*) in accordance with Law No.155-17, on the prevention of Money Laundering and Financing of Terrorism, approved on June 1, 2017.

On March 9, 2018, the Banking Superintendency approved Circular SIB No. 008/18, setting forth the third version of the Instructions on Formation, Registration and Control of Guarantees (*Instructivo sobre Formalización, Registro y Control de Garantías*), which adapts the criteria for the management, admissibility and valuation of guarantees granted to lending institutions as credit support in accordance with the Asset Assessment Regulation approved in September 2017.

On May 17, 2018, the Monetary Board issued its First Resolution approving the modification of Micro Lending Regulation according to the changes introduced in the Asset Evaluation Regulation (*Reglamento de Evaluación de Activos*).

On November 1, 2018, the Monetary Board issued its Second Resolution approving the Regulation of Cybersecurity and Protection of Information (*Reglamento de Seguridad Cibernética y de la Información*), which establishes the principles and general guidelines to be adopted for the integrity, availability and confidentiality of information, the optimal functioning of information systems and technological infrastructure, as well as the adoption and implementation of practices for risk management of cyber security and information.

For more information see “Recent Developments—Monetary Sector—Financial System and Reforms.”

Financial Sector

As of December 31, 2018, the Dominican financial sector consisted of 51 financial institutions, including:

- 18 commercial banks (including *Banco de Reservas*);
- 14 savings and credit banks;
- 10 savings and loan associations;
- 7 credit corporations; and
- 2 government-owned financial institutions (*Banco Nacional de las Exportaciones (BANDEX)* and *Banco Agrícola de la República Dominicana*).

As of December 31, 2018, other participants in the financial sector include 32 insurance companies, including the state-owned insurance company *Seguros Banreservas*, seven pension funds, including the state-owned pension fund *AFP Reservas*, and the Dominican Republic Stock Exchange.

Banco de Reservas is the state-owned commercial bank and, as of December 31, 2018, ranked first among Dominican commercial banks in terms of total assets. The Government acquired *Banco de Reservas* in 1941. *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, *Banco de Reservas* receives all deposits of public sector entities and pays all checks issued by the Government. On July 2, 2013, President Medina appointed Mr. Enrique Ramirez Paniagua as the General Administrator of *Banco de Reservas* replacing Mr. Vicente Bengoa. Since August 2016, the General Administrator of the bank is Mr. Simón Lizardo Mézquita.

The following table identifies the number of financial institutions and percentage of loans and deposits corresponding to, as well as the share of total assets of the financial system held by, each category of financial institutions as of the dates indicated.

Number of Financial Institutions, Percentage of Loans and Deposits and Share of Total Assets of the Financial System ⁽¹⁾

| | As of December 31, | | | | | As of December 31, 2018 | | |
|--|--------------------|-----------|-----------|-----------|-----------|-------------------------|--------------|---------------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | Loans (%) | Deposits (%) | Share of Total Assets (%) |
| Commercial banks ⁽²⁾ | 17 | 17 | 18 | 18 | 18 | 86.95 | 87.51 | 86.54 |
| Development banks | — | — | — | — | — | — | — | — |
| Mortgage banks..... | — | — | — | — | — | — | — | — |
| Savings and loan associations..... | 10 | 10 | 10 | 10 | 10 | 10.21 | 10.43 | 10.76 |
| <i>Financieras</i> | — | — | — | — | — | — | — | — |
| Small lending institutions | — | — | — | — | — | — | — | — |
| Government-owned financial institutions ⁽³⁾ | 1 | 1 | 1 | 1 | 1 | 0.03 | 0.30 | 0.45 |
| Savings and credit banks | 18 | 19 | 18 | 18 | 14 | 2.52 | 1.54 | 2.02 |
| Credit corporations | 17 | 17 | 12 | 11 | 8 | 0.30 | 0.21 | 0.22 |
| Credit card issuing entities | — | — | — | — | — | — | — | — |
| Total | 63 | 64 | 59 | 58 | 51 | 100.0 | 100.0 | 100.0 |

(1) Excludes insurance and reinsurance companies, private pension funds and the Dominican Republic Stock Exchange.

(2) Includes *Banco de Reservas*.

(3) Includes *Banco Nacional de las Exportaciones (BANDEX)*.

Source: Banking Superintendency.

Since 2000, the banking system has experienced significant consolidation, driven principally by the need to increase the range of product offerings and benefits through economies of scale. The most significant acquisitions have included the following (dates refer to the approval of the acquisition by the Monetary Board):

- Banco del Exterior Dominicano by Baninter (June 2000);
- Banco Gerencial y Fiduciario by Banco BHD (November 2000);
- Banco Metropolitano by Banco Dominicano del Progreso (“Progreso”) (December 2000);
- Banco Osaka by Baninter (November 2001);
- Banco Global by Banco Mercantil (June 2002); and
- Banco BHD acquired significant assets and liabilities from Republic Bank Limited (October 2006).

On June 26, 2014, the Monetary Board issued its Second Resolution authorizing the merger of Banco BHD and Banco León. As a result, Banco BHD and Banco León officially became one bank, named Banco BHD León, with total assets representing 15.9% of the total assets of the Dominican financial system as of June 30, 2014.

At the end of 2014, Banco Peravia de Ahorro y Crédito, S.A. collapsed after the Banking Superintendency discovered that its executives had committed bank fraud for about US\$32 million, equivalent to 75.3% of its credit

portfolio. Once the Banking Superintendency concluded its investigation, the Public Prosecutor's Office presented charges against 20 individuals affiliated with Banco Peravia for violating the Monetary and Financial Law (*Ley Monetaria y Financiera*), falsifying public deeds, abuse of trust, conspiracy and violating the Law Against Laundering of Proceeds from Drug Trafficking and Controlled Substances and Other Serious Offenses (*Ley Sobre Lavado de Activos Provenientes del Tráfico Ilícito de Drogas y Sustancias Controladas y Otras Infracciones Graves*). On June 6, 2019 the First Collegiate Court of the Criminal Chamber of the Court of First Instance of the National District (*Primer Tribunal Colegiado de la Cámara Penal del Juzgado de Primera Instancia del Distrito Nacional*) convicted five of these 20 individuals.

Foreign banks have no additional legal restrictions in connection with opening new branches or subsidiaries in the Dominican Republic. Currently, Citibank and Bank of Nova Scotia are the only foreign banks with branches in the Dominican Republic. Additionally, several foreign banks have subsidiaries in the Dominican Republic, such as: Banesco Banco Múltiple S.A., Banco Múltiple Lafise, S.A., Banco Múltiple de las Américas, S.A. (Bancamérica), Banco Múltiple Promérica de la República Dominicana, S.A., and Banco Múltiple Activo Dominicana, S.A. Other banks and local entities have foreign equity participations in the Dominican Republic, such as: Banco Múltiple Bellbank, S.A., S.A., Banco de Ahorro y Crédito JMMB Bank, S.A., Banco de Ahorro y Crédito Federal, S.A., Banco Atlántico de Ahorro y Crédito, S.A. and Banco de Ahorro y Crédito ADOPEM, S.A.

On December 26, 2018, the Monetary Board authorized the Bank of Nova Scotia's ("Scotiabank") acquisition of 97.44% of the shares of Progreso, and the subsequent integration of the two banking institutions.

The following tables set forth the total net assets of the Dominican financial system for the periods indicated:

Total Net Assets of Dominican Financial System⁽¹⁾
(in millions of current DOP and % change from prior year)

| As of December 31, | Financial System | | Commercial Banks | |
|--------------------|------------------|-----------------|------------------|-----------------|
| | DOP | Growth rate (%) | DOP | Growth rate (%) |
| 2014..... | 1,219,933.5 | 10.6 | 1,050,897.1 | 11.5 |
| 2015..... | 1,359,630.2 | 11.5 | 1,175,887.9 | 11.9 |
| 2016..... | 1,518,672.0 | 11.7 | 1,316,658.3 | 12.0 |
| 2017..... | 1,650,806.3 | 8.6 | 1,427,565.5 | 8.4 |
| 2018..... | 1,782,243.4 | 8.0 | 1,542,426.7 | 8.1 |

(1) Excludes insurance companies and reinsurance companies, private pension funds and the Dominican Republic Stock Exchange.
Source: Banking Superintendency.

Total Net Assets of Dominican Financial System⁽¹⁾
(in millions of US\$ and % change from prior year)

| As of December 31, | Financial System | | Commercial Banks | |
|--------------------|------------------|-----------------|------------------|-----------------|
| | US\$ | Growth rate (%) | US\$ | Growth rate (%) |
| 2014..... | 27,561.3 | 6.7 | 23,742.3 | 7.5 |
| 2015..... | 29,904.5 | 8.5 | 25,863.2 | 8.9 |
| 2016..... | 32,575.5 | 8.9 | 28,242.3 | 9.2 |
| 2017..... | 34,254.1 | 5.6 | 29,621.8 | 4.9 |
| 2018..... | 35,500.9 | 3.6 | 30,723.9 | 3.7 |

(1) Based on the closing exchange rate at period end. Excludes insurance companies, private pension funds and the Dominican Republic Stock Exchange.
Source: Banking Superintendency.

In the period from 2014 to 2018, the private sector received on average 91.5% of the total principal amount of loans issued by the financial system, while the public sector received 6.9% and intra-financial sector loans accounted for the remaining 1.6%. Major private sector borrowers included companies engaged in wholesale and retail trade (on average, 19.9% of total loans from 2014 to 2018), construction (on average, 7.3% of total loans from

2014 to 2018) and manufacturing (on average, 6.1% of total loans from 2014 to 2018). 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 US\$)

| | As of December 31, | | | | |
|--|--------------------|-----------------|-----------------|-----------------|-----------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Private Sector: ⁽¹⁾⁽²⁾ | | | | | |
| Manufacturing..... | 1,118.7 | 1,234.3 | 1,189.8 | 1,200.0 | 1,520.1 |
| Mining..... | 24.9 | 37.8 | 43.6 | 46.2 | 28.7 |
| Agriculture..... | 779.0 | 698.3 | 648.8 | 737.4 | 770.1 |
| Construction..... | 1,484.0 | 1,465.3 | 1,724.7 | 1,365.6 | 1,396.1 |
| Electricity, gas and water..... | 601.5 | 244.6 | 231.8 | 205.0 | 412.4 |
| Wholesale and retail trade..... | 3,258.1 | 3,910.5 | 4,142.4 | 4,608.0 | 4,728.3 |
| Loans to individuals..... | 7,954.8 | 9,011.3 | 9,951.7 | 10,707.5 | 11,451.5 |
| Transportation, warehousing and communications | 197.9 | 231.4 | 242.3 | 332.1 | 359.8 |
| Other | 541.1 | 645.4 | 907.0 | 1,096.2 | 1,046.0 |
| Total private sector loans | 15,960.1 | 17,479.0 | 19,082.0 | 20,298.2 | 21,713.0 |
| Total public sector loans | 1,071.5 | 1,708.3 | 1,525.5 | 1,388.6 | 1,377.1 |
| Total financial sector loans | 262.7 | 370.6 | 347.0 | 306.4 | 417.3 |
| Total non-resident sector loans | 1.5 | 0.3 | 0.1 | 0.2 | 0.1 |
| Total loans | 17,295.8 | 19,558.1 | 20,954.6 | 21,993.4 | 23,507.4 |

(1) Includes information from credit unions.

(2) Changes in historical data are the result of loan reclassifications.

Source: Central Bank.

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

| | As of December 31, | | | | |
|---|--------------------|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Private Sector: ⁽¹⁾⁽²⁾ | | | | | |
| Manufacturing..... | 6.5 | 6.3 | 5.7 | 5.5 | 6.5 |
| Mining..... | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 |
| Agriculture..... | 4.5 | 3.6 | 3.1 | 3.4 | 3.3 |
| Construction..... | 8.6 | 7.5 | 8.2 | 6.2 | 5.9 |
| Electricity, gas and water..... | 3.5 | 1.3 | 1.1 | 0.9 | 1.8 |
| Wholesale and retail trade..... | 18.8 | 20.0 | 19.8 | 21.0 | 20.1 |
| Loans to individuals..... | 46.0 | 46.1 | 47.5 | 48.7 | 48.7 |
| Transportation, warehousing and communications..... | 1.1 | 1.2 | 1.2 | 1.5 | 1.5 |
| Other..... | 3.1 | 3.3 | 4.3 | 5.0 | 4.4 |
| Total private sector loans..... | 92.3 | 89.4 | 91.1 | 92.3 | 92.4 |
| Total public sector loans..... | 6.2 | 8.7 | 7.3 | 6.3 | 5.9 |
| Total financial sector loans..... | 1.5 | 1.9 | 1.7 | 1.4 | 1.8 |
| Total non-resident sector loans..... | — | — | — | — | — |
| Total loans..... | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

(1) Includes information from credit unions.

(2) Changes in historical data are the result of loan reclassifications.

Source: Central Bank.

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

Bank Credit by Currency
(as a % of total credit)

| As of December 31, | Private Commercial Banks | | Banco de Reservas | |
|--------------------|--------------------------|------------------|-------------------|------------------|
| | DOP | Foreign Currency | DOP | Foreign Currency |
| 2014..... | 52.3 | 15.8 | 21.7 | 10.2 |
| 2015..... | 46.9 | 15.5 | 24.2 | 13.4 |
| 2016..... | 47.8 | 16.1 | 25.3 | 10.8 |
| 2017..... | 49.2 | 17.0 | 24.5 | 9.3 |
| 2018..... | 48.7 | 18.1 | 24.0 | 9.2 |

Source: Banking Superintendency.

Foreign currency lending is extended mainly to sectors that generate foreign currency revenues, such as tourism, free-trade zones and export-oriented activities. As of December 31, 2017, foreign currency lending was 27.3% of total credit extended by commercial banks.

Even though commercial lending usually is 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.

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 December 31, 2018.

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

| Category | As of December 31, 2018 | | | Total |
|--------------|-------------------------|----------------|----------------|--------------|
| | Commercial loans | Consumer loans | Mortgage loans | |
| A | 64.4 | 92.2 | 94.5 | 76.7 |
| B | 17.8 | 2.8 | 3.0 | 11.4 |
| C | 7.2 | 1.3 | 1.0 | 4.6 |
| D1 | 4.8 | 1.8 | 0.7 | 3.3 |
| D2 | 4.2 | 1.1 | 0.2 | 2.8 |
| E | 1.6 | 0.8 | 0.5 | 1.2 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Banking Superintendency.

Solvency Index in the Banking System⁽¹⁾
(values in %)

| | |
|---------------------------|------|
| As of December 31, | |
| 2014 | 14.0 |
| 2015 | 14.4 |
| 2016 | 15.6 |
| 2017 | 16.4 |
| 2018 | 15.8 |

(1) Includes only commercial banks defined as “Bancos Múltiples” by the Banking Superintendency.

Source: Banking Superintendency.

Since 1991, interest rates in the Republic have floated freely based on supply and demand, 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.”

During 2015, liquidity in the financial sector decreased, due to the rise in interest rates observed in the second semester of 2015. As a result, the annual rate of private credit growth in local currency decreased from approximately 15.2% at the end of 2014 to approximately 12.05% at the end of 2015 (see “The Monetary System—Monetary Policy”).

During 2016, liquidity in the financial sector remained moderate, due to the rise in interest rates as compared to 2015. Nevertheless, the annual rate of private credit growth in local currency increased from approximately 12.05% at the end of 2015 to approximately 12.8% at the end of 2016.

During 2017, liquidity in the financial sector increased as a consequence of expansionary monetary policy measures adopted by the monetary authorities during the second half of the year. This higher liquidity was reflected in lower interest rates at the end of 2017 as compared to 2016. Accordingly, the annual rate of private credit in local currency grew by 12.0% at the end of 2017.

During 2018, liquidity in the financial sector remained moderate, due to an increase in interest rates as compared to 2017. As a result, the annual rate of private credit growth in local currency reached 10.8% at the end of 2018.

The following table sets forth information on interest rates charged by commercial banks on loans for the periods indicated.

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

| | As of December 31, | | | | |
|------------------------|--------------------|------|------|------|------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Loans of: | | | | | |
| 0-90 days | 11.0 | 15.0 | 14.6 | 13.2 | 11.0 |
| 91-180 days | 11.5 | 12.4 | 13.8 | 10.8 | 11.4 |
| 181-360 days | 12.4 | 13.7 | 13.6 | 13.4 | 11.7 |
| Weighted average | 13.8 | 15.0 | 15.0 | 13.8 | 12.5 |
| Real..... | 10.4 | 11.4 | 12.4 | 9.6 | 9.0 |
| Prime rate | 10.5 | 11.1 | 11.7 | 10.8 | 10.4 |

(1) Includes banks authorized to offer multiple banking services. Refers to annual average.

Source: Central Bank.

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

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

| | As of December 31, | | | | |
|------------------------|--------------------|------|------|------|------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Deposits for: | | | | | |
| 30 days..... | 5.6 | 5.5 | 5.8 | 5.4 | 5.0 |
| 60 days | 6.4 | 6.4 | 7.2 | 6.2 | 5.9 |
| 90 days..... | 6.8 | 6.6 | 7.2 | 6.9 | 6.8 |
| 180 days..... | 6.9 | 7.2 | 7.3 | 6.3 | 6.8 |
| 360 days..... | 6.5 | 6.5 | 6.8 | 6.3 | 6.1 |
| Weighted average | 6.5 | 6.5 | 6.7 | 6.0 | 6.0 |
| Real..... | 3.1 | 2.9 | 4.1 | 1.8 | 2.5 |
| Savings | 2.0 | 1.7 | 1.6 | 1.6 | 0.6 |

(1) Includes banks authorized to offer multiple banking services. Refers to annual average.

Source: Central Bank.

Liquidity and Credit Aggregates

There are several money-supply measures currently in place in the Republic. The most significant are M1, M2 and M3, which generally are composed of the following:

- M1: currency held by the public plus demand deposits in domestic currency;
- M2: M1 plus savings and time deposits in domestic currency (including financial certificates); and
- M3: M2 plus savings and time deposits in foreign currency.

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. Bank reserves are included in measure of the money supply published by the Central Bank.

The following table sets forth growth in M1, M2 and M3 according to data released by the Central Bank within the framework of an IMF data harmonization project for Central America and the Republic.

Selected Monetary Indicators
(% change from prior year)⁽¹⁾

| | As of December 31, | | | | |
|---------|--------------------|------|------|------|------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| M1..... | 9.3 | 12.2 | 11.0 | 12.2 | 6.6 |
| M2..... | 10.2 | 11.6 | 10.0 | 10.3 | 4.5 |
| M3..... | 9.3 | 12.1 | 9.8 | 9.7 | 6.6 |

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

From 2014 to 2018, the Republic's monetary base grew at an annual average rate of 7.9%. This increase was driven by the growth in net international reserves of the Central Bank, which increased from US\$4,650.4 million in 2014 to US\$7,627.1 million in 2018. M1, M2 and M3 increased sharply at an average annual rate of 10.3%, 9.3% and 9.5%, respectively, during the period from 2014 to 2018. In 2014, the monetary aggregates increased by 9.3%, 10.2% and 9.3%, respectively, reflecting the neutral monetary policy adopted by the Central Bank throughout 2014. In 2015, the Central Bank reduced the MPR by 125 basis points, which resulted in growth rates of the monetary aggregates of 12.2%, 11.6% and 12.1%, respectively. In 2016, the Central Bank increased the MPR by 50 basis points, which resulted in growth rates of the monetary aggregates M1, M2 and M3 of 11.0%, 10.0% and 9.8%, respectively. In March 2017, the Central Bank increased the MPR by 25 basis points, from 5.50% to 5.75%. However, the monetary authorities reduced the MPR by 50 points in July 2017, from 5.75% to 5.25% due to a negative demand shock that was combined with lower international inflationary pressures in the second quarter of the year. Consequently, in 2017, the monetary aggregates grew at rates of 12.2%, 10.3% and 9.7%, respectively. In July 2018, the Central Bank increased the MPR by 25 basis points, from 5.25% to 5.50%, reflecting a more neutral monetary policy stance. Therefore, in 2018 the monetary aggregates M1, M2 and M3 grew at 6.6%, 4.5% and 6.6%, respectively, in each case, compared to 2017.

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

| | As of December 31, | | | | |
|---|--------------------|-----------|-----------|-----------|-----------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Monetary base (millions of DOP)..... | 184,139.9 | 219,717.3 | 234,949.2 | 229,222.3 | 242,828.8 |
| Currency in circulation and cash in vaults at banks (millions of DOP)..... | 104,707.3 | 111,539.1 | 118,014.1 | 133,542.3 | 146,567.4 |
| Commercial bank deposits at Central Bank (millions of DOP) | 79,432.6 | 108,178.2 | 116,935.2 | 95,680.0 | 96,261.5 |
| Broad monetary base (millions of DOP) | 294,012.6 | 307,018.1 | 352,301.9 | 395,518.9 | 387,014.9 |
| Gross international reserves (millions of US\$) ⁽¹⁾ | 4,861.8 | 5,266.0 | 6,047.4 | 6,780.8 | 7,627.6 |
| Net international reserves (millions of US\$) ⁽¹⁾ | 4,650.4 | 5,266.0 | 6,047.4 | 6,780.8 | 7,627.1 |
| Exchange rate (DOP/US\$) | 44.2 | 45.5 | 46.6 | 48.2 | 50.2 |

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

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

Liquidity and Credit
(in millions of US\$)⁽¹⁾

| | As of December 31, | | | | |
|--|--------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Monetary aggregates⁽²⁾ | | | | | |
| Currency in circulation | 1,867.4 | 1,965.6 | 2,026.1 | 2,125.1 | 2,331.5 |
| M1 | 5,511.1 | 6,011.1 | 6,506.4 | 7,060.2 | 7,225.0 |
| M2 | 17,056.6 | 18,510.1 | 19,860.3 | 21,195.3 | 21,267.3 |
| M3 | 22,024.7 | 24,004.8 | 25,697.0 | 27,270.4 | 27,916.2 |
| Credit by sector⁽²⁾ | | | | | |
| Public sector..... | 1,071.47 | 1,708.28 | 1,525.53 | 1,388.63 | 1,377.06 |
| Private sector..... | 15,960.13 | 17,478.96 | 19,081.97 | 20,298.20 | 21,712.97 |
| Financial sector | 262.72 | 370.57 | 347.04 | 306.43 | 417.28 |
| Non-resident sector | 1.51 | 0.33 | 0.06 | 0.15 | 0.09 |
| Total credit aggregates..... | 17,295.82 | 19,558.13 | 20,954.60 | 21,993.42 | 23,507.41 |
| Deposits⁽²⁾ | | | | | |
| Local currency | 17,105.44 | 18,541.15 | 20,382.19 | 21,577.61 | 21,914.19 |
| Foreign currency | 6,140.90 | 6,636.90 | 6,943.96 | 7,349.43 | 8,101.44 |
| Total deposits..... | 23,246.34 | 25,178.05 | 27,326.15 | 28,927.03 | 30,015.62 |

(1) Based on the official period-end exchange rate.

(2) Includes information from credit unions.

Source: Central Bank.

Inflation

As of December 31, 2014, the annual inflation rate closed at 1.58%, which was below the lower limit of the target range of 4.5% plus or minus 1% as established in the *Programa Monetario del Banco Central 2014* (Central Bank Monetary Program of 2014). This result was mainly due to low inflationary pressures from external sources, mainly due to a substantial drop in international oil prices that occurred in the second half of 2014.

As of December 31, 2015, the inflation rate increased to 2.34%, nonetheless below the target rate of 4.0% plus or minus 1%, given the continued decline in international oil prices. Core inflation, which is the inflation associated with monetary conditions, reached 1.82% at the end of 2015, below the lower limit of the target range for 2015.

As of December 31, 2016, the inflation rate was 1.70%, mainly due to a positive supply side shock and low inflationary pressures resulting from the continued downward trend of oil prices during the first half of 2016. Core inflation reached 1.89% at the end of 2016, below the lower limit of the target range for 2016.

As of December 31, 2017, the inflation rate reached 4.20%, mainly as a result of increasing oil prices. Core inflation reached 2.36% at the end of 2017, below the lower limit of the target range for 2017.

As of December 31, 2018, the inflation rate was 1.2%, mainly due to low inflationary pressures resulting from the downward trend of oil prices during the last quarter of 2018. Core inflation reached 2.47% at the end of 2018, below the lower limit of the target range for 2018.

The following table shows changes in the CPI for the periods indicated.

| | Consumer Price Index ⁽¹⁾ | |
|---------------------------|-------------------------------------|---------|
| | End of period | Average |
| | (% change) | |
| As of December 31, | | |
| 2014 | 1.6 | 3.0 |
| 2015 | 2.3 | 0.8 |
| 2016 | 1.7 | 1.6 |
| 2017 | 4.2 | 3.3 |
| 2018 | 1.2 | 3.6 |

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

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 the currency periodically. At present, pursuant to resolutions issued by the Monetary Board, the exchange rate system operates with a unified and flexible exchange rate and a foreign exchange market operated by the Central Bank, financial institutions and exchange agents.

When the peso came into existence in 1947, the Republic had a fixed exchange rate system with an exchange rate of DOP1.00/US\$1.00. The refusal to devalue the currency in the 1960s 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 process of transferring the current account transactions from the official market to the parallel market continued. This transfer process was completed in 2003.

Since February 2003, the private foreign exchange market has performed all foreign exchange transactions. 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;
- remittances;
- exports of goods;
- foreign direct investment; and
- private-sector foreign-currency denominated loans.

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

Exchange Rates
(DOP per US\$)

| | As of December 31, | | | | |
|--|--------------------|-------|-------|---------|---------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| End of period (spot market) ⁽¹⁾ | 44.20 | 45.47 | 46.62 | 48.19 | 50.20 |
| End of period (financial intermediaries) ⁽²⁾ | 44.26 | 45.47 | 46.60 | 48.20 | 50.33 |
| Exchange rate differential (in % of the financial intermediaries' rate) | (0.13)% | 0.01% | 0.04% | (0.02)% | (0.26)% |
| Year average (spot market) ⁽³⁾ | 43.45 | 44.94 | 45.99 | 47.44 | 49.43 |
| Year average (financial intermediaries) ⁽⁴⁾ | 43.45 | 44.94 | 45.98 | 47.44 | 49.44 |
| Exchange rate differential (in % of the financial intermediaries' rate) | 0.01% | — | 0.01% | — | (0.02)% |

(1) Exchange rate in the spot market (financial intermediaries, exchange agents and exchange and remittances agents) for the last business day of the year. Includes all the transactions of the economy, except financial derivatives.

(2) Average of the daily “reference” exchange rate by the financial intermediaries for the last business day of the year.

(3) Average of the daily “reference” exchange rate in the spot market (financial intermediaries, exchange agents and exchange and remittances agents) for the year. Includes all the transactions of the economy, except financial derivatives.

(4) Average of the daily “reference” exchange rate by financial intermediaries for the year.

Source: Central Bank.

The spot market exchange rate reported by the Central Bank corresponds to the weighted average of the daily transactions made by authorized financial institutions, exchange agents and remittances agents. As a result, there is only a minor difference between the Central Bank exchange rate and the rate reported by financial intermediaries. The Central Bank expects to maintain a flexible floating exchange rate system and only intervenes in the foreign exchange market as necessary to achieve the Government’s monetary policy and to avoid excessive volatility in the prevailing exchange rate.

Between 2014 and 2018, the peso depreciated in a gradual and controlled manner, all of this in a context of an increase in the Central Bank’s reserves and changes in monetary policy.

International Reserves

The Central Bank’s net international reserves increased to US\$7,627.6 million as of December 31, 2018 from US\$4,861.8 million as of December 31, 2014.

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, | | | | |
|--|--------------------|----------------|----------------|---------------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 ⁽¹⁾ | 2018 ⁽¹⁾ |
| Central Bank | | | | | |
| Assets (gross international reserves) | 4,861.8 | 5,266.0 | 6,047.4 | 6,780.8 | 7,627.6 |
| Liabilities | 211.3 | 71.0 | 0.7 | 0.4 | 0.5 |
| Total (assets less liabilities) | 4,650.4 | 5,195.1 | 6,046.7 | 6,780.4 | 7,627.1 |
| Banco de Reservas | | | | | |
| Assets | 638.3 | 172.7 | 287.6 | 222.8 | 157.9 |
| Liabilities | 1,085.7 | 1,093.3 | 1,156.8 | 822.4 | 751.0 |
| Total (assets less liabilities) | (447.4) | (920.6) | (869.2) | (599.7) | (593.1) |
| Other deposit institutions | | | | | |
| Assets | 919.3 | 745.4 | 718.1 | 720.3 | 882.2 |
| Liabilities | 723.4 | 909.5 | 1,092.1 | 1,184.7 | 1,243.1 |
| Total (assets less liabilities) | 195.8 | (164.1) | (374.0) | (464.4) | (360.9) |
| Net international reserves of the banking system | 4,398.9 | 4,110.4 | 4,803.5 | 5,716.4 | 6,673.2 |
| <i>Memorandum items:</i> | | | | | |
| Gross assets of the Central Bank | 5,476.5 | 5,881.5 | 6,924.2 | 7,452.1 | 8,285.4 |
| Gross reserves of commercial banks | 1,557.6 | 918.1 | 1,005.7 | 943.1 | 1,040.2 |
| Gross reserves of the banking system | 7,034.0 | 6,799.6 | 7,929.9 | 8,395.2 | 9,325.5 |
| Gross reserves of the Central Bank (in months of total imports) | 3.5 | 3.7 | 4.2 | 4.1 | 4.4 |
| Gross reserves of the banking system (in months of total imports) ⁽²⁾ | 5.1 | 4.7 | 5.5 | 5.1 | 5.4 |

(1) Preliminary data.

(2) As a ratio of total gross reserves of the banking system (*i.e.*, Central Bank, *Banco de Reservas* and other commercial banks) to total monthly imports.

Source: Central Bank.

The assets and liabilities of both the Central Bank and deposit institutions are defined using residence criteria, following the methodology established in the Financial and Monetary Statistics Manual. Therefore, they do not include all assets and liabilities denominated in foreign currency, but instead all assets and liabilities in which the counterparty is a non-resident of the Dominican Republic (regardless of the currency).

In the period from 2014 to 2018, 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 of goods and non-factor services) grew from 3.5 months at December 31, 2014 to 4.4 months at December 31, 2018. Since all balance of payment transactions are covered by financial institutions and exchange agents, 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 monthly imports. This ratio was 5.4 to 1 times as of December 31, 2018.

Gold Reserves

At December 31, 2018, the total amount of gold reserves of the Central Bank was approximately US\$23.4 million, reflecting a US\$1.3 million increase as compared to US\$22.1 million at December 31, 2014, mainly due to an increase in the price of gold over the period.

Securities Markets

The Securities Market Law, approved in 2000, created a regulatory framework for the Dominican securities market. In 2003, the *Superintendencia de Valores de la República Dominicana* (the "Dominican Securities

Superintendency”), established by the Securities Market Law, began operating. It is responsible for promoting, regulating and supervising the Dominican securities market.

The Republic has one securities exchange, the *Bolsa de Valores de la República Dominicana* (“Dominican Republic Stock Exchange”), which has been in operation since 1991 and became a national exchange in 1997. The Dominican Republic Stock Exchange is a private institution that has been subject to regulation by the Dominican Securities Superintendency since October 2003. Its primary activity has been the public trading of commercial paper and bond instruments. The trading volume in the Dominican Republic Stock Exchange has increased steadily since 2009, from approximately US\$0.8 billion at December 31, 2009 to US\$2.7 billion at December 31, 2018.

PUBLIC SECTOR FINANCES

Central Government

The Central Government encompasses the executive branch, the ministries, and various agencies created by mandate of the Constitution. During the period from 2014 through 2018 (excluding the “capital grants” obtained in 2015 from the liability management transaction with PDVSA relating to the PetroCaribe Agreement, see “Public Sector Debt—External Debt—PetroCaribe Agreement”), the Central Government has recorded deficits in its fiscal balance, which have been covered with internal and external financing.

The Government derives its revenues primarily from tax collection and import tariffs. Although they are not recurring revenue sources, the Government has also received dividend payments from companies in which the Government has an ownership interest. Government expenditures consist of wages and salaries paid to public sector employees; purchases of goods and services; interest payments on debt; public investment; and transfers to public sector entities and to the private sector (primarily by social security payments and social programs to support low income households).

In 2014, total fiscal revenues (including grants) amounted to US\$9.6 billion or 14.6% of GDP, which represents an increase of 0.4% of GDP above 2013 collections. These additional revenues were mainly due to certain measures included in the 2012 Tax Reform but implemented for the first time in 2014, and unexpected collection of income taxes because of capital gains after the sales of private companies such as Orange Dominicana S.A. and Tricom S.A. At the end of 2014, the expenditures were US\$11.5 billion or 17.1% of GDP a reduction of 0.4 percentage points compared to 2013. The main adjustment was in capital expenditures which fell from US\$2.4 billion (3.8% of GDP) in 2013 to US\$2.0 billion (3.0% of GDP) in 2014. The reduction in expenditures and the increase in revenues resulted in a reduction in the overall deficit of the Central Government from US\$2.1 billion (3.3% of GDP) in 2013 to US\$1.9 billion (2.8% of GDP) in 2014.

Notwithstanding the reduction in primary expenditures during 2014, there was an increase in the expenditures for social programs, especially on education. As a result, there was an increase registered in wages for teachers, pensions to retired teachers and social transfers such as food, clothes and school materials for students in public educational centers. Additionally, greater resources were used for other social programs, such as “*Comer es Primero*” or Eating Comes First, aimed at supporting low income households.

In 2015, total revenues (excluding “capital grants” obtained in the liability management transaction with PDVSA relating to the PetroCaribe Agreement) amounted to US\$9.8 billion (13.8% of GDP). The decline in tax revenues when compared to the National Budget for 2015 was mainly the result of (i) the decrease in international and local prices of fuels which led to a drop in revenues from taxes on fuels of US\$153.8 million (0.2% of GDP) as compared to the amount projected in the National Budget for 2015; and (ii) an output from PVDC gold mining operations that proved to be lower than the budgeted figure, implying a reduction of US\$147.8 million (0.2% of GDP) in revenue.

The commitment to control expenditures and enhance fiscal discipline continued to be the general policy in 2015. In particular, total expenditures by the Central Government were US\$11.9 billion, or 16.6% of GDP, which represents a decrease of 0.5% of GDP as compared to 2014. As a result, the overall deficit of the Central Government decreased to US\$0.93 billion or 0.1% of GDP in 2015. These results were largely attributable to the “capital grants” obtained in the liability management transaction with PDVSA relating to the PetroCaribe Agreement. The price paid by the Republic in this transaction represented a discount of US\$2,074.1 million (excluding interest) (2.9% of GDP), which is reflected as grants in the total revenues described herein. For further information, see “Public Sector Debt—External Debt—Paris Club and Other Bilateral Lenders.” Excluding the effects on revenues of this liability management transaction, the Central Government would have recorded a primary deficit of US\$232.6 million (0.4% of GDP) and an overall deficit of US\$2.0 billion (2.9% of GDP) in 2015.

Total expenditures by the Central Government amounted US\$11.9 billion (16.6% of GDP) in 2015. This figure reflects a reduction in current transfers to the electricity sector as compared to the amount of transfers envisaged in the 2015 Budget, which generated savings in excess of US\$378.5 million and was mainly due to a decrease in international oil prices. This reduction was offset by increased capital transfers to the electricity sector

compared to those envisaged in the 2015 Budget, mainly due to capital expenditures related to the construction of the “Punta Catalina” power plants project. The net effect of these trends generated overall expenditures in line with the projections included in the 2015 Budget.

In 2016, total revenues, including grants, amounted to US\$10.5 billion (13.9% of GDP), a decline of 2.8% of GDP as compared to 2015. This decline in revenues was mainly due to the effects of the liability management transaction with PDVSA relating to the PetroCaribe Agreement in 2015, which was registered as grants. For more information, see “Public Sector Debt—External Debt—Paris Club and Other Bilateral Lenders.” Excluding the “capital grants” obtained in this liability management transaction, the fiscal revenues during 2016 increased US\$0.7 billion (equivalent to 0.9% of GDP) as compared to 2015. As of December 31, 2016, 99.5% of the estimated fiscal revenues were collected, mainly due to certain measures that enhanced the administrative process within the collecting agencies, as well as an efficient coordination between these governmental entities. For more information, see “Tax Regime—Tax Enforcement.”

In 2016, total expenditures by the Central Government were US\$12.6 billion (16.6% of GDP). The total expenditures remained the same as percentage of GDP compared to 2015. However, primary expenditures, such as wages and salaries and the acquisition of goods and services, decreased by 0.5% and 0.1% of GDP, respectively, as compared to 2015. As a result, the overall deficit of the Central Government was US\$2.0 billion, or 2.7% of GDP, as of December 31, 2016.

In 2017, total expenditures by the Central Government were US\$13.6 billion (17.0% of GDP) with an increase of US\$1.0 billion (0.4% of GDP) compared to 2016. Primary expenditures accounted for the majority of the increase to US\$11.3 billion (14.2% of GDP) in the year. As a result, the overall deficit of the Central Government was US\$2.3 billion, or 2.9% of GDP, as of December 31, 2017.

In 2017, total revenues, including grants, amounted to US\$11.3 billion (14.2% of GDP), an increase of 0.3% of GDP as compared to 2016. This increase was mainly due to tax enforcement measures taken by both the Internal Revenue Agency and Customs Agency (see “Tax Regime—Tax Enforcement”), and an extraordinary income of US\$175.0 million (0.2% of GDP), primarily from capital gains tax collected on the sale of shares of several tourism companies and increased audits by the Internal Revenue Agency, among others.

In 2018, total expenditures by the Central Government were US\$13.9 billion (16.2% of GDP), reflecting an increase of US\$191.8 million as compared to 2017, mainly due to wages and salaries and capital expenditure. As a result, the overall deficit of the Central Government in 2018 was 1.9% of GDP.

In 2018, total revenues including grants amounted to US\$12.2 billion (14.2% of GDP), an increase of 0.08% of GDP as compared to 2017. This result was due to the administrative measures taken by both the Internal Revenue Agency and Customs Agency to improve compliance (see “Tax Regime—Tax Enforcement”), and US\$261.8 million of extraordinary income (0.3% of GDP) primarily from the capital gains tax collected on the sale of shares of a local beer company.

During 2018 the primary sources of tax revenues were:

- income and property taxes (32.6% of total revenue, excluding grants);
- VAT (32.3% of total revenue, excluding grants); and
- excise taxes (20.6% of total revenue, excluding grants).

Government expenditures during 2018 consisted of:

- wages and salaries paid to public sector employees (27.5% of total spending);
- purchases of goods and services (10.5% of total spending);

- transfers to public sector entities (in particular CDEEE) and to the private sector (primarily social programs) (27.3% of total spending);
- capital expenditure (16.7% of total spending); and
- interest payments on debt (17.9% of total spending).

Consolidated Public Sector

The Dominican public sector consists of the Central Government, the local governments, non-financial public sector institutions, which include non-financial state-owned enterprises and government agencies such as the INDRHI or CDEEE, and financial public sector institutions, such as the Central Bank and *Banco de Reservas*.

In general, these agencies receive financing from the Central Government to cover their spending. The main exception is the electricity sector, which requires additional sources to finance its deficit (mainly arrears with private power generators). That explains the deficit observed in the rest of the non-financial public sector during 2014 (0.8%), 2015 (0.3%), 2017 (0.2%) and 2018 (0.6%). During 2016, the balance of the rest of the non-financial public sector resulted in a surplus of 0.0001% of GDP, mainly due to an increase in these agencies' revenues.

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

Fiscal Accounts⁽¹⁾
(in millions of US\$ and as a % of GDP, at current prices)

| | As of December 31, | | | | | | | | | |
|--|--------------------|--------------|-----------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | 2014 | | 2015 | | 2016 | | 2017 | | 2018 | |
| | US\$ | % | US\$ | % | US\$ | % | US\$ | % | US\$ | % |
| Central Government | | | | | | | | | | |
| Revenues and grants: | | | | | | | | | | |
| Tax revenues: | | | | | | | | | | |
| Income..... | 2,871.5 | 4.3 | 2,658.6 | 3.7 | 2,944.2 | 3.9 | 3,259.1 | 4.1 | 3,442.6 | 4.0 |
| Property..... | 417.4 | 0.6 | 422.6 | 0.6 | 449.5 | 0.6 | 482.3 | 0.6 | 519.0 | 0.6 |
| VAT..... | 2,994.3 | 4.5 | 3,262.6 | 4.6 | 3,454.3 | 4.6 | 3,566.1 | 4.5 | 3,930.3 | 4.6 |
| Excise..... | 2,087.3 | 3.1 | 2,113.3 | 3.0 | 2,209.6 | 2.9 | 2,403.8 | 3.0 | 2,502.6 | 2.9 |
| <i>of which:</i> Fuel tax..... | 1,017.7 | 1.5 | 961.1 | 1.3 | 991.5 | 1.3 | 1,115.8 | 1.4 | 1,151.5 | 1.3 |
| International trade..... | 609.7 | 0.9 | 690.1 | 1.0 | 726.8 | 1.0 | 742.8 | 0.9 | 796.5 | 0.9 |
| <i>of which:</i> Import duties..... | 489.3 | 0.7 | 559.4 | 0.8 | 592.0 | 0.8 | 603.4 | 0.8 | 647.8 | 0.8 |
| Other taxes..... | 9.6 | — | 11.5 | — | 14.5 | — | 14.2 | — | 14.4 | — |
| Total Tax Revenues..... | 8,989.8 | 13.4 | 9,158.6 | 12.9 | 9,799.0 | 12.9 | 10,468.3 | 13.1 | 11,205.3 | 13.1 |
| Social security contributions ⁽²⁾ | 34.8 | — | 32.9 | — | 33.6 | 0.1 | 55.4 | 0.1 | 50.7 | 0.1 |
| Other revenues (including capital revenues)..... | 556.2 | 0.8 | 612.8 | 0.9 | 681.9 | 0.9 | 769.7 | 0.9 | 902.8 | 1.0 |
| Total revenues..... | 9,580.8 | 14.2 | 9,804.3 | 13.8 | 10,514.5 | 13.9 | 11,293.4 | 14.1 | 12,158.9 | 14.2 |
| Grants..... | 48.3 | 0.1 | 2,133.6 | 3.0 | 22.2 | — | 38.8 | 0.1 | 19.5 | — |
| Total revenues and grants..... | 9,629.0 | 14.3 | 11,937.9 | 16.8 | 10,536.7 | 13.9 | 11,332.2 | 14.2 | 12,178.4 | 14.2 |
| Primary expenditures: | | | | | | | | | | |
| Wages and salaries..... | 2,921.0 | 4.3 | 3,399.2 | 4.8 | 3,278.4 | 4.3 | 3,494.1 | 4.4 | 3,807.7 | 4.5 |
| Goods and services..... | 1,041.2 | 1.5 | 1,097.4 | 1.5 | 1,047.8 | 1.4 | 1,464.7 | 1.8 | 1,459.0 | 1.7 |
| Current transfers..... | 3,912.8 | 5.8 | 3,279.7 | 4.6 | 3,899.1 | 5.1 | 3,733.7 | 4.7 | 3,772.9 | 4.4 |
| <i>of which:</i> to Public sector..... | 2,762.1 | 4.1 | 2,131.6 | 3.0 | 2,688.8 | 3.5 | 2,444.6 | 3.1 | 2,415.8 | 2.8 |
| Electricity transfers..... | 924.6 | 1.4 | 546.1 | 0.8 | 451.0 | 0.6 | 370.0 | 0.5 | 344.5 | 0.4 |
| <i>of which:</i> to Private sector..... | 1,142.3 | 1.7 | 1,142.3 | 1.6 | 1,199.9 | 1.6 | 1,279.4 | 1.6 | 1,342.7 | 1.6 |
| Social Security Transfers..... | 584.1 | 0.9 | 589.9 | 0.8 | 600.1 | 0.8 | 678.1 | 0.8 | 724.8 | 0.8 |
| <i>of which:</i> to External Sector..... | 8.4 | — | 5.8 | — | 10.4 | — | 9.8 | — | 14.4 | — |
| Capital expenditures..... | | | | | | | | | | |
| <i>of which:</i> | | | | | | | | | | |
| Domestically-financed..... | 1,965.7 | 2.9 | 2,317.1 | 3.3 | 2,252.4 | 3.0 | 2,718.0 | 3.4 | 2,312.2 | 2.7 |
| Externally-financed..... | 1,491.5 | 2.2 | 1,376.0 | 1.9 | 1,865.0 | 2.5 | 1,753.0 | 2.2 | 1,848.6 | 2.2 |
| Statistical discrepancy ⁽³⁾ | 47.1 | 0.1 | (17.1) | — | 47.3 | 0.1 | (66.5) | (0.1) | 11.4 | — |
| Total primary expenditures⁽⁴⁾..... | 9,887.8 | 14.7 | 10,076.2 | 14.1 | 10,525.0 | 13.9 | 11,344.0 | 14.2 | 11,363.2 | 13.3 |
| Primary balance (deficit)..... | (258.7) | (0.4) | 1,861.7 | 2.6 | 11.7 | 0.1 | 11.8 | 0.0 | 815.1 | 0.9 |
| Interest: | | | | | | | | | | |
| Foreign..... | 584.4 | 0.9 | 732.2 | 1.0 | 898.1 | 1.2 | 992.4 | 1.2 | 1,089.4 | 1.3 |
| Domestic ⁽⁵⁾ | 1,025.4 | 1.5 | 1,048.3 | 1.5 | 1,179.1 | 1.6 | 1,304.9 | 1.6 | 1,380.4 | 1.6 |
| Total interest..... | 1,609.8 | 2.4 | 1,780.5 | 2.5 | 2,077.1 | 2.7 | 2,297.3 | 2.9 | 2,469.9 | 2.9 |
| Total expenditures⁽⁶⁾..... | 11,497.6 | 17.1 | 11,856.8 | 16.6 | 12,602.2 | 16.6 | 13,641.3 | 17.0 | 13,833.1 | 16.2 |
| Overall balance (deficit)..... | (1,868.5) | (2.8) | 81.2 | 0.1 | (2,065.5) | (2.7) | (2,309.1) | (2.9) | (1,654.7) | (2.0) |
| Rest of the non-financial public sector | | | | | | | | | | |
| Overall balance rest of NFPS ⁽⁷⁾ | (538.2) | (0.8) | (229.6) | (0.3) | 8.2 | — | (128.5) | (0.2) | (551.0) | (0.6) |
| Non-financial public sector: | | | | | | | | | | |
| Overall balance NFPS: | | | | | | | | | | |
| Primary balance..... | (769.9) | (1.2) | 1,632.1 | 2.3 | 19.9 | 0.1 | (140.3) | (0.2) | 2 | 0.3 |
| Interest..... | 1,609.8 | 2.4 | 1,780.5 | 2.5 | 2,077.1 | 2.7 | 2,297.3 | 2.9 | 2,469.9 | 2.9 |
| Overall balance NFPS..... | (2,406.7) | (3.6) | (148.4) | (0.2) | (2,057.3) | (2.7) | (2,437.6) | (3.1) | (2,205.8) | (2.6) |
| Financing NFPS: | | | | | | | | | | |
| External financing..... | 1,257.4 | 1.9 | 43.9 | 0.1 | 1,433.7 | 1.9 | 1,157.9 | 1.4 | 2,770.6 | 3.2 |
| Domestic financing..... | 1,135.7 | 1.7 | 92.7 | 0.1 | 610.2 | 0.8 | 1,260.6 | 1.6 | (564.8) | (0.7) |
| Total financing NFPS..... | 2,393.0 | 3.6 | 136.7 | 0.2 | 2,043.9 | 2.7 | 2,418.5 | 3.0 | 2,205.8 | 2.6 |
| Quasi-fiscal deficit of the Central Bank..... | (947.5) | (1.4) | (962.8) | (1.4) | (954.6) | (1.3) | (934.9) | (1.2) | (946.7) | (1.1) |
| <i>of which:</i> non-interest..... | 313.2 | 0.5 | 343.2 | 0.5 | 395.7 | 0.5 | 524.1 | 0.7 | 512.1 | 0.6 |
| Combined public sector: | | | | | | | | | | |
| Primary balance..... | (483.7) | (0.7) | 1,975.3 | 2.8 | 415.6 | 0.6 | 383.7 | 0.5 | 776.2 | 0.3 |
| Interest..... | (2,870.5) | (4.3) | (3,086.5) | (4.4) | (3,427.5) | (4.5) | (3,756.2) | (4.7) | (3,152.5) | (4.6) |
| Combined public sector balance..... | (3,3454.2) | (5.0) | (1,111.2) | (1.6) | (3,011.9) | (3.9) | (3,372.4) | (4.2) | (3,152.5) | (3.7) |
| Interest for Central Bank recapitalization..... | 430.3 | 0.6 | 470.1 | 0.7 | 494.2 | 0.7 | 533.7 | 0.7 | 546.4 | 0.6 |
| GDP⁽⁸⁾..... | 67,254.4 | — | 71,243.0 | — | 75,759.4 | — | 80,024.5 | — | 85,536.9 | — |

(1) Preliminary data.

(2) Only includes revenue received from the previous social security system, according to Law No. 87-01 that constitutes the Dominican social security system, whereby contributions are based on individual capitalization managed by private institutions.

(3) Difference between the financing below the line and the overall balance registered above the line.

(4) Including the "Statistical Discrepancy."

(5) Including interest payments on Central Bank recapitalization bonds.

(6) Including the "Statistical Discrepancy."

(7) Including electricity distribution companies (EdeNorte, EdeSur and EdeEste).

(8) GDP results for the period 2014-2018 reflected in this table were revised in 2019 by the National Accounts Department of the Central Bank..

Tax Regime

All taxes in the Dominican Republic are collected through three agencies: *Dirección General de Impuestos Internos* (“Internal Revenue Agency”), *Dirección General de Aduanas* (“Customs Agency”), and *Tesorería Nacional* (“National Treasury”). The following table sets forth the composition of the Republic’s tax and non-tax revenue for the periods indicated.

Current Revenue of the Republic (excludes financing and grants)⁽¹⁾ (as a % of total revenue)

| | As of December 31, | | | | |
|------------------------------------|--------------------|------|------|------|------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Tax revenue | 93.8 | 93.4 | 93.2 | 92.7 | 92.2 |
| Income tax | 30.0 | 27.1 | 28.0 | 28.9 | 28.3 |
| Property tax | 4.4 | 4.3 | 4.3 | 4.3 | 4.3 |
| VAT | 31.3 | 33.3 | 32.9 | 31.6 | 32.3 |
| Excise | 21.8 | 21.6 | 21.0 | 21.3 | 20.6 |
| Taxes on international trade | 6.4 | 7.0 | 6.9 | 6.6 | 6.6 |
| Other taxes | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other revenue ⁽²⁾ | 6.2 | 6.6 | 6.8 | 7.3 | 7.8 |

(1) Preliminary data.

(2) Includes social security contributions, non-tax revenue and capital revenue.

Source: Ministry of Finance.

On November 9, 2012, Congress approved a tax reform known as Law No. 253-12 (or the “2012 Tax Reform”) for the strengthening of revenue collection as a means to attain fiscal sustainability and sustainable development, in line with the goals articulated in the National Development Strategy 2030. The 2012 Tax Reform focused on reducing tax expenditure, broadening the tax base, reducing tax avoidance and evasion by strengthening Internal Revenue Agency, incorporating environmental considerations into the tax system, promoting business formalization, and augmenting tax progressivity. During 2013, following the implementation of the 2012 Tax Reform, the Republic generated additional revenues of US\$709.3 million (1.1% of GDP), and the implementation of Law No. 309-12 (or the “2012 Tax Amnesty”) generated additional revenues of US\$116.0 million during 2013 (0.2% of GDP). For a more detailed description of the 2012 Tax Amnesty, see “—Tax Amnesty.”

The 2012 Tax Reform was designed to accomplish its objectives through the implementation of the following measures, among others:

- *Income Tax*: maintain the current personal income tax brackets for the 2013 – 2015 period; establish limitations on deductible expenses; include unjustified increases in income or assets as taxable income; postpone the gradual reduction of the corporate income tax rate so that, by 2015, it is 27%; and establish an annual tax of DOP12,000.0 on small retailers when their sales exceed DOP50,000.0 per month;
- *Value Added Tax (Impuesto sobre la Transferencia de Bienes Industrializados y Servicios –ITBIS)*: raise the VAT rate to 18% for the 2013 – 2015 period subject to accomplishing the target of a tax burden of 16% for 2015; and apply a reduced VAT rate of 8%, which will be gradually increased to 16% for the 2013 – 2016 period, on goods such as yogurt, butter, coffee, oil, margarine, sugar, among others;
- *Excise Tax*: increase the specific tax applied on cigarettes; increase the ad-valorem tax on alcoholic beverages to 10.0% and gradually increase the specific tax so that, by 2017, the applied rates are unified; establish a 10% tax on cable television services; reduce the ad-valorem tax on jet fuel to 6.5% and establish an additional charge of DOP2.0 per gallon on gasoline and diesel fuel;
- *Other measures*:
 - increase withholding taxes on suppliers of the Republic, gambling and slot machines prizes to 5.0%, 25.0% and 10.0%, respectively;

- apply transfer pricing rules and thin capitalization rule, along with General Anti-Avoidance Rule (GAAR);
- apply a 3.5% tax on the gross local sales of companies under the free trade zones regime;
- modify Laws Nos. 57-07 and 108-10, eliminating certain deductions and credits thereunder;
- change the specific tax for vehicle circulation to an ad-valorem tax of 1.0% on the value of the vehicle;
- establish an emission tax payable upon registration of a vehicle;
- replace the annual luxury property tax (*Impuesto sobre Viviendas Suntuarias y Solares*) with an annual real estate property tax (*Impuesto a la Propiedad Inmobiliaria*) of 1.0% over all real estate owned by an individual, applying a maximum exemption of DOP6.5 million;
- establish a unified tax rate of 10.0% on interest payments and dividend distributions made locally or abroad; and
- maintain the 1.0% tax on the net assets of banks until December 2013.

Additionally, the Government:

- maintained waivers granted to the agricultural sector since 2009 relating to advance payment of income tax, tax on assets, and income tax withholding on payments made by the Central Government, as per the Internal Revenue Agency's General Standard No. 01-12, No. 01-13 and No. 03-14;
- established General Standard No. 02-12, which ascertains the requirements and procedures that Trusts and involved parties must meet before the Internal Revenue Agency;
- approved General Standard No. 03-12, which stipulates the guidelines for the production and marketing of alcohol products by liquor companies classified as free trade zones; and for the aging time or duration of the alcohol in aging warehouses which determines the loss of alcohol by evaporation that is admitted for the calculation of the excise tax on alcoholic beverages;
- enacted Decrees Nos. 04-12, 121-12, 319-12 and 368-12, which establish a compensation mechanism for carriers: urban, intercity, touristic, for passengers or cargo, and for the Metropolitan Office of Bus Services (*Oficina Metropolitana de Servicios de Autobuses*), giving them an exemption from the excise tax on fuel in order to avoid increases in the prices of the services offered; and
- modified the regulation of VAT and excise tax withholdings applied to special taxation regimes.

Furthermore, in September 2013, the Dominican Government and PVDC reached an agreement to amend the Special Lease Contract of Mining Rights for the development of the Pueblo Viejo gold mine, taking into consideration the prevailing market condition. For a detailed description of the key terms renegotiated, please refer to Section "The Economy—Primary Production—Pueblo Viejo Gold Mine Operating Lease Amendment."

Therefore, after the amendment, PVDC is subject to the tax regime as follows:

- *Royalties*: 3.2% applied on gross income;
- *Income tax*: 25% applied on net income;
- *NPI*: 25% applied on net free cash flow; and

- *IMA*: equivalent to 90% of the sum of the income tax and the NPI projected.

In 2014, the tax regime remained the same as 2013; however, there were certain changes driven by the progressive implementation of the 2012 Tax Reform, including, among others, the following:

- reduced VAT rate on goods such as yogurt, butter, coffee, oil, margarine and sugar increased from 8% to 11%;
- increase excise tax on alcoholic beverages and cigarettes;
- decrease corporate income tax rate, from 29% to 28%; and
- the implementation of transfer pricing and thin capitalization rules.

In 2015, the progressive implementation of the 2012 Tax Reform led to several changes, including the following:

- increase in the reduced VAT rate on goods such as yogurt, butter, coffee, oil, margarine, sugar and other products from 11% to 13%;
- increase in the per unit excise tax applied to cigarettes and alcoholic beverages;
- application of transfer pricing rules to implement the Advanced Price Agreements (“APAs”) with the tourism sector;
- VAT rate maintained at 18% and the assets tax rate at 1%, as the goal of a 16% tax burden threshold was not reached;
- decrease in corporate income tax rate, from 28% to 27%; and
- application of the same personal income tax brackets as 2014, without adjusting for inflation.

In 2016, there were no major reforms to the tax regime, although the progressive implementation of the 2012 Tax Reform led to several changes, including the following:

- increase in the reduced VAT rate on goods such as yogurt, butter, coffee, oil, margarine, sugar and other products from 13% to 16%;
- increase in the per unit excise tax applied to alcoholic beverages. These amounts will be adjusted quarterly by the inflation rate according to the figures published by the Central Bank;
- enforcement of the 10.0% tax on dividends paid by companies that operate in free trade zones;
- VAT rate maintained at 18% and the assets tax rate at 1%, as the goal of a 16% tax burden threshold was not reached; and
- application of the personal income tax brackets, as adjusted for inflation.

In 2017, the Government’s policies focused on strengthening tax enforcement through measures designed to reduce tax evasion and avoidance. Specifically, in an effort to ensure the proper reporting of the values of imported goods, Article 16 of the 2017 Budget allowed for the temporary collection by the Customs Agency of 50.0% of VAT on imports by companies under Law No. 392-07 of the Proindustria regime, with such amounts to be reimbursed by the Internal Revenue Agency upon receipt of the corresponding invoice. Additionally, the

Government continued to implement Article 19 of the 2012 Tax Reform (the “Excise Tax Reimbursement Mechanism”).

In 2018, several laws and regulations that had an impact on the tax system came into effect, including the following:

- the Internal Revenue Agency’s General Standard No. 06-18, which regulates aspects of the tax collection system and establishes new provisions relating to the issuance and use of tax receipts;
- the Internal Revenue Agency’s General Standard No. 07-18, on remission of information, which incorporates changes to the information required from taxpayers and the format in which they must submit their affidavit for both income tax and value added tax;
- the Internal Revenue Agency’s General Standard No. 08-18, which establishes the procedures relating to the payment of the tourist card tax that the Republic charges its visitors;
- the Internal Revenue Agency’s General Standard No. 10-18, which modifies General Standard No. 07-18 and increases to DOP250,000 the threshold amount for operations based on consumer bills required to be reported to such agency; and
- regulation No. 1-18, or the Regulation for the Implementation of Title IV of the Excise Tax Code of the Dominican Republic (*Reglamento para la Aplicación del Título IV del Impuesto Selectivo al Consumo del Código Tributario de la República Dominicana*), which establishes new provisions for excise taxes that apply to entities that manufacture, produce and/or import alcoholic beverages or tobacco products, and those that provide related services. The new regulation:
 - establishes a different calculation method (weighted average) for the excise tax base;
 - requires a suggested retail price (after taxes) to be included in invoices;
 - requires a customs declaration (*Declaración Única Aduanera*) to be filed upon import, which shall include a suggested retail price (after taxes);
 - requires manufacturers and importers to report to tax authorities the suggested retail price, on a quarterly basis, and any time when the suggested retail price varies more than 5%; and
 - imposes new control mechanisms.

Furthermore, the progressive implementation of the 2012 Tax Reform led to several changes, including:

- increase in the per unit excise tax applied to alcoholic beverages. These amounts will be adjusted quarterly by the inflation rate according to the figures published by the Central Bank;
- continued application and review of the transfer pricing and thin capitalization rules; and
- VAT rate maintained at 18% and the assets tax rate at 1%, as the goal of a 16% tax burden threshold was not reached.

The following is a brief description of the main provisions of the Republic’s Tax Code, as amended by recent laws, followed by a brief description of the Republic’s tax enforcement record.

Income Taxes

The Republic’s tax laws provide for the following progressive personal income tax brackets, which are adjusted annually to reflect inflation:

| Annual Income⁽¹⁾ (in DOP) | Rate (%)⁽¹⁾ |
|---|--|
| 0 – 416,220.00 | Exempt |
| 416,220.01– 624,329.00 | 15.0% of the amount in excess of DOP 416,220.01 |
| 624,329.01– 867,123.00 | DOP 31,216.00 plus 20.0% of the amount in excess of DOP 624,329.01 |
| > 867,123.01 | DOP 79,776.00 plus 25.0% of the amount in excess of DOP 867,123.01 |

(1) 2018 adjusted values by the Internal Revenue Agency, effective as of January 1, 2018.

Source: Law No. 172-07

Under the 2005 Tax Law, the highest marginal personal income tax rate had been 30% (and was scheduled to be reduced gradually to 25% in 2009) and was applied to annual income over DOP900,000. However, on June 21, 2007, Law No. 172-07 (the “2007 Tax Law”) modified the annual income brackets and eliminated the gradual reduction of the highest marginal income tax rate, leaving it at 25% for annual income in excess of DOP604,672.01.

In addition, the 2005 Tax Law had set the corporate income tax rate at 30% (which was scheduled to be reduced gradually to 25% in 2009). However, the 2007 Tax Law eliminated the gradual reduction and set a 25% corporate income tax rate. The corporate income tax rate was increased again to 29% pursuant to the 2011 Tax Reform, with the increase to be applied for a two-year period. However, the 2012 Tax Reform reduced the corporate income tax rate to 28% for 2014 and 27% for 2015.

According to the Tax Code, all businesses and corporations must make advance tax payments in twelve equal monthly installments. In the case of taxpayers whose effective tax rate is less than or equal to 1.5%, the amount of the advance tax payment is calculated by applying the 1.5% rate to the gross income declared in the previous fiscal year. For taxpayers whose effective tax rate is greater than 1.5%, the amount of the tax payment is equal to the tax paid on their previous tax statement. However, taxpayers that are considered small- and medium-sized enterprises are not required to make advance tax payments, but can make use of the special payment regime. In all cases, adjustments are made at year-end to reflect the changes in annual gross income for the current year.

In 2014, revenue from income tax amounted to US\$2.9 billion, representing an increase of 10.3% compared to 2013. This increase was mainly due to:

- revenues from mining concessions;
- capital gains from the sale of Orange Dominicana S.A. and Tricom S.A. and a fuel distributor company;
- radio spectrum public tender;
- marginal effects of the 2012 Tax Reform;
- Dominican petroleum refinery dividends;
- excise taxes on fuel paid by cement industry; and
- inclusion of the single treasury account in the 2014 Budget.

In 2015, revenue from income tax amounted to US\$2.7 billion, representing a decrease of 7.4% when compared to 2014. This decrease was mainly due to:

- a decrease in the corporate income tax rate, from 28% to 27%; and
- lower extraordinary income when compared to the high amounts registered in 2014, when the sale of two major telephone companies and Exxon Mobil’s Dominican fuel distribution business generated US\$286.1 million in capital gains compared to the US\$40.5 million captured as extraordinary income in 2015.

During 2016, revenue from income tax amounted to US\$2.9 billion, representing an increase of 10.7% when compared to 2015. This increase was mainly due to:

- Dominican petroleum refinery dividends;
- Dominican Telecommunications company dividends;
- extraordinary income from the cement and telecommunications industries; and
- increase in the number of salaried employees subject to withholding income tax.

As of October 2016, per the 2012 Tax Reform, free trade zone companies must declare, retain and deposit 10.0% of the amount paid or accredited when paying dividends or distributing profits to shareholders of such companies. In June 2017, the Internal Revenue Agency and the Free Trade Zone Board (*Consejo Nacional de Empresas de Zonas Francas de Exportación*) reached an administrative agreement pursuant to which the Internal Revenue Agency agreed to refrain from performing tax assessments (in respect of all taxes) to free trade zone entities prior to 2016.

In 2017, revenue from income tax amounted to US\$3.3 billion, representing an increase of 10.7% when compared to 2016. This increase was mainly due to:

- increased capital gains from the sale of shares of several tourism companies; and
- higher than expected revenue from the mining industry, specifically PVDC.

Under the provisions of Article 327 of the Tax Code of the Dominican Republic and Article 105 of Regulation No. 139-98 on Income Tax, values in pesos must be adjusted for inflation using official Central Bank data. In particular, the inflation adjustment multiplier for the fiscal year ended December 31, 2017 was 1.0420, as indicated in the multiplier inflation adjustment notice published by the Internal Revenue Agency.

In 2018, income tax revenues reached US\$3.4 billion, representing a 5.6% increase compared to 2017. This increase was mainly due to capital gains revenues as a result of the sale of the company Ambev, S.A.

Value-Added Tax

The Government imposed a VAT of 18% on all goods except for certain exempt consumer food products and services. The 2005 Tax Law eliminated exemptions for over 200 goods. VAT paid in respect of capital goods may be deducted from the total VAT owed on the goods produced with such capital goods.

In line with the 2012 Tax Reform, the VAT rate of 16% was raised to 18% from 2013 until 2015, when it was supposed to be reduced to 16%. However, the VAT rate remained at 18% for 2015, as the 16% tax burden threshold set forth in the National Development Strategy (Law No. 1-12) was not met. Moreover, goods such as yogurt, butter, coffee, oil, margarine, sugar, among others, which were once exempt of VAT, had a reduced VAT rate of 8% which has been gradually increased according to the following schedule: 8% for 2013, 11% for 2014, 13% for 2015 and 16% from 2016 onward. In addition, producers of goods that are exempt from VAT will not receive compensation for the VAT paid during the production process. However, VAT exemptions for basic goods, capital goods, agricultural inputs, materials and educational services, medicines and medical services, will remain.

In 2014, VAT receipts amounted to US\$3.0 billion, representing an increase of US\$297.7 million when compared to 2013, driven by the increase in the reduced VAT rate from 8% to 11% and the installation of fiscal printers.

In 2015, VAT receipts increased as expected and amounted to US\$3.3 billion, representing an increase of US\$268.3 million when compared to 2014. The increase was mainly due to the rise of taxable sales declared by the

Internal Revenue Agency and the increase in the reduced VAT rate from 11% to 13%, as set forth in the 2012 Tax Reform.

In 2016, VAT receipts amounted to US\$3.5 billion, representing an increase of US\$191.7 million when compared to 2015. This increase was mainly due to the rise of taxable sales declared by the Internal Revenue Agency, the increase in the reduced VAT rate from 13% to 16%, as set forth in the 2012 Tax Reform, an increase in imports and withholding tax collected by the Customs Agency on imports from companies under the regime created to develop the local manufacturing sector, as per Law No. 392-07 (the “Proindustria regime”) and greater control over VAT licensing in free trade zones.

In 2017, VAT receipts amounted to US\$3.6 billion, representing an increase of US\$111.2 million when compared to 2016. This increase was mainly due to a 7.6% increase of taxable sales declared by the Internal Revenue Agency, the continued control over VAT licensing in free trade zones, improvements in the valuation of merchandise and the Customs Agency’s efforts to combat illicit activity.

Additionally, since 2017, companies under the Proindustria regime are required to advance payment to the Customs Agency of 50.0% of the VAT on raw materials, industrial machinery and capital goods subject to tariffs as well as on other capital goods regardless if they are subject to a zero percent tariff rate. This measure is meant to ensure the proper reporting of the values of imported goods as the advanced payments would only be reimbursed by the Internal Revenue Agency upon receipt of the corresponding invoice. In 2018, this administrative measure continues to be implemented by the Customs Agency.

In 2018, VAT receipts amounted to US\$3.9 billion, representing an increase of US\$364.2 million compared to 2017. This increase was mainly due to a 10.0% increase in taxable sales declared by the Internal Revenue Agency and the Customs Agency’s efforts to combat illicit activity that avoids the imposition of tariffs. In addition, the Internal Revenue Agency continued the implementation of the required payment in advance by the companies to the Customs Agency of 50.0% of the VAT on raw materials, industrial machinery and capital goods subject to tariffs, as well as on other capital goods regardless of whether they are subject to a zero percent tariff rate, under the Proindustria regime, in order to ensure the proper reporting of the value of imported goods.

Excise Taxes

The Government 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 for the fiscal years 2014 to 2018.

| Product | For the fiscal year ended December 31, ⁽¹⁾ | | | | |
|--|--|-------------|-------------|-------------|---------------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018⁽²⁾ |
| Whiskey ⁽³⁾ | 457.3 | 498.4 | 546.8 | 606.8 | 616.7 |
| Rum ⁽³⁾ | 457.3 | 498.4 | 546.8 | 606.8 | 616.7 |
| Wine ⁽³⁾ | 514.1 | 540.0 | 567.0 | 606.8 | 616.7 |
| Beer ⁽³⁾ | 514.1 | 540.0 | 567.0 | 606.8 | 616.7 |
| Cigarettes (in DOP per 10 unit box)..... | 22.5 | 25.0 | 25.1 | 25.7 | 26.1 |
| Cigarettes (in DOP per 20 unit box)..... | 45.0 | 50.0 | 50.2 | 51.3 | 52.2 |

(1) Values adjusted for inflation recorded during the previous year.

(2) Beginning in 2017, excise tax on alcohol is adjusted quarterly by inflation. Information for 2017 corresponds to the last quarter of such year.

(3) In DOP per liter of alcohol.

Source: Internal Revenue Agency

Cigarettes and alcoholic beverages pay a unit tax per liter of alcohol or per unit box, as per the table above; and an additional value-added tax on the retail price of each good.

In 2018, excise tax revenues amounted to US\$2,502.6 million, an increase of 4.1% as compared to 2017 and 2.7% higher than estimated in the 2018 Budget, as revised. Alcohol excise tax revenues in DOP grew by 12.4% in 2018 compared to 2017, whereas tobacco excise tax revenues decreased by 14.9% in 2018 compared to 2017.

The fuel tax is the most important excise tax imposed by the Dominican Republic in terms of contribution to revenues, and it is collected solely by the Internal Revenue Agency. It is an excise tax denominated in constant pesos per gallon and a 16.0% tax rate on the import parity price of fuel, each payable at the time of sale and which are required to be adjusted quarterly to reflect inflation. The following table sets forth the peso-denominated excise tax rates for gasoline products.

| Product | Average for the month of December⁽¹⁾ | | | | |
|--|--|-------------|-------------|-------------|-------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| | (in DOP per gallon, average) | | | | |
| Premium gasoline | 85.6 | 82.4 | 84.6 | 87.0 | 88.2 |
| Regular gasoline | 76.3 | 73.5 | 75.9 | 78.7 | 79.9 |
| Premium diesel / Optimum diesel ⁽²⁾ | 49.5 | 45.4 | 47.9 | 50.3 | 50.9 |
| Regular diesel | 43.1 | 38.2 | 40.4 | 42.9 | 43.6 |

(1) Tax on fuel includes both the 16.0% excise tax on the import parity price of fuel and the excise tax per gallon of gasoline.

(2) Pursuant to Resolution No. 132-2015, the Ministry of Industry and Commerce replaced the commercialization of premium diesel to the general public with optimum diesel. The purpose of the change was to promote consumption of less polluting fuels, adapting to new technologies applied to modern vehicles and to comply with the commitments assumed under international conventions. The change became effective October 3, 2015. Therefore, 2014 prices refer to premium diesel and 2015, 2016, 2017 and 2018 prices refer to optimum diesel.

Source: Fuel Tax Law, as amended by the 2005 Tax Law.

Gasoline prices are adjusted by the Ministry of Industry and Trade on a weekly basis, based on import prices for oil and the U.S. dollar/peso exchange rate.

According to Law No. 112-00, certain percentages of fuel tax revenues must be directed towards the payment of the Republic's public sector external debt, transferred to the Republic's provinces and municipalities, invested in projects to promote or develop alternative energy and divided among the Republic's political parties.

The 2012 Tax Reform contemplates modifications to the taxes on fuels, which include a reduction in the value-added tax on jet fuel from 16% to 6.5%, and the establishment of an additional DOP2.0 per gallon of gasoline and diesel. The reduction of the tax on jet fuel since December 2012 meant revenue losses of US\$3.0 million for 2012.

In 2014, fuel tax revenue amounted to US\$1.0 billion, reflecting an increase of US\$7.7 million when compared to 2013. In 2015, fuel tax revenue amounted to US\$961.1 million, representing a decrease of US\$56.6 million when compared to 2014. This decrease was driven by the downfall of international oil prices that negatively impacted the excise ad-valorem tax revenues. In 2016, fuel tax revenue amounted to US\$991.5 million, representing an increase of US\$30.4 million when compared to 2015. This increase was driven mainly by higher consumption of taxed fuels.

On October 14, 2016, by means of Decree No. 275-16, the Government established a reimbursement mechanism for the excise tax on fuel and petroleum products used by electricity generation companies and isolated systems, provided for in the Excise Tax Reimbursement Mechanism.

On October 13, 2017, the Ministry of Industry and Commerce enacted Decree No. 233-2016 eliminating the transport subsidy that had been granted since 2011 under Decree No. 183-11, when oil prices were extremely high.

In 2017, fuel tax revenue amounted to US\$1.1 billion, reflecting an increase of US\$124.3 million when compared to 2016, mainly due to the implementation of the Excise Tax Reimbursement Mechanism, which helped detect and remedy irregularities in the sector, and resulted in a decrease in tax expenditure of US\$151.7 million (0.2% of GDP).

In 2018, fuel tax revenue amounted to US\$1.2 billion, reflecting an increase of US\$35.8 million compared to 2017.

Tax Amnesty

In December 2012, Law No. 309-12 enacted the 2012 Tax Amnesty, which was designed to expand the tax base by (i) encouraging future compliance with tax regulations by individuals and entities with unpaid taxes, and (ii) increasing collections from taxpayers that have assets which are disproportionately large compared to their reported income. This amnesty program applies to taxes on income, inheritance, properties, transfer of properties, real estate, interest, penalties and surcharges relating to the importation of goods, as well as excise taxes and value added tax.

Tax Enforcement

The Government 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. The Internal Revenue Agency has 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 Government has traditionally been more effective in enforcing VAT 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 VAT. However, a growing number of establishments are suspected of charging VAT to their customers but not reporting the collections to the Internal Revenue Agency.

Recent efforts to combat tax evasion include:

- Adoption of a mandatory advance on tax payments based on a company's estimated gross annual income. Businesses must make a minimum tax contribution based on values that the Internal Revenue Agency may easily verify.
- In regards to the fuel tax:
 - enforcement of Decree No. 02-17, which regulates the unloading, customs clearance and commercialization of waste (such as slop or sludge), fuel mixtures and others.
 - enforcement of Decree No. 275-16, which creates an excise reimbursement mechanism on fuels that detects and amends irregularities in the sector; and
 - elimination of tax subsidies to public transportation.
- Changes in the Internal Revenue Agency, such as:
 - 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;
 - establishment of adequate channels of communication with other government agencies in order to improve the sharing of information and facilitate monitoring;

- implementation of tax vouchers (*número de comprobante fiscal*), which are required to be used in all sales;
 - development of a computerized mechanism by which to monitor VAT withholdings on credit and debit card purchases;
 - development of a computerized mechanism (*impresoras fiscales*) by which to monitor VAT withholdings on cash purchases;
 - implementation of new systems to monitor tax collection and track tax evasion and delinquent tax payments;
 - establishment of APAs within the tourism sector, which set VAT and corporate income tax for the 2013-2015 fiscal years;
 - installation of kiosks in malls to provide assistance and information to taxpayers;
 - strengthening the registration and control of motorcycles, as part of the measures taken pursuant to the “Comprehensive Plan for Public Safety”;
 - partnership agreements with other institutions to develop programs aimed to guide and train SMEs;
 - restructuring the Internal Revenue Agency’s website and virtual office, with a more accessible and user-friendly design;
 - establishment of a single company registry through the portal “*Formálizate*” (“Formalize yourself”), which facilitates and expedites the registration process; and
 - immediate delivery of certificates regarding tax compliance, which is a 24/7 service available through the Internal Revenue Agency’s virtual office.
- Changes in the Customs Agency, such as:
 - implementation of a customs laboratory for the analysis of imported and exported goods;
 - implementation of the single window for foreign trade, for processing exemptions in collaboration with the General Directorate of Policy and Tax Legislation of the Ministry of Finance, and for imports requiring permits from other institutions, such as the Ministry of Environment and Natural Resources or the Dominican Institute for Quality;
 - strengthening of export processes, with emphasis on load control mechanisms;
 - promotion of the authorized economic operator program and improvement of the conditions for recurrent customs users, including the negotiation of bilateral agreements with other countries for the mutual recognition of these taxpayers;
 - improvements to the taxation and risk management system; and
 - cooperation with Haiti’s Customs Agency for border trade control.
 - Implementation of administrative actions to reduce the cost of tax compliance.
 - Adoption of the standards set forth by the Global Forum for Tax Transparency and Exchange of Information for Tax Purposes in June 2016.

International Taxation

On June 1, 2017, Congress passed Law No. 155-17 against Money Laundering and the Financing of Terrorism. Among other things, Law No. 155-17 amended the Republic's Tax Code to require that ultimate beneficial owners ("UBOs") be disclosed by all taxpayers. For these purposes, UBOs are natural persons who exercise effective control over a Dominican-incorporated or -registered entity, trust or foundation or who own at least 20% of the interests in any such entity. This law does not apply to public entities registered with the Dominican securities market or to foreign public entities. The Financial Action Group of Latin America ("GAFILAT") has been monitoring officers of the Internal Revenue Agency, non-financial entities and legal professionals to ensure the proper implementation of Law No. 155-17 and the corresponding rulings. Similarly, Law No. 249-17, which modifies the legislation of the securities market, incorporated flexibility in the terms and procedures the Financial Analysis Unit (UAF) and the Internal Revenue Agency must comply with to access financial information.

In January 2018, GAFILAT concluded an on-site visit to the Republic, with the goal of assessing the Republic's level of preparedness and commitment to combating money laundering, the financing of terrorism and the proliferation of weapons of mass destruction. A final report was presented to the Republic at the plenary meeting of GAFILAT, which took place in July 2018. The report recognized the Republic's legal framework and its national and international cooperation to prevent money laundering and the financing of terrorism. Specifically, GAFILAT also found that the Republic's regulatory framework established by Law No. 155-17 is in accordance (and generally in compliance) with international standards. The final report is publicly available and contains recommendations on how the Republic could strengthen its system. Based on these recommendations, the Republic intends to prepare and present periodic progress reports.

In addition, Law No. 184-17 establishes the National System of Attention to Emergencies and 911 Security and sets forth the rates that the providers of telecommunications services licensed in the Dominican Republic will pay to the INDOTEL to promote the development and sustainability of the system.

On September 3, 2018, the Government submitted to Congress the Asset Value Declaration and Reevaluation Bill, to promote the voluntary declaration to the tax authorities of assets (or the reevaluation of previously-disclosed assets) owned by individuals and entities. A special tax would be applicable on the value of the undeclared assets. As of the date of this offering memorandum, this bill is pending approval from Congress.

On October 2, 2018, the Republic joined the Inclusive Framework on Base Erosion and Profit Shifting ("BEPS"), an initiative launched by the OECD in October 2015. The BEPS aims to combat tax avoidance practices used by multinational corporations that transfer their benefits to countries with little or no taxation.

Budget

Under the Budget Law for the Public Sector, which was enacted on November 17, 2006 (the "Budget Law") and the Constitution of the Dominican Republic, modified on January 26, 2010, the Ministry of Finance, acting through the Public Budget Office, is responsible for preparing the Republic's annual budget, which must be approved by Congress. The Government's annual budget, based on projected revenue streams and macroeconomic conditions and the administration's plans, sets forth the expected income and the spending limits for the various public entities of the Central Government and the municipalities. The Council of Ministries, upon recommendations of the Ministry of Finance, reviews and approves a proposal that will be submitted to Congress.

The annual budget is prepared on the basis of:

- the medium-term budgetary financial framework's projections of macroeconomic variables and revenue estimates;
- budget requests submitted by the various public entities;
- tax expenditure; and
- assessment of the impact of required funding in medium and long term public debt sustainability.

The proposed budget for the next fiscal year, as established by the Constitution, must be submitted by the Executive Branch to Congress no later than October 1 of each year. For additional information on the principal budgetary assumptions for 2020, see “Summary—Recent Developments—Public Sector Finances.”

Social Security

In May 2001, the *Ley de Seguridad Social* (the “Social Security Law”) was enacted by the executive branch. This law implements significant changes to the health insurance and pension systems in the 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 at the time of its enactment.

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 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;
- a subsidized regime, which has been gradually implemented since November 2002, 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 receive a publicly-funded pension equal to 60% of the public sector minimum wage; and
- a subsidized contributory regime, which has not yet gone into effect, will cover 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 contribution under this regime does not reach the minimum pension contribution established by law 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 will be funded with contributions from the state and beneficiaries.

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 and public sector entities, as well as bonds issued by the Government and public sector entities outside of the Republic. The Ministry of Finance is responsible for the management of the Republic's debt with respect to the non-financial public sector, and the Central Bank manages the Republic's Brady Bonds and other external debt of the financial sector.

Non-Financial Public Sector Debt

The Republic's non-financial public sector consists of the Central Government, local governments, non-financial public sector institutions, which include non-financial state-owned enterprises and government agencies such as the INDRHI or CDEEE.

The following tables set forth information concerning debt of the non-financial public sector by currency as of the dates indicated.

Non-Financial Public Sector Debt by Currency (as a % of total non-financial public sector debt)

| | As of December 31, | | | | |
|------------------------|--------------------|------|------|------|------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Local currency..... | 27.4 | 28.8 | 30.7 | 32.2 | 28.8 |
| Foreign currency | 72.6 | 71.2 | 69.3 | 67.8 | 71.2 |

Sources: Ministry of Finance.

Consolidated Public Sector External Debt

The Republic's public sector external debt consists of all debt with foreign creditors. As of December 31, 2018, the Republic's public sector external debt totaled approximately US\$21.9 billion, compared to US\$19.1 billion as of December 31, 2017.

As of December 31, 2018, the Republic's public external debt was composed of the following:

- debt owed to official creditors, and multilateral and bilateral creditors in an aggregate principal amount of US\$7.1 billion (as compared to US\$7.2 billion as of December 31, 2017), which represented 32.4% of the Republic's total public external debt at that date;
- outstanding bonds in an aggregate principal amount of approximately US\$14.6 billion, which represented 66.8% of the Republic's total public external debt at that date; and
- debt to other private creditors in an aggregate principal amount of US\$0.2 billion, which represented 0.8% of the Republic's total public external debt at that date.

As of December 31, 2018, approximately 92.6% of the Republic's public sector external debt was denominated in U.S. dollars.

The following tables set forth information concerning the Republic's public external debt as of the dates indicated.

Public Sector External Debt by Creditor⁽¹⁾
(in millions of US\$ and as a % of total public sector external debt)

| | As of December 31, | | | | | | | | | |
|--|--------------------|-------|----------|-------|----------|-------|----------|-------|---------------------|-------|
| | 2014 | | 2015 | | 2016 | | 2017 | | 2018 ⁽²⁾ | |
| | US\$ | % | US\$ | % | US\$ | % | US\$ | % | US\$ | % |
| Official creditors: | | | | | | | | | | |
| Multilateral debt: | | | | | | | | | | |
| IDB..... | 2,244.1 | 13.0 | 2,711.1 | 16.0 | 2,989.5 | 16.5 | 2,970.2 | 15.5 | 3,175.3 | 14.5 |
| World Bank..... | 883.2 | 5.1 | 927.8 | 5.5 | 929.6 | 5.1 | 920.0 | 4.8 | 920.8 | 4.2 |
| IMF..... | 802.9 | 4.6 | 403.1 | 2.4 | 280.7 | 1.5 | 297.4 | 1.6 | 290.4 | 1.3 |
| CAF..... | 129.9 | 0.8 | 178.9 | 1.1 | 169.7 | 0.9 | 202.3 | 1.1 | 180.4 | 0.8 |
| Other..... | 334.6 | 1.9 | 328.5 | 1.9 | 348.8 | 1.9 | 359.0 | 1.9 | 424.6 | 1.9 |
| Total multilateral debt..... | 4,394.7 | 25.4 | 4,549.5 | 26.9 | 4,718.3 | 26.0 | 4,748.9 | 24.8 | 4,991.5 | 22.8 |
| Bilateral debt: | | | | | | | | | | |
| Brazil..... | 663.3 | 3.8 | 669.2 | 4.0 | 575.4 | 3.2 | 489.6 | 2.6 | 385.0 | 1.8 |
| United States..... | 118.5 | 0.7 | 74.1 | 0.4 | 36.6 | 0.2 | 18.3 | 0.1 | 14.6 | 0.1 |
| Spain..... | 491.1 | 2.8 | 436.4 | 2.6 | 385.7 | 2.1 | 435.2 | 2.3 | 404.1 | 1.8 |
| Japan..... | 53.4 | 0.3 | 42.2 | 0.2 | 31.2 | 0.2 | 24.6 | 0.1 | 21.2 | 0.1 |
| Venezuela..... | 4,163.7 | 24.1 | 232.5 | 1.4 | 244.2 | 1.3 | 239.4 | 1.3 | 216.4 | 1.0 |
| Of which: | | | | | | | | | | |
| PetroCaribe ⁽³⁾ | 4,121.6 | 23.9 | 89.8 | 0.5 | 79.9 | 0.4 | 78.3 | 0.4 | 56.4 | 0.3 |
| Other countries..... | 803.6 | 4.7 | 1,074.4 | 6.3 | 1,220.6 | 6.7 | 1,210.9 | 6.3 | 1,053.0 | 4.8 |
| Total bilateral debt..... | 6,293.7 | 36.4 | 2,528.7 | 14.9 | 2,493.7 | 13.7 | 2,417.9 | 12.6 | 2,094.3 | 9.6 |
| Total official debt..... | 10,688.3 | 61.9 | 7,078.2 | 41.8 | 7,212.0 | 39.7 | 7,166.9 | 37.5 | 7,085.8 | 32.4 |
| Private creditors: | | | | | | | | | | |
| Banks..... | 1,008.8 | 5.8 | 895.8 | 5.3 | 631.6 | 3.5 | 387.5 | 2.0 | 171.8 | 0.8 |
| Bonds ⁽⁴⁾ | 5,576.5 | 32.3 | 8,948.3 | 52.9 | 10,320.1 | 56.8 | 11,564.1 | 60.5 | 14,596.8 | 66.8 |
| Suppliers..... | 6.0 | — | 6.0 | — | 6.0 | — | 6.0 | — | 6.0 | — |
| Total private sector debt..... | 6,591.2 | 38.1 | 9,850.1 | 58.2 | 10,957.7 | 60.3 | 11,957.5 | 62.5 | 14,774.6 | 67.6 |
| Total public sector debt..... | 17,279.6 | 100.0 | 16,928.2 | 100.0 | 18,169.6 | 100.0 | 19,124.4 | 100.0 | 21,860.4 | 100.0 |
| Total public sector external debt as a percentage of: | | | | | | | | | | |
| GDP ⁽⁵⁾ | | 25.7 | | 23.8 | | 24.0 | | 23.9 | | 25.6 |
| Total exports..... | | 101.9 | | 99.7 | | 100.1 | | 100.7 | | 108.3 |

- (1) Excludes private sector debt guaranteed by the Republic (currently, the Republic is guaranteeing loans granted by the private sector to two private universities for a total aggregate amount of US\$8.2 million as of December 31, 2018).
- (2) Preliminary data.
- (3) On January 27, 2015, the Republic repurchased and cancelled approximately US\$4,027.3 million principal amount of indebtedness owed to Venezuela and PDVSA under the PetroCaribe Agreement. See "PetroCaribe Agreement" for more information.
- (4) Includes Global and Brady Bonds.
- (5) GDP 2007 base. Debt to GDP ratio updated according to the nominal GDP figures revised by the Central Bank in July 2019.

Sources: Ministry of Finance and Central Bank.

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

| | As of December 31, 2018 | |
|---|----------------------------|----------|
| Medium- and long-term..... | US\$ | 1,504.1 |
| Short-term ⁽¹⁾ | US\$ | 20,356.3 |
| Short-term debt (as a % of total public sector external debt) | | 94.5% |

- (1) Debt due within a year, on a residual maturity basis.

Sources: Ministry of Finance and Central Bank.

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

| Currency | Amount as of December 31, 2018⁽¹⁾ | % |
|--|---|--------------|
| U.S. dollar | 20,245.0 | 92.6 |
| Peso | 796.8 | 3.6 |
| Special drawing rights (SDRs) ⁽²⁾ | 311.6 | 1.4 |
| Euro | 443.1 | 2.0 |
| Korean won | 36.4 | 0.2 |
| Japanese yen | 26.6 | 0.1 |
| Canadian dollar..... | 0.8 | — |
| Swiss franc | 0.1 | — |
| Total..... | 21,860.4 | 100.0 |

(1) In currencies converted as of December 31, 2018.

(2) Unit of account used by the IMF. As of December 31, 2018, each SDR was equal to US\$1.390790.

Sources: Ministry of Finance and Central Bank.

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

| | As of December 31, | | | | |
|---|---------------------------|-----------------|-----------------|-----------------|---------------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018⁽¹⁾ |
| Public sector external debt | 17,279.6 | 16,928.2 | 18,169.6 | 19,124.4 | 21,860.4 |
| Gross international reserves of the Central Bank..... | (4,861.8) | (5,266.0) | (6,047.4) | (6,780.8) | (7,627.6) |
| Public sector external debt, net of reserves..... | <u>12,417.8</u> | <u>11,662.2</u> | <u>12,122.2</u> | <u>12,343.6</u> | <u>14,232.8</u> |

(1) Preliminary data.

Sources: Ministry of Finance and Central Bank.

Debt Owed to Official Institutions

Historically, the IMF, the IDB and the World Bank have provided the Republic with financial support subject to the Government's compliance with stabilization and reform policies. As conditions to its lending under the 2009 Stand-by Arrangement, the IMF required the Republic to meet certain performance criteria, including:

- *quantitative performance criteria*, designed to assess the Government's fiscal and monetary management and debt administration, including fiscal targets, limits on the expansion of domestic credit and the accumulation of arrears, and targets for maintaining or increasing the Government's net international reserves; and
- *qualitative performance criteria*, designed to assess structural reforms of the financial system and the public sector.

These criteria, which evolved through a dialogue between the Government and the IMF, had a significant impact on Government policies. For further discussion of compliance with the criteria established by the IMF, see "— IMF."

The financial support of the World Bank and the IDB includes sector-specific and structural loans intended to finance social programs, public works and structural adjustments at the national and local levels.

From 2014 through 2018, total debt owed by the Republic to multilateral creditors (including the IMF, the IDB, the World Bank, the French Development Agency (*Agence Française de Développement*), the Andean Development Corporation (*Corporación Andina de Fomento*, or the “CAF”) and other institutions) increased by 13.6%, from US\$4.4 billion in 2014 to US\$4.9 billion in 2018, representing 22.8% of the Republic’s total public external debt. Loans from multilateral creditors have mainly funded programs related to education, water access, health, social security, electricity sector, productivity, development, poverty reduction, tax collection and public sector management and natural disasters relief.

In 2018, the Republic made payments to multilateral lenders (including the IMF, the IDB, the World Bank and other institutions) in an aggregate amount of US\$403.2 million (including payments of principal, interest and commissions).

IDB

The IDB is the Republic’s single largest multilateral creditor. As of December 31, 2018, the Republic had debt outstanding to the IDB in an aggregate principal amount of US\$3.2 billion, representing 63.6% of the Republic’s total multilateral debt and 14.5% of its total public sector external debt. Loans from the IDB have been destined primarily for investment in projects relating to agriculture, the environment, rural development, education, social investment and financial sector reform, as well as for budgetary support. In 2018, net disbursements from the IDB (equal to disbursements minus principal amortizations) totaled US\$205.3 million, while disbursements minus principal and interest amortizations resulted in net disbursements from the IDB of US\$114.3 million.

The Republic expects the IDB’s lending policies to continue to focus on supporting development projects, partially financing future budget deficits and providing technical assistance to the Government.

World Bank

As of December 31, 2018, the Republic owed a total of US\$920.8 million to the World Bank, representing 18.4% of the Republic’s total multilateral debt and 4.2% of its total public external debt. World Bank loans have funded projects relating to agriculture and irrigation, education, health, energy and transportation, and have financed budgetary support programs.

In 2018, net disbursements from the World Bank (equal to disbursements minus principal amortizations) was equal to US\$0.8 million. Taking into account interest payments, in 2018, the Republic made net payments to the World Bank totaling US\$36.8 million.

IMF

As of December 31, 2016, the Republic had fully repaid the loans to the IMF. Additionally, in August 2009, all members of the IMF agreed to record their respective allocation of special drawing rights (“SDRs”) as an incurrence of debt; however, the amount of such liability would only become due and payable if the Republic terminated its membership in the IMF. As of December 31, 2018, total debt owed by the Republic to the IMF equaled US\$290.4 million, representing 5.8% of the Republic’s total multilateral debt and 1.3% of its total public external debt.

The IMF has signed three Stand-by Arrangements with the Republic, each of which has expired in accordance with its terms. See “The Economy—History and Background.” The IMF approved on January 31, 2005 a Stand-by Arrangement for SDR 437.8 million (approximately US\$665.2 million). This facility was designed to support the Republic’s economic program with the IMF through May 2007, but was extended in February 2007 for an additional eight months, and concluded in January 2008. The Republic drew SDR 437.8 million (US\$661.1 million) under this facility.

On November 9, 2009, the IMF approved a 28-month Stand-by Arrangement for the Republic in the amount of SDR 1,094.5 million (approximately US\$1,754.1 million at the exchange rate of such date), to support economic measures designed to address the adverse effects of the global economic crisis (the “2009 Stand-by

Arrangement”). During the term of the 2009 Stand-by Arrangement, the Republic drew a total of US\$1,206.4 million. As of December 31, 2016, the 2009 Stand-by Arrangement had been fully paid.

On February 14, 2018, the Executive Board of the IMF concluded the Article IV consultation with the Republic. The IMF staff concluded that the Republic’s economic activity continues to grow rapidly, aided by, among other factors, strengthened labor markets, reinvigorated credit growth and favorable external conditions. Additionally, the IMF staff highlighted that the Government’s inflation-targeting framework is delivering good results and that the Monetary Board’s neutral monetary policy stance has been successful at maintaining rates of inflation within the official target range in the context of positive supply shocks. The 2018 Article IV Consultation—Press Release and Staff Report (IMF Country Report No. 18/294) was published on October 24, 2018.

Paris Club and Other Bilateral Lenders

As of December 31, 2018, the Republic owed a total of US\$1.9 billion to members of the Paris Club and an additional US\$221.2 million to other bilateral lenders. As of December 31, 2018, the Republic had no arrears with Paris Club lenders or bilateral lenders. The Republic renegotiated the payment terms on US\$137.0 million of indebtedness owed to Paris Club member countries in October 2005. For further information on the Republic’s restructuring, see “—Debt Restructuring—2005 Debt Restructuring.”

PetroCaribe Agreement

On June 29, 2005, the Republic entered into the PetroCaribe Agreement, which replaced certain important provisions of the Caracas Energy Cooperation Agreement. As of December 31, 2017, the Republic had an outstanding balance of US\$79.5 million owed to PDVSA under the PetroCaribe Agreement. Under this agreement, Venezuela agreed to provide the Republic up to 50,000 barrels of oil per day at market prices and on favorable financing terms. The agreement establishes a new graduated financing scheme under which the amount of available financing increases as the price per barrel increases, with a maximum of 70% financing available at prices of US\$150 per barrel or above. If the price of oil falls below US\$40 per barrel, the amounts financed are repayable over a period of 17 years at an interest rate of 2% per year. If the price of oil rises above US\$40 per barrel, the amounts financed are repayable over 25 years and bear interest at a rate of 1% per year. A two-year grace period is also available on principal amortization payments and the Republic may pay in goods and services under certain conditions. In addition, short-term financing of up to 90 days is available for cash amounts due. Transportation charges are billed at cost to the Republic.

On January 27, 2015, the Republic closed certain liability management transactions relating to the PetroCaribe Agreement. These transactions involved a bilateral renegotiation with PDVSA, as a result of which the Republic repurchased and cancelled an aggregate amount of US\$4,027.3 million of indebtedness owed to PDVSA (the “Petrocaribe Debt”), arising from shipments of oil and derivative products sold by PDVSA within the framework of the PetroCaribe Agreement in the period from 2005 through October 2014. The Petrocaribe Debt represented approximately 98% of the aggregate amount owed by the Republic to PDVSA under the PetroCaribe Agreement as of December 31, 2014. The Republic repurchased the Petrocaribe Debt for approximately US\$1,933.1 million, which represented a discount of 52% on the total Petrocaribe Debt cancelled, resulting in a reduction of the Republic’s total public external debt by US\$2,094.2 million (including interest). Furthermore, this liability management transaction resulted in an increase in the average maturity of the refinanced debt.

Public External Bonds

As of December 31, 2018, the Republic’s outstanding public external bonds totaled approximately US\$14.6 billion, and were composed of:

- US\$1,500.0 million outstanding principal amount 7.5% amortizing bonds due 2021;
- DOP40.0 billion (US\$796.8 million) outstanding principal amount 8.9% amortizing bonds due 2023;
- US\$1,000.0 million outstanding principal amount 5.875% amortizing bonds due 2024;

- US\$500.0 million outstanding principal amount 6.6% amortizing bonds due 2024;
- US\$1,500.0 million outstanding principal amount 5.5% amortizing bonds due 2025;
- US\$1,500.0 million outstanding principal amount 6.875% amortizing bonds due 2026;
- US\$300.0 million outstanding principal amount 8.625% amortizing bonds due 2027;
- US\$1,700.0 million outstanding principal amount 5.95% amortizing bonds due 2027;
- US\$1,300.0 million outstanding principal amount 6.0% amortizing bonds due 2028;
- US\$1,500.0 million outstanding principal amount 7.450% amortizing bonds due 2044;
- US\$2,000.0 million outstanding principal amount 6.850% amortizing bonds due 2045; and
- US\$1,000.0 million outstanding principal amount 6.5% amortizing bonds due 2048.

The Government has made late payments in the past with respect to its public external bonds. In April 2004, the Republic incurred penalty interest in connection with a late payment made on its past-due interest bonds. In addition, the Republic has occasionally made payments during the 30-day grace period provided under the payment terms instead of on the due date.

External Debt Owed to Commercial Lenders and Suppliers

The Government owed US\$171.8 million to commercial lenders and US\$6.0 million to suppliers of goods and services as of December 31, 2018.

Public External Debt Service

Total public sector external debt service decreased from 3.1% of GDP in 2017 to 2.5% in 2018. Public sector external debt service measured as a percentage of total exports decreased from 23.0% in 2017 to 19.0% in 2018.

The following tables set forth information regarding the Republic's public sector external debt service for the periods indicated.

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

| | As of December 31, | | | | |
|--|---------------------------|----------------|----------------|----------------|---------------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018⁽¹⁾ |
| Interest payments..... | 605.8 | 767.3 | 917.9 | 999.6 | 1,092.7 |
| Amortizations..... | 1,937.6 | 3,449.7 | 1,206.0 | 1,332.1 | 984.1 |
| Total public sector external debt service⁽²⁾ | 2,543.4 | 4,217.0 | 2,123.8 | 2,331.7 | 2,076.8 |

(1) Preliminary data.

(2) Excludes *Banco de Reservas* debt service.

Sources: Ministry of Finance and Central Bank.

Public Sector External Debt Service Ratios⁽¹⁾⁽²⁾

| | As of December 31, | | | | |
|--|--------------------|------|------|------|---------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 ⁽²⁾ |
| As a percentage of total exports | 25.7 | 44.7 | 21.6 | 23.0 | 19.0 |
| As a percentage of GDP | 3.8 | 5.9 | 2.8 | 2.9 | 2.4 |
| As a percentage of total revenue | 26.5 | 35.9 | 20.2 | 20.6 | 16.0 |
| As a percentage of Central Bank's gross international reserves | 52.3 | 80.1 | 35.2 | 34.4 | 27.2 |

(1) GDP 2007 base. Debt to GDP ratio updated according to the nominal GDP figures revised by the Central Bank in July 2019.

(2) Preliminary data.

Sources: Ministry of Finance and Central Bank.

The following table sets forth the Republic's estimated public external debt service through 2023.

Estimated Public Sector Debt Service by Debtor⁽¹⁾ 2019-2023 (in millions of US\$)

| | 2019 | | | 2020 | | | 2021 | | | 2022 | | | 2023 | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------|----------------|----------------|----------------|--------------|----------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| Central Bank: | | | | | | | | | | | | | | | |
| Reserve liabilities due to IMF..... | - | 5.3 | 5.3 | - | 7.9 | 7.9 | - | 8.0 | 8.0 | - | 8.0 | 8.0 | - | 8.0 | 8.0 |
| Non-reserve liabilities..... | 0.4 | - | 0.4 | 0.4 | - | 0.4 | 0.1 | - | 0.1 | - | - | - | - | - | - |
| Total Central Bank..... | 0.4 | 5.3 | 5.7 | 0.4 | 7.9 | 8.3 | 0.1 | 8.0 | 8.1 | - | 8.0 | 8.0 | - | 8.0 | 8.0 |
| Non-financial public sector: | | | | | | | | | | | | | | | |
| Central Government.... | 1,181.9 | 1,303.7 | 2,486.6 | 1,053.7 | 1,404.9 | 2,459.5 | 1,048.5 | 1,091.6 | 2,140.1 | 890.1 | 1,042.6 | 1,932.7 | 1,681.1 | 965.6 | 2,646.7 |
| Privately publicly guaranteed | 0.8 | 0.2 | 1.0 | 0.8 | 0.1 | 1.0 | 0.8 | 0.1 | 1.0 | 0.8 | 0.1 | 0.9 | 0.7 | 0.1 | 0.8 |
| Total non-financial public sector..... | 1,182.8 | 1,303.8 | 2,487.6 | 1,054.5 | 1,405.0 | 2,460.5 | 1,049.3 | 1,091.7 | 2,141.1 | 890.9 | 1,042.7 | 1,933.6 | 1,681.8 | 965.7 | 2,647.5 |
| Total public sector debt⁽²⁾..... | 1,183.2 | 1,309.1 | 2,493.3 | 1,054.9 | 1,412.9 | 2,468.8 | 1,049.5 | 1,099.7 | 2,149.2 | 890.9 | 1,050.7 | 1,941.6 | 1,681.8 | 973.7 | 2,655.5 |

(1) Preliminary estimates based on disbursed debt as of December 31, 2018.

(2) Includes total Central Bank medium term debt service and total debt service of other financial public sector.

Sources: Ministry of Finance and Central Bank.

Consolidated Public Sector Domestic Debt

As of December 31, 2018, the Republic's public sector domestic debt primarily consisted of:

- DOP323.8 billion (US\$6.4 billion) outstanding principal amount of peso-denominated bonds and US\$595.0 million of dollar-denominated bonds issued by the Government in the local market;
- peso-denominated loans totaling DOP3.9 billion (US\$79.4 million) and dollar-denominated loans totaling US\$178.7 million from *Banco de Reservas* to the Government;
- peso-denominated loans totaling DOP5.4 billion (US\$107.2 million) and dollar-denominated loans totaling US\$547.3 million from *Banco de Reservas* to other public sector institutions;
- peso-denominated certificates totaling DOP564.0 billion (US\$11.2 billion) issued by the Central Bank; and
- peso-denominated bonds totaling DOP132.4 billion (US\$2.6 billion) issued by the Central Government for the Central Bank Recapitalization Plan.

As of December 31, 2018, approximately 93.1% of the Republic's public sector domestic debt was denominated in pesos, while the balance was denominated in U.S. dollars.

The following table sets forth the Republic's total public sector domestic debt:

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

| | As of December 31, | | | | |
|--|--------------------|--------------|--------------|--------------|---------------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 ⁽²⁾ |
| Treasury Bonds (Law 121-05) | 86.5 | — | — | — | — |
| Treasury Bonds (Law 359-07) | — | — | — | — | — |
| BC Recap Bonds (Law 167-07) | 2,994.4 | 2,911.0 | 2,839.7 | 2,746.7 | 2,636.6 |
| Treasury Bonds (Law 490-08) | — | — | — | — | — |
| Treasury Bonds (Public Auctions) | 2,776.1 | 3,503.3 | 5,078.6 | 6,543.8 | 6,544.5 |
| Treasury Bonds (Administrative Debt) | 242.0 | 235.2 | 15.6 | — | — |
| Treasury Bonds (Law 175-12) | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 |
| Central Bank Certificates | 7,722.6 | 8,718.5 | 9,582.0 | 10,247.7 | 11,235.2 |
| Central Government other liabilities ⁽³⁾ | 697.0 | 304.0 | 149.3 | 243.4 | 258.1 |
| Other public sector institutions liabilities ⁽³⁾ | 77.4 | 454.0 | 607.6 | 688.4 | 654.5 |
| Other public sector liabilities ⁽³⁾ | — | — | — | — | — |
| Gross domestic debt total | 15,096.0 | 16,626.1 | 18,772.7 | 20,970.1 | 21,828.8 |
| Consolidated public sector domestic debt total ⁽⁴⁾ | 12,049.0 | 13,715.1 | 15,933.0 | 18,090.6 | 19,115.1 |
| Total public sector domestic debt as % of GDP⁽⁵⁾ | 17.9% | 19.2% | 21.0% | 22.6% | 22.3% |

(1) Converted to U.S. dollars using the exchange rate at the end of each period presented.

(2) Preliminary data.

(3) Includes indebtedness of the non-financial public sector with domestic commercial banks.

(4) Gross domestic debt minus Central Government liabilities of the Central Bank's hands (Laws No. 121-05, 167-07 and 692-16).

(5) GDP 2007 base. Debt to GDP ratio updated according to the nominal GDP figures revised by the Central Bank in July 2019.

Sources: Ministry of Finance and Central Bank.

In 2016, Congress approved Law No. 687-16, allowing the Central Government to substitute a loan commitment from BNDES to finance the Punta Catalina thermal power plant project with an issuance of public debt securities. On December 15, 2016, the Republic issued US\$95.0 million in domestic bonds, the proceeds of which were transferred to CDEEE to make payments due under the Punta Catalina EPC contract. The bonds accrue interest at an annual rate of 6.0% and mature in March 2027.

Central Bank Recapitalization Plan

In 2008, Congress approved Law No.167-07, which contained the Central Bank Recapitalization Plan, intended to establish the legal and financial mechanisms through which the accumulated losses of the Central Bank are to be covered completely and continuously in order to achieve the total recapitalization and to define the treatment applicable going forward in relation to the operational results of the Central Bank.

The Recapitalization Plan is designed to cover the Central Bank's total losses through the issuance by the Government of treasury bills and bonds over a ten-year period, which will be held by the Central Bank. Pursuant to Articles 8 and 11 of Law No.167-07, these instruments are not redeemable in cash. They will be replaced at their maturity by new instruments with terms and conditions consistent with the then-prevailing market conditions in respect of interest rates and maturity. After the Central Bank is fully recapitalized, the capital repayment will be done with the surplus generated by the Central Bank in each year.

The issuance of these treasury bills and bonds started on January 1, 2008. These issuances generate interest at a rate linked to the coupon rates of instruments issued by the Central Bank with the same maturity. Payment of interest by the Republic to the Central Bank allow the Central Bank to reduce its operational losses, also known as the quasi-fiscal deficit. The interest payments generated by the treasury bills and bonds are set forth in the national budget for each year according to the following scale:

| <u>Year</u> | <u>Payments as a % of GDP</u> |
|-------------|-----------------------------------|
| 2012 | 1.0 |
| 2013 | 1.1 |
| 2014 | 1.2 |
| 2015 | 1.3 |
| 2016 | 1.4 |

According to Law No.167-07, starting in 2017, the transfers to be recorded annually pursuant to the General Budget Law will gradually decrease at a rate of lesser than 1.0% of GDP until the total redemption of the treasury bills to recapitalize the Central Bank.

In 2014, payments to the Central Bank of DOP19.2 billion were stipulated by the 2014 Budget, of which DOP18.7 billion were interest payments made to the Central Bank and DOP432.8 million were current transfers from the Government. In addition, the three-year bonds maturing on October 31, 2014 and on September 30, 2014 were replaced with bonds maturing on October 31, 2017 and on September 30, 2017, respectively; and the seven-year bond maturing on December 31, 2014 was refinanced with a bond maturing on December 31, 2021.

In 2015, payments to the Central Bank of DOP21.2 billion were stipulated by the 2015 Budget, of which DOP17.4 billion were interest payments made to the Central Bank and DOP3.7 billion were current transfers from the Government. In addition, the seven-year bonds maturing on October 30, 2015 and on December 31, 2015, were replaced with bonds maturing on October 30, 2022 and on December 31, 2022, respectively.

In 2016, payments to the Central Bank of DOP22.8 billion were stipulated in the 2016 Budget, of which DOP16.7 billion were interest payments made to the Central Bank and DOP6.1 billion were current transfers from the Government.

In 2017, payments to the Central Bank of DOP25.3 billion were stipulated in the 2017 Budget, of which DOP16.7 billion were interest payments made to the Central Bank and DOP8.7 billion were current transfers from the Government.

In 2018, payments to the Central Bank of DOP27.1 billion were stipulated in the 2018 Budget, of which DOP16.7 billion were interest payments made to the Central Bank and DOP10.4 billion were current transfers from the Government.

As of the date of this offering memorandum, the Ministry of Finance and the Central Bank are discussing a potential new recapitalization plan for the Central Bank, which would be based on the experience of the Recapitalization Plan approved by Law No. 167-07.

Auction Program

In March 2009, the Ministry of Finance initiated a public auction program for the sale of bonds. The program contemplates monthly auctions published in the annual calendar of the Public Debt Office. Financial intermediaries such as commercial banks, savings and loans associations and brokerage firms authorized by the Securities Superintendency are invited to participate in the auctions.

The public auction serves as a reliable source of local financing for the Ministry of Finance and marks an important step for the diversification of the Central Government's debt portfolio into local currency instruments. The structure of the debt issuances is designed to increase liquidity in the secondary market for these maturities, which are to serve as the "benchmark" or the basis for establishing interest rates in the domestic market.

In 2014, the Central Government allocated a total of DOP33.6 billion through its public auction program, of which DOP10.0 billion were in five-year bonds, DOP13.6 billion were in ten-year bonds and DOP10.0 billion were in fifteen-year bonds. In 2015, the Central Government allocated a total of DOP42.0 billion through its public auction program, of which DOP10.0 billion were in seven-year bonds, DOP19.0 billion were in ten-year bonds and DOP13.0 billion were in fifteen-year bonds. In 2016, the Central Government allocated a total of DOP73.0 billion through its public auction program, of which DOP3.5 billion were in seven-year bonds, DOP62.5 billion were in ten-year bonds and DOP7.0 billion were in fifteen-year bonds. In 2017, the Central Government allocated a total of DOP85.0 billion through its public auction program of which DOP22.5 billion were in seven-year bonds, DOP19.2 billion were in 10-year bonds and DOP43.3 billion were in 15-year bonds.

During 2018, the Central Government allocated a total of DOP27.3 billion through its public auction program of which DOP8.1 billion were in five-year bonds, DOP12.0 billion in ten-year bonds and DOP7.1 billion in fifteen-year bonds.

In order to promote the standardization of fixed income instruments in the region, the Ministry of Finance adopted the standards for the harmonization of national debt markets agreed upon in the Central American Monetary Council. To meet the Public Debt Office's goal of a fully automated auction process through an electronic auction platform to allow participants to directly enter their bids electronically, the auctions after 2010 were conducted through Bloomberg.

All bonds issued through the Ministry of Finance's monthly public auction that are coordinated through the Public Debt Office receive the favorable tax treatment of debt issued by the Government, making debt instruments issued by the Dominican Republic more attractive to investors. Investors may use bonds issued through these auctions to pay any type of obligation contracted with the Government, including the payment of taxes, debts, or other types of obligations.

Administrative Domestic Debt Service

In 2018, the Government made payments of arrears in cash due to domestic suppliers of goods and services for an amount of DOP11.7 billion.

The Government has also taken steps to improve the administration of the Republic's domestic debt obligations, including:

- placing the *Comisión Evaluadora de Deuda* (Commission on Debt Evaluation) under the supervision of the Republic's general auditors;
- consolidating the function of the administration of the Republic's debt to the Ministry of Finance;
- 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.

Debt Related to the Private Electricity Sector

Fiscal deficits and disputes between the Government and private operators over the management and tariff regulation of the electricity sector have led to disputes between parties and missed payments by the Government. In August 2004, the Government cleared arrears it owed to distributors of electricity. See "The Economy— Principal Sectors of the Economy—Secondary Production—Electricity, Gas and Water—Electricity."

In May 2009, the Republic announced the re-nationalization of distribution company EdeEste after reaching an agreement to pay US\$26.5 million to shareholder TCW for 51% of the company. In exchange, TCW agreed to give up all of its claims under international arbitration.

Under the 2009 Stand-by Arrangement with the IMF, the Government was required to regularize all outstanding domestic arrears with electricity generators before the end of 2011. Arrears to private energy generating companies were defined as the balance of current invoices for energy sales to electricity distribution companies for which no payment has been made within 45 days following the contractual due date.

As of December 31, 2018, the outstanding debt owed by distribution companies and CDEEE to private generators was US\$802.2 million, which was US\$613.7 million more than the US\$188.5 million due as of December 31, 2017.

The Government has made progress towards reform of the electricity sector, with transmission and distribution losses declining, and an increase in the cash recovery index from 65.0% in 2014 to 68.5% in 2018. However, challenges remain to ensure that the electricity sector has sufficient cash to purchase fuel and avoid curtailments in generation, and to address structural problems that have led to recurring financial shortfalls.

Debt Restructuring

History of Debt Restructuring

In November 1991, the Republic restructured US\$771 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 the period from September 1991 to 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 returned to the Paris Club in April 2004 and rescheduled US\$155 million of maturities falling due in 2004 (amounts due fell from US\$479 million to US\$293 million) and US\$38 million of arrears owed to Paris Club creditors. The rescheduling included:

- a 12-year repayment term, with a 5-year grace period;
- no increase in interest rates for borrowed amounts targeted at development projects and market rates for the Republic's other credits; and
- a requirement that the Government seek comparable treatment from non-Paris Club bilateral and private creditors, which the Paris Club normally assesses in terms of the effect of private treatment, compared to the effects of Paris Club treatment, on:
 - maturity extensions;
 - effect of the agreement on net present value of the repayment profile; and
 - cash flow relief.

In February 1994, the Republic carried out a refinancing agreement of its medium- and long-term debt owed to commercial banks through the issuance by the Central Bank of two series of public sector external bonds. The Brady Restructuring reduced the Republic's international commercial debt from US\$1.3 billion to US\$327.7 million in 30-year discount bonds and US\$191.3 million in 15-year past-due interest bonds. The discount bonds are collateralized by zero-coupon U.S. Treasury bonds and the payments of principal and interest under both series of bonds are guaranteed by the Republic.

2005 Debt Restructuring

As an integral component of the IMF Stand-by Arrangement and the Republic's agreement with the Paris Club in April 2004, the Government developed a comprehensive debt restructuring plan for 2005. This plan, which was successfully consummated during the course of 2005 and was completed in 2006, consists of the following measures:

- On May 11, 2005, the Republic concluded the successful restructuring of two outstanding global bond issues, totaling US\$1.1 billion, by means of an exchange offer. The exchange offer was open to holders of the 9.50% bonds due 2006 and the 9.04% bonds due 2013, who were invited to exchange their bonds for new amortizing bonds due 2011 and 2018, respectively. Approximately US\$1.03 billion was tendered, amounting to approximately 94% of the aggregate principal amount outstanding of both series of bonds. A reopening of the exchange offer, which closed on July 20, 2005, resulted in the tender of an additional US\$37.0 million, thereby raising total participation in the global bond restructuring to approximately 97% of the aggregate principal amount outstanding. This restructuring adjusted the Republic's scheduled debt service to improve the Government's fiscal balance in line with IMF-approved macroeconomic forecasts.
- On October 17, 2005, the Republic announced it had successfully concluded an agreement with respect to the rescheduling of certain maturities falling due to commercial bank creditors in 2005 and 2006. The agreement permits the Republic to defer payment of outstanding debt in 2005 and 2006 in the amount of US\$147 million. Repayment of the rescheduled amounts will be made in six equal and semi-annual installments through January 1, 2010. As part of the rescheduling of this debt, the Republic agreed to pay US\$30 million in principal arrears outstanding through 2004. This agreement was approved by Congress on February 9, 2006. In addition, in January 2006, the Republic entered into an agreement with a creditor to reschedule commercial debt totaling approximately US\$33 million, which was submitted to Congress and was approved in August 2006. The Republic also negotiated with two other private creditors the rescheduling of past due supplier financing amounting to approximately US\$8 million.
- On October 21, 2005, the Republic concluded an agreement with the Paris Club to reschedule approximately US\$137 million of maturities falling due in 2005, which reduced the debt service due to Paris Club creditors from US\$357 million to US\$220 million. The rescheduling was conducted on the same terms as the Republic's preceding agreement with the Paris Club in 2004.
- In August 2005, the Republic signed a memorandum of understanding with Unión Fenosa, a Spanish company, to restructure the Republic's obligations relating to a purchase agreement with Unión Fenosa entered into in September 2003, under which the Government repurchased Ede Norte and Ede Sur. The Republic exercised an option to satisfy all of the remaining installments of the purchase price due to Unión Fenosa for approximately US\$294.1 million using the proceeds of its 2006 bond offering.

DESCRIPTION OF THE BONDS

Each series of bonds will be issued under an indenture, dated as of January 27, 2015, between the Republic and The Bank of New York Mellon, as trustee.

This section of this offering memorandum is intended to be an overview of the material provisions of the bonds and the indenture. Because this section is only a summary, you should refer to the indenture for a complete description of the Republic's obligations and your rights as a holder of the bonds. The Republic has filed copies of the indenture at the offices of the trustee and the Luxembourg listing agent, where they will be made available to you free of charge.

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

General Terms of the Bonds

Terms of the 2030 bonds:

The 2030 bonds will:

- be direct, general, unconditional and unsubordinated Public External Debt of the Republic for which the full faith and credit of the Republic is pledged;
- be initially issued in an aggregate principal amount of US\$1,000,000,000;
- be issued at 99.206% plus accrued interest, if any, from January 30, 2020;
- be subject to an optional redemption with a make-whole premium prior to their scheduled maturity;
- have a final maturity date of January 30, 2030;
- be issued in denominations of US\$150,000 and in 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 on the 2030 bonds will:

- accrue at the rate of 4.500% per annum;
- accrue from the date of issuance or the most recent interest payment date;
- be payable semi-annually in arrears on January 30 and July 30 of each year, commencing on July 30, 2020, to the holders of record on the January 23 and July 23 (whether or not a business day) immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Terms of the 2060 bonds:

The 2060 bonds will:

- be direct, general, unconditional and unsubordinated Public External Debt of the Republic for which the full faith and credit of the Republic is pledged;
- be initially issued in an aggregate principal amount of US\$1,500,000,000;

- be issued at 98.860% plus accrued interest, if any, from January 30, 2020;
- be subject to an optional redemption with a make-whole premium prior to their scheduled maturity;
- have a final maturity date of January 30, 2060;
- be issued in denominations of US\$150,000 and in 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 on the 2060 bonds will:

- accrue at the rate of 5.875% per annum;
- accrue from the date of issuance or the most recent interest payment date;
- be payable semi-annually in arrears on January 30 and July 30 of each year, commencing on July 30, 2020, to the holders of record on the January 23 and July 23 (whether or not a business day) immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Status

The bonds will be direct, general, unconditional and unsubordinated Public External Debt of the Republic for which the full faith and credit of the Republic is pledged. The bonds rank and will rank without any preference, among themselves and equally with all other unsubordinated Public External Debt of the Republic. It is understood that this provision shall not be construed so as to require the Republic to make payments under the bonds ratably with payments being made under any other Public External Debt of the Republic.

Payment of Principal and Interest

Principal of, and interest on, the bonds will be payable on each payment date and on the maturity date in U.S. dollars at the offices or agencies maintained by the Republic for such purpose (which initially will be the offices of the paying agents specified on the inside back cover page of this offering memorandum).

The Republic will arrange for payments to be made on global bonds by wire transfer to the applicable clearing system, or to its nominee or common depositary, as the registered owner of the bonds, which will receive the funds for distribution to the holders.

If any money that the Republic pays to the trustee or any paying agent to make payments on any bonds is not claimed at the end of two years after the applicable payment was due and payable, then the money will be repaid to the Republic on the Republic’s written request. The Republic will hold such unclaimed money in trust for the relevant holders of those bonds. After any such repayment, neither the trustee nor any paying agent will be liable for the payment. However, the Republic’s obligations to make payments on the bonds as they become due will not be affected until the expiration of the prescription period, if any, specified in the bonds.

For purposes of all payments of interest, principal or other amounts contemplated herein, “business day” means any day that is not a Saturday or Sunday, and that is not a day on which banking or trust institutions are authorized generally or obligated by law, regulation, or executive order to close in New York City.

If any date for an interest or principal payment on a bond is not a business day, the Republic will make the payment on the next business day. No interest on the bonds will accrue as a result of any such delay in payment.

Additional Amounts

All payments by the Republic in respect of the bonds will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the Republic, or any political subdivision or taxing authority or agency therein or thereof having the power to tax (for purposes of this paragraph, a “relevant tax”), unless the withholding or deduction of any such relevant tax is required by law. In that event, the Republic will pay such additional amounts (“additional amounts”) as may be necessary to ensure that the amounts received by the holders after such withholding or deduction will equal the respective amounts of principal and interest that would have been receivable in respect of the bonds in the absence of such withholding or deduction; *provided, however*, that no additional amounts will be payable in respect of any relevant tax:

- imposed by reason of a holder or beneficial owner of a bond having some present or former connection with the Republic other than merely being a holder or beneficial owner of the bond or receiving payments of any nature on the bond or enforcing its rights in respect of the bond;
- imposed by reason of the failure of a holder or beneficial owner of a bond, or any other person through which the holder or beneficial owner holds a bond, to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Republic of such holder or beneficial owner or other person, if compliance with the requirement is a precondition to exemption from all or any portion of such withholding or deduction; *provided that* (x) the Republic or the Republic’s agent has provided the holders with at least 60 days’ prior written notice of an opportunity to satisfy such a requirement, and (y) in no event shall such holder or beneficial owner or other person’s obligation to satisfy such a requirement require such holder or beneficial owner or other person to provide any materially more onerous information, documents or other evidence than would be required to be provided had such holder or beneficial owner or other person been required to file Internal Revenue Service Forms W-8BEN, W-8BEN-E, W-8ECI, W-8EXP and/or W-8IMY; or
- imposed by reason of a holder or beneficial owner of a bond, or any other person through which the holder or beneficial owner holds a bond, having presented the bond for payment (where such presentation is required) more than 30 days after the relevant date, except to the extent that the holder or beneficial owner or such other person would have been entitled to additional amounts on presenting the bond for payment on any date during such 30-day period.

As used in the preceding paragraph, “relevant date” in respect of any bond means the date on which payment in respect thereof first becomes due or, if the full amount of the money payable has not been received by the trustee on or prior to such due date, the date on which notice is duly given under the indenture to the holders that such monies have been so received and are available for payment. Any reference to “principal” and/or “interest” under the indenture also refers to any additional amounts which may be payable under the indenture.

No additional amounts will be payable in respect of any bond to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment, to the extent the beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner would not have been entitled to receive payment of the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of such bond.

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.

Optional Redemption

The Republic may, at its option, redeem the 2030 bonds, in whole or in part, at any time prior to their maturity at a redemption price calculated by a calculation agent appointed by the Republic equal to the greater of (1) 100% of the principal amount of such 2030 bonds and (2) the sum of the present value of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the redemption date) discounted to the

redemption date on a semi-annual basis (assuming a 360-day year comprised of twelve 30-day months) at the Treasury rate plus 45 basis points, plus, in each case, any accrued interest on the principal amount of the 2030 bonds to, but excluding, the redemption date.

The Republic may, at its option, redeem the 2060 bonds, in whole or in part, at any time prior to their maturity at a redemption price calculated by a calculation agent appointed by the Republic equal to the greater of (1) 100% of the principal amount of such 2060 bonds and (2) the sum of the present value of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year comprised of twelve 30-day months) at the Treasury rate plus 50 basis points, plus, in each case, any accrued interest on the principal amount of the 2060 bonds to, but excluding, the redemption date.

Notice of any redemption will be mailed by first-class mail, postage prepaid, or delivered in accordance with the procedures of the applicable depository, at least 30 but not more than 60 days before the redemption date to holders of the bonds to be redeemed at their respective registered addresses and to the Trustee; provided, however, if the Trustee provides notice on behalf of the Republic, the Trustee will receive notice no later than 40 days prior to the redemption date. For so long as the bonds are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of such Exchange require, the Republic will also cause notices of redemption to be published as described under “—Notices” below.

The bonds, when called for redemption as specified herein, will become due on the date fixed for redemption. The Republic will pay the redemption price for the bonds together with accrued and unpaid interest thereon to, but excluding, the redemption date. On and after the redemption date, interest will cease to accrue on the bonds as long as the Republic has deposited with the trustee or appropriate paying agent funds in satisfaction of the applicable redemption price pursuant to the indenture. Upon redemption of the bonds by the Republic, the bonds will be cancelled.

Negative Pledge

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 (as defined under “—Defined Terms”) on its assets or revenues.

Default and Acceleration of Maturity

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 the indenture (other than those referred to in paragraph 1 above) for a period of 60 days following written notice to the Republic by the trustee 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 the indenture in a formal administrative, legislative or judicial proceeding; or
 - the Republic denies any of its obligations under the bonds or the indenture; 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 the indenture; 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 events of default described above occurs and is continuing, holders of at least 25% of the aggregate principal amount of the applicable series of debt securities then outstanding may declare all the debt securities of that series to be due and payable immediately by giving written notice to the Republic, with a copy to the trustee.

Holders holding debt securities that represent in aggregate more than 50% of the principal amount of the then-outstanding debt securities of that series may waive any existing defaults and their consequences on behalf of the holders of all of the debt securities of that series if:

- following the declaration that the principal of the debt securities of that series has become due and payable immediately, the Republic deposits with the trustee a sum sufficient to pay all outstanding amounts then due on those debt securities (other than principal due by virtue of the acceleration upon the event of default) together with interest on such amounts through the date of the deposit as well as the reasonable fees and compensation of the holders that declared those debt securities due and payable to the trustee and their respective agents, attorneys and counsel; and
- all events of default (other than non-payment of principal that became due by virtue of the acceleration upon the event of default) have been remedied.

Suits for Enforcement and Limitations on Suits by Holders

If an event of default for a series of debt securities has occurred and is continuing, the trustee may, in its discretion, institute judicial action to enforce the rights of the holders of that series. With the exception of a suit brought by a holder on or after the stated maturity date to enforce its absolute right to receive payment of the principal of and interest on the debt securities on the stated maturity date therefor (as that date may be amended or modified pursuant to the terms of such series of debt securities, but without giving effect to any acceleration), a

holder has no right to bring a suit, action or proceeding with respect to the debt securities of a series unless: (1) such holder has given written notice to the trustee that a default with respect to that series has occurred and is continuing; (2) holders of at least 25% of the aggregate principal amount outstanding of that series have instructed the trustee by specific written request to institute an action or proceeding and provided an indemnity satisfactory to the trustee; and (3) 60 days have passed since the trustee received the instruction, the trustee has failed to institute an action or proceeding as directed, and no direction inconsistent with such written request shall have been given to the trustee by a majority of holders of that series. Moreover, any such action commenced by a holder must be for the equal, ratable and common benefit of all holders of debt securities of that series.

Meetings, Amendments and Waivers

The Republic may call a meeting of the holders of the bonds at any time regarding the bonds or the indenture. The Republic will determine the time and place of the meeting and will notify the holders of the time, place and purpose of the meeting not less than 30 and not more than 60 days before the meeting.

In addition, the Republic or the trustee will call a meeting of the holders of the bonds if holders of at least 10% in principal amount of the bonds then outstanding have delivered a written request to the Republic or the trustee (with a copy to the Republic) setting out the purpose of the meeting. Within 10 days of receipt of such written request or copy thereof, the Republic will notify the trustee and the trustee will notify the holders of the time, place and purpose of the meeting called by the holders, to take place not less than 30 and not more than 60 days after the date on which such notification is given.

Only holders of debt securities and their proxies are entitled to vote at a meeting of holders. The Republic will set the procedures governing the conduct of the meeting and if additional procedures are required, the Republic will consult with the trustee to establish such procedures as are customary in the market.

If a modification only affects a series of debt securities issued under the indenture, it may also be approved by the holders of such series of debt securities pursuant to written action with the consent of the requisite percentage of such series. The Republic will solicit the consent of the relevant holders to the modification not less than 10 and not more than 30 days before the expiration date for the receipt of such consents as specified by the Republic.

The holders of any series of debt securities may generally approve any proposal by the Republic to modify the indenture or the terms of such series with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the outstanding principal amount of such series.

However, holders of any series of debt securities (including the bonds) may approve, by vote or consent through one of three modification methods described below, any modification, amendment, supplement or waiver proposed by the Republic that would do any of the following (such subjects referred to as “reserve matters”):

- change the date on which any amount is payable on the debt securities;
- reduce the principal amount (other than in accordance with the express terms of a series of debt securities and the indenture) of the debt securities;
- reduce the interest rate on the debt securities;
- change the method used to calculate any amount payable on the debt securities (other than in accordance with the express terms of a series of debt securities and the indenture);
- change the currency or place of payment of any amount payable on the debt securities;
- modify the Republic’s obligation to make any payments on the debt securities (including any redemption price therefor);
- change the identity of the obligor under the bonds;

- change the definition of “outstanding debt securities” or the percentage of affirmative votes or written consents, as the case may be, required to make a “reserve matter modification”;
- change the definition of “uniformly applicable” or “reserve matter modification”;
- authorize the trustee, on behalf of all holders of the debt securities, to exchange or substitute all the debt securities for, or convert all the debt securities into, other obligations or securities of the Republic or any other person; or
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of the debt securities.

A change to a reserve matter, including the payment terms of any series of debt securities (including the bonds), can be made without your consent, as long as the change is approved pursuant to one of the three following modification methods, by vote or consent by:

- the holders of more than 75% of the aggregate principal amount of a series of outstanding bonds insofar as the change affects such series of bonds (but does not modify the terms of any other debt securities issued under the indenture);
- where such proposed modification would affect a series of outstanding bonds and at least one other series of debt securities issued under the indenture, the holders of more than 75% of the aggregate principal amount of the then outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, if certain “uniformly applicable” requirements are met (defined in the indenture as “cross-series modification with single aggregated voting”); or
- where such proposed modification would affect a series of outstanding bonds and at least one other series of debt securities issued under the indenture, the holders of more than 66-2/3% of the aggregate principal amount of the then outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, *and* the holders of more than 50% of the aggregate principal amount of the then outstanding debt securities of each series affected by the modification, taken individually.

“Uniformly applicable,” as referred to above, means a modification by which holders of debt securities of any series affected by that modification (including the bonds, if so affected) are invited to exchange, convert or substitute their debt securities for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration.

The Republic may select, in its discretion, any modification method for a reserve matter modification in accordance with the indenture and to designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of that vote or consent solicitation.

For so long as any series of debt securities issued under the indenture dated as of May 11, 2005 between the Republic and the trustee (“2005 indenture”) (“2005 debt securities”) are outstanding, if the Republic certifies to the trustee and to the trustee under the 2005 indenture that a cross-series modification under the indenture is being sought simultaneously with a “2005 indenture reserve matter modification”, the 2005 debt securities affected by such 2005 indenture reserve matter modification shall be treated as “series affected by that proposed modification” as that phrase is used in the indenture (as described in the preceding paragraphs); *provided, however*, that if the Republic seeks a cross-series modification with single aggregated voting, the holders of any series of 2005 debt securities affected by the 2005 indenture reserve matter modification shall have been invited to exchange, convert or substitute such 2005 debt securities for (x) the same new instruments or other consideration as the holders of debt securities of each affected series of debt securities for which consent to the cross-series modification is sought or (y) new instruments or other consideration from an identical menu of instruments or other consideration as the holders of debt securities of each affected series of debt securities for which consent to the cross-series modification is sought. It is the intention that in such circumstances, the votes of the holders of the affected 2005 debt securities be

counted for purposes of the voting thresholds specified in the indenture for the applicable cross-series modification as though those 2005 debt securities had been affected by that cross-series modification although the holders of any bonds will be deemed to have acknowledged and agreed that the effectiveness of any modification, as it relates to the 2005 debt securities, shall be governed exclusively by the terms and conditions of those 2005 debt securities and by the 2005 indenture.

“2005 indenture reserve matter modification,” as referred to above, means any modification to a reserve matter of one or more series of the 2005 debt securities, pursuant to the 2005 indenture.

Before soliciting any consent or vote of any holder of the debt securities (including the bonds) for any change to a reserve matter, the Republic will provide the following information to the trustee for distribution to the holders of debt securities of any series that would be affected by the proposed modification:

- a description of the Republic’s economic and financial circumstances that are in the Republic’s opinion relevant to the request for the proposed modification, a description of the Republic’s existing debts and description of its broad policy reform program and provisional macroeconomic outlook;
- if the Republic shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of the multilateral or other creditors, as applicable, a copy of the arrangement or agreement;
- a description of the Republic’s proposed treatment of external debt instruments that are not affected by the proposed modification and its intentions with respect to any other major creditor groups; and
- if the Republic is then seeking any reserved matter modification affecting any other series of debt securities, a description of that proposed modification.

For purposes of determining whether the required percentage of holders of the bonds or any other series of debt securities has approved any amendment, modification or change to, or waiver of, the bonds, such other series of debt securities or the indenture, or whether the required percentage of holders has delivered a notice of acceleration of the debt securities of that series, debt securities will be disregarded and deemed not to be outstanding and may not be counted in a vote or consent solicitation for or against a proposed modification if on the record date for the proposed modification or other action or instruction hereunder, the debt security is held by the Republic or by a public sector instrumentality, or by a corporation, trust or other legal entity that is controlled by the Republic or a public sector instrumentality, except that (x) debt securities held by the Republic or any public sector instrumentality of the Republic or by a corporation, trust or other legal entity that is controlled by the Republic or a public sector instrumentality which have been pledged in good faith may be regarded as outstanding if the pledgee establishes, to the satisfaction of the trustee, the pledgee’s right so to act with respect to such debt securities and that the pledgee is not the Republic or a public sector instrumentality, and in case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the trustee in accordance with such advice and any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information which is in the possession of the trustee, upon the certificate, statement or opinion of or representations by the trustee; and (y) in determining whether the trustee will be protected in relying upon any such action or instructions hereunder, or any notice from holders, only debt securities that a responsible officer of the trustee knows to be so owned or controlled will be so disregarded.

As used in the preceding paragraph, “public sector instrumentality” means any department, secretary, ministry or agency of the Republic, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of that legal entity.

Other Amendments

The Republic and the trustee may, without the vote or consent of any holder of debt securities of a series, amend the indenture or the debt securities of that series for the purpose of:

- adding to the Republic's covenants for the benefit of the holders;
- surrendering any of the Republic's rights or powers with respect to the debt securities of that series;
- securing the debt securities of that series;
- curing any ambiguity or curing, correcting or supplementing any defective provision in the debt securities of that series or the indenture;
- amending the debt securities of that series or the indenture in any manner that the Republic and the trustee may determine and that does not materially adversely affect the interests of any holders of the debt securities of that series; or
- correcting a manifest error of a formal, minor or technical nature.

Further Issues

The Republic may from time to time, without the consent of the holders of the bonds, create and issue additional bonds of a series having the same terms and conditions as the bonds of such series being offered hereby in all respects, except for the issue date, issue price and first payment of interest on the bonds; *provided, however*, that any additional bonds of a series subsequently issued that are not fungible with the previously outstanding bonds of such series for U.S. federal income tax purposes shall have a separate CUSIP, ISIN or other identifying number from the previously outstanding bonds of such series. Additional bonds of a series issued in this manner will be consolidated with and will form a single series with the previously outstanding bonds of such series.

Notices

The Republic will mail notices to the holders of bonds at their registered addresses, as reflected in the books and records of the trustee. 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 holders of bonds 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 Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of that Exchange so require, the Republic will publish notices to the holders in a leading newspaper having general circulation in Luxembourg and on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Republic anticipates that it will initially make its newspaper 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.

Trustee

The indenture contains provisions relating to the obligations and duties of the trustee, to the indemnification of the trustee and the liability and responsibility, including limitations, for actions that the trustee takes. The trustee is entitled to enter into business transactions with the Republic or any of its affiliates without accounting for any profit resulting from such transactions.

Paying Agents; Transfer Agents; Registrar

The Republic will maintain a principal paying agent, a transfer agent and a registrar in New York City and a paying agent in Western Europe (which, so long as the bonds are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Exchange so require, will be in Luxembourg). The Republic will 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.

Governing Law

The indenture 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 holders 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, subject to the limitation mandated by the Constitution of the Dominican Republic which submits to Dominican Law and Dominican Courts all agreements executed between the Dominican Government and foreign entities or individuals domiciled in the Dominican Republic,

- to submit to the jurisdiction of any New York State or U.S. federal court sitting in New York City in the Borough of Manhattan and any appellate court of either 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
- to appoint CT Corporation System as its process agent, with an office at 28 Liberty Street, New York, New York 10005, United States of America.

The process agent will receive on behalf of the Republic and its property service of copies of any 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 in the Borough of Manhattan. 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 non-appealable judgment in any of the above legal actions or proceedings will be conclusive and may be enforced by a suit upon such judgment in any other courts that may have jurisdiction over the Republic.

In addition to the foregoing, the holders 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 holders 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 of 1976 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 U.S. Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such action. However, even if a U.S. judgment could be obtained in any such action 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.

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, Dominican courts will ratify such a judgment:

- if there exists a treaty with the country where such judgment was issued providing for reciprocal enforcement of foreign judgments (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 holder under the bonds that has obtained a court judgment affecting those bonds will be discharged only to the extent that the holder may purchase U.S. dollars, referred to as the "agreement currency," with any other currency paid to that holder in accordance with the judgment currency. If the holder cannot purchase the agreement currency in the amount originally to be paid, the Republic agrees to pay the difference. The holder, however, agrees that, if the amount of the agreement currency purchased exceeds the amount originally to be paid to such holder, the holder will reimburse the excess to the Republic. The holder, however, will not be obligated to make this reimbursement if the Republic is in default of its obligations under the bonds.

Defined Terms

The following are certain definitions used in the bonds:

"Comparable treasury issue" means the United States Treasury security selected by an independent investment banker as having an actual or interpolated maturity comparable to the remaining term of the bonds to be

redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of debt securities of a comparable maturity to the remaining term of the bonds.

“Comparable treasury price” means (1) the arithmetic average of the reference treasury dealer quotations for the applicable redemption date after excluding the highest and lowest reference treasury dealer quotations, or (2) if the independent investment banker obtains fewer than four reference treasury dealer quotations, the arithmetic average of all reference treasury dealer quotations for such redemption date.

“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 pesos or by reference to a currency other than pesos, regardless of whether that obligation is incurred or entered into within or outside the Republic.

“Independent investment banker” means one of the reference treasury dealers appointed by 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.

“Reference treasury dealer” means BNP Paribas Securities Corp. and J.P. Morgan Securities LLC or their respective affiliates, which are primary U.S. government dealers, plus three other leading primary United States government securities dealers in New York City reasonably designated by the Republic not later than five business days preceding such redemption date; provided that, if any of the foregoing ceases to be a primary United States

government securities dealer in New York City, the Republic will substitute therefor another primary government securities dealer.

“Reference treasury dealer quotation” means, with respect to each reference treasury dealer and any redemption date, the arithmetic average, as determined by the independent investment banker, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to independent investment banker by such reference treasury dealer at 3:30 p.m. (New York City time) on the third business day preceding such redemption date.

“Treasury rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated yield to maturity of the comparable treasury issue. In determining the treasury rate, the price for the comparable treasury issue (expressed as a percentage of its principal amount) will be assumed to be equal to the comparable treasury price for such redemption date.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Bonds

The bonds will initially be issued in the form of 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, as amended (the “Securities Act”) will be represented by a global bond (collectively, 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 (collectively, the “Regulation S Global Bond”).

Upon issuance, each of the global bonds will be deposited with the trustee 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 (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 transfers 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 (the “40 day restricted period”), beneficial interests in the Regulation S Global Bond may be transferred only to non U.S. persons under Regulation S or qualified institutional buyers under Rule 144A.

Investors may hold their interests in the global bonds 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 global bonds 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 depository for the interests in the global bonds 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 trustee may require the seller to provide certain written certifications in the form provided in the indenture.

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 indenture. 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 indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

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 indenture (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 trustee to DTC’s nominee as the registered holder of the global bond. Neither the Republic nor the trustee 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 trustee 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 trustee that it elects to cause the issuance of certificated bonds; or
- certain other events provided in the indenture 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 Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act 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 Securities Act 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 Securities Act) 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 Securities Act) 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 have 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 Securities Act, 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 Securities Act. 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) pursuant to a registration statement that has been declared effective under the Securities Act;
 - (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 Securities Act;

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 one year 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 (the "resale restriction period"), and will not apply after the resale restriction period ends;
- the Republic and the trustee 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 trustee; and
- each Rule 144A Global Bond and each Regulation S Global Bond (during the 40 day restricted period) will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT, 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, 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 REPUBLIC'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND CAN ONLY BE REMOVED AT THE OPTION OF THE ISSUER.

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 provides a general summary of the principal Dominican and U.S. federal income tax considerations that may be relevant to you if you purchase, own or sell the bonds. This summary is based on tax laws, regulations, rulings and decisions in effect on the date of this offering memorandum. All of these laws and authorities are subject to change, and any change could be effective retroactively. No assurances can be given that any change in these laws or authorities will not affect the accuracy of the discussion set forth herein. 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. This summary only addresses the initial purchasers of the bonds that purchase the bonds at their initial offering price and hold the bonds as capital assets. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, financial institution, real estate investment trust, regulated investment company, insurance company, dealer in securities or currencies, trader in securities or commodities that elects to use the mark-to-market method of accounting, nonresident alien individual present in the United States for more than 182 days in a taxable year, investor that will hold the bonds as a hedge against currency risk or as a position in a “straddle” or conversion transaction or as part of a “synthetic security” or other financial integrated transaction, partnership or other pass-through entity for U.S. federal income tax purposes (or partner or member thereof), person subject to the U.S. federal alternative minimum tax, tax-exempt organization or a United States person (as defined below) whose “functional currency” is not the U.S. dollar.

This discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular investor’s decision to invest in the bonds. 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 Taxation

The following summary of the principal Dominican tax matters is based on a review of the *Código Tributario* (“Tax Code”) Law No. 11-92 enacted in 1992, as amended, and its rules for application; and Law No. 512-19 dated December 23, 2019. This summary contains a description of the principal tax consequences in the Dominican Republic 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 own tax advisers as to the consequences of the purchase, ownership and disposition of the bonds.

Pursuant to Article 9 of Law No. 512-19, principal and interest paid on the bonds issued under this law are exempt from any type of taxes, rights, fees, charges or public contributions, governmental or municipal. Capital gains realized on the disposition by a foreign non-resident holder of the bonds will not be subject to Dominican taxes.

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 the 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. 512-19.

United States Taxation

The following summary of the principal U.S. federal income tax matters is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury Regulations, rulings and judicial decisions in effect on the date of this offering memorandum, all of which are subject to change, possibly with retroactive effect. This summary does not address any tax consequences under U.S. federal estate, gift or other tax laws, and does not discuss the consequences arising under state, local, foreign tax laws or the Medicare tax on net investment income. For purposes of this summary, the term “United States person” means an individual who is a citizen or resident of the United States, a domestic corporation or any other holder that is subject to U.S. federal income taxation on a net income basis in respect of the bonds.

United States persons that use an accrual method of accounting for tax purposes (“accrual method holders”) generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the “book/tax conformity rule”). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described below. It is not entirely clear to what types of income the book/tax conformity rule applies, or, in some cases, how the rule is to be applied if it is applicable. However, recently released proposed regulations generally would exclude, among other items, original issue discount (whether or not *de minimis*) from the applicability of the book/tax conformity rule. Although the proposed regulations generally will not be effective until taxable years beginning after the date on which they are issued in final form, taxpayers generally are permitted to elect to rely on their provisions currently. United States persons that use an accrual method of accounting should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

Payments of Interest and Sale, Exchange or other Disposition of the Bonds

If you are a United States person, the interest you receive on bonds will generally be subject to U.S. taxation and will be considered ordinary interest income on which you will be taxed at the time that such interest is accrued or received, in accordance with the method of accounting that you use for tax purposes. Such income will generally constitute foreign source passive category income for purposes of the U.S. foreign tax credit rules. In the event the bonds are issued with more than a *de minimis* amount of original issue discount (“OID”) for U.S. federal income tax purposes, a United States person generally will be required to include OID in income on a constant yield basis over the life of the bonds. The remainder of the discussion assumes that the bonds will be issued without more than a *de minimis* amount of OID.

If you are a United States person, when you sell, exchange or otherwise dispose of the bonds, you generally will recognize capital 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 U.S. federal income tax purposes, which will be taxable as described above). Your tax basis in a bond generally will equal the cost of the bond to you. If you are an individual and have held the bond being sold, exchanged or otherwise disposed of 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.

Specified Foreign Financial Assets

Certain United States persons that own “specified foreign financial assets” with an aggregate value in excess of US\$50,000 on the last day of the taxable year or US\$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on U.S. Internal Revenue Service (“IRS”) Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the bonds) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. United States persons who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the

application of these rules to their investment in the bonds, including the application of the rules to their particular circumstances.

Backup Withholding and Information Reporting

Information returns will be filed with the IRS in connection with payments on the bonds made to, and the proceeds of dispositions of bonds effected by, certain United States persons. In addition, certain United States persons may be subject to U.S. backup withholding tax in respect of such payments and proceeds, unless such United States person (i) comes within certain exempt categories and demonstrates this fact, or (ii) provides a correct taxpayer identification number on a IRS Form W-9, certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Persons holding bonds who are not United States persons may be required to comply with applicable certification procedures to establish that they are not United States persons in order to avoid the application of such information reporting requirements and backup withholding tax. Any amounts withheld under the backup withholding rules will be allowed as a refund, or as a credit against your U.S. federal income tax liability, provided that you furnish the required information to the IRS.

The Proposed Financial Transaction Tax (“FTT”)

The European Commission has published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the bonds in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT remains subject to negotiation between the participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States of the European Union may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the bonds are advised to seek their own professional advice in relation to the FTT.

PLAN OF DISTRIBUTION

BNP Paribas Securities Corp. and J.P. Morgan Securities LLC are acting as joint book-running managers of the offering. Subject to the terms and conditions stated in the purchase agreement dated as of January 23, 2020, each initial purchaser named below has agreed to purchase, and the Republic has agreed to sell to such initial purchaser, the principal amount of the bonds set forth below.

| Initial Purchasers | Principal Amount of the 2030 Bonds | Principal Amount of the 2060 Bonds |
|----------------------------------|---|---|
| BNP Paribas Securities Corp..... | US\$500,000,000 | US\$750,000,000 |
| J.P. Morgan Securities LLC | US\$500,000,000 | US\$750,000,000 |
| Total | US\$1,000,000,000 | US\$1,500,000,000 |

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 initial purchasers may offer and sell the bonds through certain of their affiliates.

The Republic has been advised that the initial purchasers propose to resell 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 reliance on Rule 144A and outside the United States in reliance on Regulation S. See “Transfer Restrictions.” The price at 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 Securities Act or any state securities laws 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.”

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 Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Republic has agreed that, for a period of 60 days following the date of this offering memorandum it will not, without the prior written consent of BNP Paribas Securities Corp. and J.P. Morgan Securities LLC offer, sell, contract to sell, pledge or otherwise dispose of or enter into any transaction designed to, or that may reasonably be expected to result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Republic or any other person acting on its behalf, directly or indirectly, or announce the offering, of any external debt securities issued or guaranteed by the Republic (other than the bonds offered hereby).

The bonds will constitute a new class of securities with no established trading market. Application will be made to list the bonds on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market. However, the Republic cannot assure you that the prices at which the bonds will sell 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, the initial purchasers are not obligated to do so and any market-making activities with respect to the bonds may be discontinued at any time without notice. In addition, market-making activity may be subject to the limits imposed by applicable securities laws. Accordingly, the Republic and the initial purchasers 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 short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater number of bonds than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of

preventing or retarding a decline in the market price of the bonds while the offering is in progress. Such transactions may be effected on the Euro MTF Market or on the regulated market of the Luxembourg Stock Exchange, in the over-the-counter market or otherwise and if commenced, may begin on or after the date of adequate public disclosure of the final terms of the offer of the bonds and may be ended at any time, but it must not end later than the earlier of 30 days after the issue date and 60 days after the date of allotment of the bonds.

These activities by the initial purchasers, as well as other purchases by the initial purchasers for their own accounts, may stabilize, maintain or otherwise affect the market price of the bonds. As a result, the price of the bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the initial purchasers at any time without prior notice.

The Republic expects that delivery of the bonds will be made to investors on or about January 30, 2020, which will be the fifth business day following the date of this offering memorandum (such settlement being referred to as “T+5”). Under Rule 15c6-1 under the U.S. Securities Exchange Act of 1934, as amended, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade bonds prior to the delivery of the bonds hereunder may be required, by virtue of the fact that the bonds initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the bonds who wish to trade the bonds prior to their date of delivery hereunder should consult their advisors.

The initial purchasers may have performed commercial banking, investment banking and advisory services for the Republic from time to time for which they may have received customary fees and reimbursement of expenses. The initial purchasers may, from time to time, engage in transactions with and perform services for the Republic in the ordinary course of their business for which the initial purchasers may receive customary fees and reimbursement of expenses.

In the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain of those the initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, the initial purchasers and their affiliates would hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the bonds offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the bonds offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Investors who purchase the bonds from the initial purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page of this offering memorandum.

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

Prohibition of Sales to European Economic Area Retail Investors

The bonds have not been and will not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision, “retail investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the bonds or otherwise making them available to retail investors in the

EEA has been prepared and therefore offering or selling the bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in the United Kingdom

In the purchase agreement, each of the initial purchasers has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of the bonds in circumstances in which Section 21(1) of the FSMA does not apply to the issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the bonds in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Chile

The offer of the bonds began on January 23, 2020 and the bonds will not be registered under Chilean Securities Market Law (Law No. 18,045, as amended) in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Commission for the Financial Markets (*Comisión para el Mercado Financiero*, or “CMF”) and, therefore, the bonds are not subject to the supervision of the CMF. As unregistered securities, the issuer is not required to disclose public information about the bonds in Chile. Accordingly, the bonds cannot and will not be offered or sold to persons unless they are registered in the corresponding securities registry. The bonds may only be offered in Chile in circumstances which have not resulted and will not result in a public offering under Chilean law or in compliance with *Norma de Carácter General* (Rule) No. 336, dated June 27, 2012 of the CMF.

La oferta de los bonos empezó el 23 de Enero de 2020 y los bonos que se ofrecen no se registrarán al amparo de la Ley de Mercado de Valores de Chile (Ley No. 18,045 y sus correspondientes modificaciones) en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero (la “CMF”), por lo que tales valores no están sujetos a la fiscalización de la CMF. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de estos valores. En consecuencia, los bonos no pueden y no serán ofrecidos o vendidos a personas, salvo que los valores se encuentren inscritos en el registro correspondiente. Los bonos sólo pueden ser ofrecidos en Chile en circunstancias que no han resultado y que no darán lugar a una oferta pública bajo la ley chilena o siempre que se acojan a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012 de la CMF.

Notice to Prospective Investors in Switzerland

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the bonds described herein. The bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this offering memorandum nor any other offering or marketing material relating to the bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Notice to Prospective Investors in the Republic of Panama

The bonds have not been, and will not be, registered for public offering in Panama with the Superintendency of Capital Markets of Panama under Decree-Law 1 of July 8, 1999, as amended (the “Panamanian Securities Act”). Accordingly, the bonds may not be offered or sold in Panama, except in certain limited transactions exempted from the registration requirements of the Panamanian Securities Act. The bonds do not benefit from tax incentives accorded by the Panamanian Securities Act and are not subject to regulation or supervision by the Superintendency of Capital Markets of Panama.

Notice to Prospective Investors in Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The bonds will not be offered or sold in Hong Kong other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the bonds which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to securities which are or are intended to be disposed of only to persons outside of Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The bonds have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the bonds nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offering may not be circulated or distributed, nor may the bonds be offered, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the bonds are subscribed for under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the bonds under Section 275 of the SFA except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A), or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA (Chapter 289 of Singapore), the Republic has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the bonds are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Canada

The bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.4 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding initial purchasers conflicts of interest in connection with this offering.

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. All other information and statements set forth herein relating to the Republic are included as public official statements made on the authority of the Republic.

VALIDITY OF THE BONDS

The validity of the bonds will be passed upon for the Republic by Cleary Gottlieb Steen & Hamilton LLP, 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 LLP, United States counsel to the initial purchasers, and Pellerano Nadal, Dominican counsel to the initial purchasers.

As to all matters of Dominican law, Cleary Gottlieb Steen & Hamilton LLP 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 LLP may rely upon the opinion of Pellerano Nadal. 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 LLP, and Pellerano Nadal may rely on the opinion of Simpson Thacher & Bartlett LLP.

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 clearance systems. The CUSIP numbers, ISINs and Common Codes for each series of the bonds offered pursuant to Rule 144A and Regulation S are set forth below:

| 2030 Bonds | <u>CUSIP Number</u> | <u>ISIN</u> |
|--------------------|-------------------------|--------------|
| Rule 144A..... | 25714PED6 | US25714PED69 |
| Regulation S | P3579ECF2 | USP3579ECF27 |

| 2060 Bonds | <u>CUSIP Number</u> | <u>ISIN</u> |
|-------------------|-------------------------|--------------|
| Rule 144A..... | 25714PEE4 | US25714PEE43 |
| Regulation S..... | P3579ECG0 | USP3579ECG00 |

Where You Can Find More Information

As long as the bonds are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market, you may inspect or receive copies, free of charge, of the following documents on any business day at the offices of the listing agent in Luxembourg:

- the indenture incorporating the forms of the bonds;
- an English translation of *Ley de Bonos* (Bond Law) No. 512-19;
- the most recent annual economic report of the Republic (of which English translations are available); and
- this offering memorandum.

The Republic

The creation and issuance of the bonds were authorized pursuant to Law No. 512-19, dated December 23, 2019.

Except as disclosed in this offering memorandum, since December 31, 2018, there has been no material adverse change in the revenues or expenditures, or financial position, of the Republic.

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2018 (in millions of US\$)⁽¹⁾

| Lender | Borrower | Approval Date (dd/mm/yyyy) | Interest Rate (as a %) | Maturity Date (dd/mm/yyyy) | Outstanding Amount as of December 31, 2018 |
|--|--------------|-------------------------------|---------------------------|-------------------------------|---|
| MULTILATERAL INSTITUTIONS | | | | | |
| INTERNATIONAL DEVELOPMENT ASSOCIATION | | | | | |
| International Development Association | Government | 12-May-1971 | 0.00 | 1-Oct-2020 | 0.2 |
| International Development Association | Government | 21-Apr-1973 | 0.75 as commission | 15-Nov-2022 | 1.6 |
| International Development Association | Central Bank | 11-Sep-1971 | 0.75 | 15-Nov-2020 | 0.3 |
| Total International Development Association | | | | | 2.1 |
| INTER-AMERICAN DEVELOPMENT BANK | | | | | |
| Inter-American Development Bank | CDEEE | 17-Jun-1972 | 0.00 | 6-Mar-2022 | 0.5 |
| Inter-American Development Bank | Government | 15-Jul-1978 | 0.00 | 18-Apr-2028 | 0.4 |
| Inter-American Development Bank | Government | 15-May-1979 | 2.00 | 6-Apr-2019 | 0.1 |
| Inter-American Development Bank | Government | 15-May-1979 | 2.00 | 6-Apr-2019 | 1.0 |
| Inter-American Development Bank | Government | 29-Dec-1979 | 2.00 | 15-Oct-2019 | 0.9 |
| Inter-American Development Bank | Government | 31-Dec-1979 | 2.00 | 15-Oct-2019 | 0.8 |
| Inter-American Development Bank | Government | 20-Jan-1980 | 2.00 | 24-Nov-2019 | 1.2 |
| Inter-American Development Bank | Government | 20-Jan-1980 | 2.00 | 24-Nov-2019 | 1.3 |
| Inter-American Development Bank | Government | 15-Sep-1981 | 2.00 | 16-Mar-2021 | 2.2 |
| Inter-American Development Bank | Government | 15-Jan-1982 | 2.00 | 24-Jan-2021 | 1.0 |
| Inter-American Development Bank | Government | 13-Jun-1982 | 2.00 | 13-May-2021 | 0.6 |
| Inter-American Development Bank | Government | 14-Jun-1982 | 2.00 | 24-Sep-2021 | 0.1 |
| Inter-American Development Bank | Government | 14-Jun-1982 | 2.00 | 24-Sep-2021 | 0.6 |
| Inter-American Development Bank | Government | 18-Jun-1982 | 2.00 | 6-Mar-2022 | 2.4 |
| Inter-American Development Bank | Government | 16-Nov-1982 | 2.00 | 23-Sep-2022 | 6.0 |
| Inter-American Development Bank | Government | 31-May-1984 | 2.00 | 14-Feb-2024 | 0.4 |
| Inter-American Development Bank | Government | 30-Apr-1990 | 2.00 | 13-Feb-2030 | 15.6 |
| Inter-American Development Bank | Government | 20-Feb-1992 | 2.00 | 12-Dec-2031 | 12.6 |
| Inter-American Development Bank | Government | 15-Jul-1993 | 2.00 | 8-Jan-2033 | 16.8 |
| Inter-American Development Bank | Government | 15-Nov-1994 | 2.00 | 1-Jun-2034 | 25.6 |
| Inter-American Development Bank | Government | 25-Jan-1995 | Variable (IDB) | 20-Nov-2019 | 1.1 |
| Inter-American Development Bank | Government | 25-Jan-1995 | 2.00 | 20-Nov-2034 | 7.2 |
| Inter-American Development Bank | Government | 15-Jul-1997 | Variable (IDB) | 30-Sep-2021 | 9.3 |
| Inter-American Development Bank | Government | 25-Jul-1997 | Variable (IDB) | 13-Oct-2026 | 18.1 |
| Inter-American Development Bank | Government | 29-Aug-1998 | Variable (IDB) | 20-Feb-2023 | 15.3 |
| Inter-American Development Bank | Government | 31-Aug-1998 | Variable (IDB) | 20-Feb-2023 | 5.1 |
| Inter-American Development Bank | Government | 31-Aug-1998 | Variable (IDB) | 20-Feb-2023 | 2.9 |

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2018 (in millions of US\$)⁽¹⁾

| Lender | Borrower | Approval Date (dd/mm/yyyy) | Interest Rate (as a %) | Maturity Date (dd/mm/yyyy) | Outstanding Amount as of December 31, 2018 |
|---------------------------------|------------|-------------------------------|---------------------------|-------------------------------|---|
| Inter-American Development Bank | Government | 22-May-1999 | Variable (IDB) | 3-Oct-2023 | 2.1 |
| Inter-American Development Bank | Government | 24-Jun-1999 | Variable (IDB) | 2-Dec-2023 | 19.8 |
| Inter-American Development Bank | Government | 24-Jun-1999 | Variable (IDB) | 2-Dec-2023 | 5.8 |
| Inter-American Development Bank | Government | 11-Aug-1999 | Variable (IDB) | 3-Oct-2023 | 13.2 |
| Inter-American Development Bank | Government | 26-Sep-2000 | Variable (IDB) | 18-Jul-2023 | 2.7 |
| Inter-American Development Bank | Government | 26-Sep-2000 | Variable (IDB) | 22-Sep-2019 | 2.2 |
| Inter-American Development Bank | Government | 26-Sep-2000 | Variable (IDB) | 22-Sep-2019 | 1.0 |
| Inter-American Development Bank | Government | 13-Oct-2000 | 5.34 | 5-Sep-2024 | 5.5 |
| Inter-American Development Bank | Government | 28-Mar-2001 | Variable (IDB) | 27-Apr-2019 | 0.9 |
| Inter-American Development Bank | Government | 28-Mar-2001 | Variable (IDB) | 10-Nov-2025 | 6.9 |
| Inter-American Development Bank | Government | 21-Nov-2001 | Variable (IDB) | 2-Aug-2021 | 33.5 |
| Inter-American Development Bank | Government | 21-Nov-2001 | Variable (IDB) | 2-Aug-2021 | 6.5 |
| Inter-American Development Bank | Government | 27-Nov-2001 | Variable (IDB) | 14-Feb-2026 | 16.5 |
| Inter-American Development Bank | Government | 27-Nov-2001 | Variable (IDB) | 14-Feb-2026 | 3.2 |
| Inter-American Development Bank | Government | 26-Feb-2003 | Variable (IDB) | 29-Apr-2027 | 24.2 |
| Inter-American Development Bank | Government | 30-Jan-2004 | Variable (IDB) | 30-Jul-2027 | 4.6 |
| Inter-American Development Bank | Government | 30-Jan-2004 | Variable (IDB) | 30-Jul-2027 | 34.5 |
| Inter-American Development Bank | Government | 23-Mar-2004 | Variable (IDB) | 24-Mar-2028 | 2.4 |
| Inter-American Development Bank | Government | 23-Mar-2004 | Variable (IDB) | 23-Sep-2023 | 30.3 |
| Inter-American Development Bank | Government | 06-Aug-2004 | Variable (IDB) | 8-Aug-2023 | 3.0 |
| Inter-American Development Bank | Government | 24-Aug-2005 | Variable (IDB) | 24-Aug-2023 | 0.1 |
| Inter-American Development Bank | Government | 24-Aug-2005 | Variable (IDB) | 24-Aug-2023 | 1.9 |
| Inter-American Development Bank | Government | 02-Nov-2005 | Variable (IDB) | 4-Nov-2028 | 0.3 |
| Inter-American Development Bank | Government | 02-Nov-2005 | Variable (IDB) | 4-Nov-2028 | 2.2 |
| Inter-American Development Bank | Government | 13-Jan-2007 | Variable (IDB) | 15-Jan-2031 | 1.3 |
| Inter-American Development Bank | Government | 13-Jan-2007 | Variable (IDB) | 15-Jan-2031 | 4.8 |
| Inter-American Development Bank | Government | 03-Aug-2007 | 9.33 | 5-Aug-2026 | 85.7 |
| Inter-American Development Bank | Government | 14-Aug-2007 | Variable (IDB) | 16-Feb-2032 | 2.0 |
| Inter-American Development Bank | Government | 14-Aug-2007 | Variable (IDB) | 16-Feb-2032 | 4.3 |
| Inter-American Development Bank | Government | 04-Jul-2008 | Variable (IDB) | 6-Jan-2031 | 6.7 |
| Inter-American Development Bank | Government | 04-Jul-2008 | Variable (IDB) | 6-Jul-2032 | 38.5 |
| Inter-American Development Bank | Government | 04-Jul-2008 | Variable (IDB) | 6-Jul-2032 | 14.7 |
| Inter-American Development Bank | Government | 07-Jul-2008 | Variable (IDB) | 9-Jan-2031 | 3.3 |
| Inter-American Development Bank | Government | 31-Dec-2008 | Variable (IDB) | 2-Jan-2028 | 6.7 |
| Inter-American Development Bank | Government | 04-Jun-2009 | Variable (IDB) | 6-Dec-2028 | 41.4 |
| Inter-American Development Bank | Government | 04-Jun-2009 | Variable (IDB) | 6-Dec-2033 | 29.4 |
| Inter-American Development Bank | Government | 09-Jun-2009 | Variable (IDB) | 11-Dec-2031 | 15.6 |

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2018 (in millions of US\$)⁽¹⁾

| Lender | Borrower | Approval Date (dd/mm/yyyy) | Interest Rate (as a %) | Maturity Date (dd/mm/yyyy) | Outstanding Amount as of December 31, 2018 |
|--|--------------|-------------------------------|---------------------------|-------------------------------|---|
| Inter-American Development Bank | Government | 18-Dec-2009 | Variable (IDB) | 15-Jun-2034 | 47.1 |
| Inter-American Development Bank | Government | 18-Aug-2010 | Variable (IDB) | 20-Feb-2035 | 41.3 |
| Inter-American Development Bank | Government | 16-Dec-2010 | Variable (IDB) | 15-Dec-2035 | 16.0 |
| Inter-American Development Bank | Government | 16-Dec-2010 | Variable (IDB) | 15-Jun-2030 | 87.2 |
| Inter-American Development Bank | Government | 16-Dec-2010 | Variable (IDB) | 15-Jun-2025 | 6.8 |
| Inter-American Development Bank | Government | 16-Dec-2010 | Variable (IDB) | 15-Jun-2035 | 73.8 |
| Inter-American Development Bank | Government | 06-May-2011 | Variable (IDB) | 8-Nov-2035 | 6.0 |
| Inter-American Development Bank | Government | 06-May-2011 | Variable (IDB) | 8-Nov-2035 | 23.9 |
| Inter-American Development Bank | Government | 19-Dec-2011 | 5.61 | 15-Jun-2031 | 172.4 |
| Inter-American Development Bank | Government | 22-Dec-2011 | Variable (IDB) | 15-Jun-2036 | 27.1 |
| Inter-American Development Bank | Government | 27-Jan-2012 | Variable (IDB) | 30-Jul-2036 | 4.5 |
| Inter-American Development Bank | Government | 23-Jul-2012 | Variable (IDB) | 25-Jul-2036 | 9.5 |
| Inter-American Development Bank | Government | 27-Jul-2012 | Variable (IDB) | 29-Jul-2036 | 66.0 |
| Inter-American Development Bank | Government | 16-Jan-2013 | Variable (IDB) | 15-May-2037 | 118.6 |
| Inter-American Development Bank | Government | 23-Dec-2013 | Variable (IDB) | 15-Nov-2031 | 98.9 |
| Inter-American Development Bank | Government | 23-Dec-2013 | Variable (IDB) | 15-Nov-2031 | 136.7 |
| Inter-American Development Bank | Government | 23-Dec-2013 | Variable (IDB) | 15-Jun-2027 | 350.0 |
| Inter-American Development Bank | Government | 29-Jul-2014 | Variable (IDB) | 15-Jul-2038 | 50.0 |
| Inter-American Development Bank | Government | 06-Oct-2014 | Variable (IDB) | 15-Sep-2038 | 20.8 |
| Inter-American Development Bank | Government | 19-Jan-2015 | Variable (IDB) | 15-May-2032 | 250.0 |
| Inter-American Development Bank | Government | 19-Jan-2015 | Variable (IDB) | 15-Jul-2032 | 26.4 |
| Inter-American Development Bank | Government | 19-Jan-2015 | Variable (IDB) | 15-Jul-2039 | 78.0 |
| Inter-American Development Bank | Government | 26-Jun-2015 | Variable (IDB) | 15-Mar-2032 | 150.0 |
| Inter-American Development Bank | Government | 20-Nov-2015 | Variable (IDB) | 15-Apr-2031 | 82.5 |
| Inter-American Development Bank | Government | 24-Dec-2015 | Variable (IDB) | 15-May-2031 | 300.0 |
| Inter-American Development Bank | Government | 19-Oct-2018 | Variable (IDB) | 15-Nov-2037 | 300.0 |
| Inter-American Development Bank | Central Bank | 31-Dec-1980 | 2.00 | 6-Jan-2021 | 0.6 |
| Inter-American Development Bank ⁽²⁾ | Central Bank | N/A | 0.00 | 19-Dec-1978 | 4.4 |
| Total Inter-American Development Bank | | | | | 3,175.3 |
| WORLD BANK | | | | | |
| World Bank | Government | 14-Nov-2003 | LIBOR 6m + 0.50 | 15-Oct-2019 | 0.2 |
| World Bank | Government | 14-Nov-2003 | 4.76 | 15-Oct-2019 | 3.8 |
| World Bank | Government | 3-Mar-2004 | 10.76 | 15-Oct-2020 | 16.6 |
| World Bank | Government | 31-Dec-2004 | 7.67 | 15-Apr-2020 | 3.8 |
| World Bank | Government | 28-Apr-2005 | LIBOR 6m + 0.50 | 15-Oct-2020 | 1.2 |
| World Bank | Government | 10-Aug-2005 | 6.33 | 15-Oct-2020 | 2.3 |

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2018 (in millions of US\$)⁽¹⁾

| Lender | Borrower | Approval Date (dd/mm/yyyy) | Interest Rate (as a %) | Maturity Date (dd/mm/yyyy) | Outstanding Amount as of December 31, 2018 |
|---|------------|-------------------------------|---------------------------|-------------------------------|---|
| World Bank | Government | 10-Dec-2005 | LIBOR 6m + 0.50 | 15-Apr-2022 | 29.1 |
| World Bank | Government | 14-Sep-2007 | LIBOR 6m + 0.50 | 15-Oct-2022 | 8.0 |
| World Bank | Government | 15-Nov-2008 | LIBOR 6m + 0.91 | 15-May-2024 | 9.7 |
| World Bank | Government | 7-Apr-2009 | LIBOR 6m + 0.05 | 15-Nov-2037 | 62.7 |
| World Bank | Government | 7-Apr-2009 | LIBOR 6m + 0.05 | 15-Nov-2037 | 32.2 |
| World Bank | Government | 5-Nov-2009 | 5.29 | 15-Nov-2032 | 150.0 |
| World Bank | Government | 5-Nov-2009 | 5.29 | 15-Nov-2032 | 150.0 |
| World Bank | Government | 18-Dec-2009 | LIBOR 6m + 1.05 | 15-May-2027 | 29.6 |
| World Bank | Government | 30-Dec-2009 | LIBOR 6m + 1.20 | 15-Nov-2035 | 23.8 |
| World Bank | Government | 21-Jun-2010 | 6.12 | 15-Nov-2029 | 10.0 |
| World Bank | Government | 30-Nov-2010 | LIBOR 6m + 1.05 | 15-Jan-2028 | 1.5 |
| World Bank | Government | 30-Nov-2010 | 5.25 | 15-Jan-2028 | 15.0 |
| World Bank | Government | 22-Dec-2010 | 6.85 | 15-Sep-2032 | 135.0 |
| World Bank | Government | 27-Jan-2012 | 4.31 | 15-Sep-2041 | 69.0 |
| World Bank | Government | 20-Jul-2012 | 4.29 | 15-Sep-2041 | 19.0 |
| World Bank | Government | 20-Aug-2015 | LIBOR 6m + 0.85 | 15-Sep-2048 | 30.8 |
| World Bank | Government | 24-Dec-2015 | LIBOR 6m | 1-Aug-2038 | 60.0 |
| World Bank | Government | 27-Oct-2016 | LIBOR 6m + 1.00 | 15-Feb-2040 | 34.1 |
| World Bank | Government | 27-Oct-2016 | LIBOR 6m + 0.91 | 15-Mar-2040 | 23.3 |
| Total World Bank | | | | | 920.8 |
| EUROPEAN INVESTMENT BANK | | | | | |
| European Investment Bank | Government | 28-Feb-2001 | 1.00 | 20-Apr-2020 | 1.4 |
| European Investment Bank | Government | 5-Dec-2011 | 3.37 | 30-Mar-2032 | 37.0 |
| Total European Development Bank | | | | | 38.4 |
| CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION | | | | | |
| Central American Bank for Economic Integration | Government | 2-Jun-2009 | Variable (CABEI) | 2-Jun-2024 | 59.6 |
| Central American Bank for Economic Integration | Government | 22-Dec-2011 | Variable (CABEI) | 22-Dec-2026 | 46.7 |
| Central American Bank for Economic Integration | Government | 3-Sep-2013 | Variable (CABEI) | 3-Sep-2028 | 66.8 |
| Central American Bank for Economic Integration | Government | 2-Jul-2018 | LIBOR 6m + 2.20 | 15-Oct-2031 | 75.8 |
| Total Central American Bank for Economic Integration | | | | | 248.8 |
| INTERNATIONAL AGRICULTURAL DEVELOPMENT FUND | | | | | |
| International Agricultural Development Fund | Government | 30-Sep-1999 | Variable (IADF) | 13-Feb-2019 | 0.4 |

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2018 (in millions of US\$)⁽¹⁾

| Lender | Borrower | Approval Date (dd/mm/yyyy) | Interest Rate (as a %) | Maturity Date (dd/mm/yyyy) | Outstanding Amount as of December 31, 2018 |
|--|--------------|-------------------------------|---------------------------|-------------------------------|---|
| International Agricultural Development Fund | Government | 23-Mar-2010 | Variable (IADF) | 13-Jun-2028 | 8.1 |
| International Agricultural Development Fund | Government | 23-Jul-2012 | Variable (IADF) | 13-Dec-2032 | 12.2 |
| International Agricultural Development Fund | Government | 23-Jul-2012 | Variable (IADF) | 12-Dec-2032 | 11.0 |
| Total International Agricultural Development Fund | | | | | 31.8 |
| NORDIC DEVELOPMENT FUND | | | | | |
| Nordic Development Fund | Government | 23-Aug-1998 | 0.00 | 15-Jun-2033 | 4.1 |
| Nordic Development Fund | Government | 23-Aug-1998 | 0.75 | 15-Jun-2038 | 2.9 |
| Total Nordic Development Fund | | | | | 7.0 |
| ANDEAN DEVELOPMENT CORPORATION | | | | | |
| Andean Development Corporation | Government | 30-Dec-2008 | LIBOR 6m + 1.80 | 23-Dec-2020 | 16.7 |
| Andean Development Corporation | Government | 18-Aug-2010 | LIBOR 6m + 2.35 | 18-Aug-2025 | 46.7 |
| Andean Development Corporation | Government | 29-Jul-2014 | LIBOR 6m + 2.60 | 29-Jul-2029 | 28.4 |
| Andean Development Corporation | Government | 19-Jan-2015 | LIBOR 6m + 2.05 | 19-Jan-2027 | 38.6 |
| Andean Development Corporation | Government | 19-Dec-2016 | LIBOR 6m + 2.00 | 21-Jun-2032 | 50.0 |
| Total Andean Development Corporation | | | | | 180.4 |
| OPEC FUND FOR INTERNATIONAL DEVELOPMENT | | | | | |
| OPEC Fund for International Development | Government | 9-Jun-2009 | 3.75 | 15-Jan-2028 | 19.1 |
| OPEC Fund for International Development | Government | 16-Dec-2010 | 3.30 | 15-Jan-2029 | 21.0 |
| OPEC Fund for International Development | Government | 16-Dec-2010 | 3.00 | 15-Dec-2033 | 56.3 |
| Total OPEC Fund for International Development | | | | | 96.5 |
| INTERNATIONAL MONETARY FUND | | | | | |
| International Monetary Fund (Cumulative Allocations) | Central Bank | N/A | Variable FMI | N/A | 290.4 |
| TOTAL MULTILATERAL INSTITUTIONS | | | | | 4,991.5 |
| FOREIGN GOVERNMENTS⁽³⁾ | | | | | |
| French Development Agency | Government | 15-Dec-2000 | 2.25 | 30-Apr-2025 | 1.3 |
| French Development Agency | Government | 31-Mar-2001 | 2.50 | 31-Oct-2019 | 0.0 |
| French Development Agency | Government | 15-Jun-2009 | 0.25 | 31-Jul-2026 | 9.0 |

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2018 (in millions of US\$)⁽¹⁾

| Lender | Borrower | Approval Date (dd/mm/yyyy) | Interest Rate (as a %) | Maturity Date (dd/mm/yyyy) | Outstanding Amount as of December 31, 2018 |
|---|------------|-------------------------------|---------------------------|-------------------------------|---|
| French Development Agency | Government | 5-Dec-2011 | 7.37 | 31-May-2031 | 191.7 |
| French Development Agency | Government | 16-May-2014 | 4.07 | 31-Jan-2023 | 1.7 |
| French Development Agency | Government | 16-May-2014 | LIBOR 6m + 1.55 | 31-Jan-2023 | 2.7 |
| French Development Agency | Government | 19-Jan-2015 | 4.07 | 31-Oct-2034 | 210.0 |
| French Development Agency | Government | 27-Oct-2016 | 4.20 | 30-Apr-2035 | 40.0 |
| AKA Ausfunhrkredit -Gesellschaft | Government | 20-Feb-2004 | 4.66 | 1-Aug-2022 | 12.8 |
| AKA Ausfunhrkredit -Gesellschaft | Government | 10-Jan-2007 | EURIBOR 6m + 0.27 | 15-Aug-2019 | 3.2 |
| Banco Central de Venezuela | Government | 20-Jun-2017 | 1.03 | 1-Jan-2043 | 131.2 |
| Banco Central de Venezuela | Government | 20-Jun-2017 | 1.50 | 7-Feb-2041 | 4.3 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 5-Jul-2007 | 6.48 | 18-Jul-2019 | 7.5 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 18-Jul-2007 | 7.12 | 18-Jul-2019 | 9.6 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 25-Aug-2008 | 6.33 | 25-Aug-2020 | 2.4 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 25-Aug-2008 | 5.89 | 25-Aug-2020 | 11.2 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 31-Oct-2008 | 6.63 | 19-Nov-2020 | 12.9 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 15-Nov-2008 | 6.53 | 4-Jun-2023 | 29.4 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 14-Jul-2009 | 3.42 | 14-Jul-2019 | 5.9 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 14-Jul-2009 | 3.56 | 14-Jul-2019 | 6.3 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 24-Oct-2009 | 5.16 | 24-Nov-2021 | 13.9 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 10-Aug-2010 | 4.69 | 29-Sep-2022 | 17.4 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 5-Oct-2011 | 4.04 | 23-Feb-2024 | 25.0 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 5-Oct-2011 | 4.02 | 23-Feb-2022 | 19.4 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 10-Oct-2011 | 4.04 | 23-Feb-2024 | 104.9 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 30-Apr-2014 | 5.39 | 31-Jul-2026 | 22.6 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 7-Nov-2014 | 5.91 | 25-Nov-2026 | 53.2 |
| Banco Nacional de Desenvolvimento Econômico e Social | Government | 7-Nov-2014 | 5.95 | 25-Nov-2026 | 43.5 |
| BNP FORTIS, Belgium | Government | 17-Jun-2010 | LIBOR 6m + 2.50 | 15-May-2020 | 6.1 |
| BNP FORTIS, Belgium | Government | 29-Jun-2011 | 3.785 | 28-Sep-2023 | 59.4 |
| BNP FORTIS, Belgium | Government | 30-Sep-2014 | EURIBOR 6m + 1.50 | 27-Feb-2025 | 15.5 |
| BNP PARIBAS, Paris | Government | 29-Jun-2011 | 3.45 | 1-Apr-2023 | 36.8 |
| BNP PARIBAS, Belgium | Government | 12-Aug-2006 | EURIBOR 6m + 0.20 | 2-Dec-2019 | 11.7 |
| Commerzbank Belgium | Government | 16-Mar-2004 | 0.00 | 10-May-2019 | 0.2 |
| Deutsche, London | Government | 21-Jun-2010 | LIBOR 6m + 2.25 | 23-May-2024 | 8.4 |
| Deutsche, Milan | Government | 17-Aug-2009 | LIBOR 6m + 1.72 | 30-Mar-2020 | 5.4 |
| Deutsche, Milan | Government | 13-Jul-2015 | LIBOR 6m + 2.40 | 7-Oct-2029 | 21.8 |
| Deutsche, Milan | Government | 13-Jul-2015 | 5.04 | 7-Oct-2029 | 284.1 |

APPENDIX

Dominican Republic: Global Public Sector External Debt
as of December 31, 2018
(in millions of US\$)⁽¹⁾

| Deutsche Bank, S.A.E | Government | 20-Feb-2004 | 4.67 | 30-Sep-2020 | 4.4 |
|---|-----------------|---------------------------------------|-----------------------------------|---------------------------------------|---|
| Lender | Borrower | Approval Date (dd/mm/yyyy) | Interest Rate (as a %) | Maturity Date (dd/mm/yyyy) | Outstanding Amount as of December 31, 2018 |
| Deutsche Bank, S.A.E | Government | 20-Feb-2004 | 5.23 | 8-Jun-2021 | 6.6 |
| Deutsche Bank, S.A.E | Government | 10-Jan-2007 | EURIBOR 6m + 0.12 | 29-Mar-2019 | 1.6 |
| Deutsche Bank, S.A.E | Government | 26-Nov-2009 | 4.51 | 23-Feb-2023 | 55.0 |
| Deutsche Bank, S.A.E | Government | 26-Nov-2009 | 4.51 | 23-Feb-2023 | 39.3 |
| Deutsche Bank, S.A.E | Government | 29-Jun-2011 | 4.05 | 1-Apr-2023 | 25.7 |
| Deutsche Bank, S.A.E | Government | 26-Jun-2015 | 4.50 | 27-Nov-2027 | 55.5 |
| Export-Import Bank of the United States | Government | 27-Jul-2012 | CIRR USD > 8.5 Years+2.45 | 20-Nov-2022 | 14.6 |
| Belgian Government | Government | 31-Dec-1993 | 0.00 | 31-Dec-2020 | 0.1 |
| International Cooperation and Development Fund-CHINA | Government | 15-Jun-2001 | 3.50 | 15-May-2026 | 1.5 |
| Official Credit Institute | Government | 21-Oct-2003 | 2.00 | 6-Nov-2019 | 1.1 |
| Official Credit Institute | Government | 10-Jul-1995 | 1.50 | 8-Aug-2025 | 1.9 |
| Official Credit Institute | Government | 22-Feb-1996 | 1.50 | 11-Mar-2026 | 2.3 |
| Official Credit Institute | Government | 2-Feb-1998 | 1.00 | 4-Feb-2028 | 2.4 |
| Official Credit Institute | Government | 2-Feb-1998 | 1.00 | 4-Feb-2028 | 2.5 |
| Official Credit Institute | Government | 17-Aug-1998 | 1.00 | 31-Aug-2028 | 1.6 |
| Official Credit Institute | Government | 10-Dec-1998 | 1.00 | 14-Dec-2028 | 1.9 |
| Official Credit Institute | Government | 10-Dec-1998 | 4.75 | 14-Dec-2028 | 1.4 |
| Official Credit Institute | Government | 10-Dec-1998 | 1.00 | 14-Dec-2028 | 1.2 |
| Official Credit Institute | Government | 1-Mar-1999 | 1.00 | 20-May-2029 | 5.5 |
| Official Credit Institute | Government | 10-Dec-2000 | 3.70 | 24-Aug-2030 | 1.2 |
| Official Credit Institute | Government | 28-Feb-2001 | 0.00 | 4-Jul-2030 | 15.7 |
| Official Credit Institute | Government | 11-Jan-2002 | 1.00 | 15-Jan-2032 | 2.4 |
| Official Credit Institute | Government | 28-Aug-2010 | 0.01 | 25-Nov-2040 | 52.9 |
| Official Credit Institute | Government | 12-Jul-2012 | 0.01 | 6-Nov-2050 | 6.9 |
| Official Credit Institute | Government | 29-Jul-2014 | 0.01 | 26-May-2053 | 0.9 |
| Official Credit Institute | Government | 6-Oct-2014 | 0.01 | 27-Oct-2052 | 1.2 |
| Japan International Cooperation Agency (a JBIC-OECF) | Government | 15-Nov-1994 | 3.00 | 20-Mar-2024 | 21.2 |
| Export-Import Bank of Korea | Government | 9-May-2007 | 1.70 | 20-Aug-2031 | 13.4 |
| Export-Import Bank of Korea | Government | 30-Sep-2013 | 0.00 | 20-Aug-2042 | 1.1 |
| Export-Import Bank of Korea | Government | 30-Sep-2013 | 0.25 | 20-Aug-2042 | 21.9 |
| Kredit Für Wiederaufbau | Government | 25-Jun-1997 | 2.00 | 30-Dec-2026 | 3.4 |
| Kredit Für Wiederaufbau | Government | 20-Jun-1998 | 2.00 | 30-Dec-2026 | 3.5 |
| Kredit Für Wiederaufbau | Government | 14-Oct-2003 | 3.67 | 30-Dec-2032 | 1.4 |
| Kredit Für Wiederaufbau | Government | 26-Feb-2005 | 4.50 | 30-Dec-2020 | 2.6 |
| Kredit Für Wiederaufbau | Government | 29-Jun-2011 | 4.08 | 1-Apr-2023 | 13.5 |
| Kredit Für Wiederaufbau | Government | 3-Apr-2017 | 2.00 | 30-Dec-2045 | 4.0 |
| Land Bank of Taiwan | Government | 24-Aug-2005 | LIBOR 6m + 1.00 | 4-Aug-2021 | 3.3 |

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2018 (in millions of US\$)⁽¹⁾

| Lender | Borrower | Approval Date (dd/mm/yyyy) | Interest Rate (as a %) | Maturity Date (dd/mm/yyyy) | Outstanding Amount as of December 31, 2018 |
|--------------------------------------|------------|-------------------------------|---------------------------|-------------------------------|---|
| NATIXIS | Government | 22-Dec-2011 | 1.00 | 31-Dec-2037 | 61.2 |
| Petróleos de Venezuela, S.A. | Government | 31-Dec-2004 | 1.00 | 1-Jan-2040 | 4.4 |
| Petróleos de Venezuela, S.A. | Government | 31-Dec-2004 | 1.00 | 18-Sep-2041 | 12.3 |
| Petróleos de Venezuela, S.A. | Government | 31-Dec-2004 | 1.00 | 20-Feb-2042 | 1.2 |
| Petróleos de Venezuela, S.A. | Government | 31-Dec-2004 | 2.00 | 23-Sep-2021 | 24.4 |
| Petróleos de Venezuela, S.A. | Government | 31-Dec-2004 | 1.00 | 7-May-2036 | 6.7 |
| Petróleos de Venezuela, S.A. | Government | 31-Dec-2004 | 1.00 | 21-Dec-2039 | 31.9 |
| SANTANDER | Government | 27-Aug-2010 | 6.02 | 24-Feb-2025 | 29.7 |
| SANTANDER | Government | 20-Dec-2016 | EURIBOR 6m + 0.00 | 24-Mar-2032 | 4.6 |
| SANTANDER | Government | 20-Dec-2016 | 1.36 | 24-Mar-2032 | 41.5 |
| SANTANDER | Government | 20-Dec-2016 | 1.15 | 6-Nov-2032 | 37.2 |
| TOTAL FOREIGN GOVERNMENTS | | | | | 2,094.3 |
| COMMERCIAL BANKS | | | | | |
| BNP PARIBAS, PARIS | Government | 17-Nov-2014 | LIBOR 6m + 5.15 | 30-Dec-2021 | 10.8 |
| CITIBANK, N.A. | Government | 26-Dec-2012 | Preferencial Local | 26-Dec-2019 | 20.0 |
| Deutsche Bank, S.A.E. | Government | 26-Jun-2015 | EURIBOR 6m + 4.00 | 8-Oct-2020 | 3.3 |
| MESTENIO | Government | 9-Dec-2013 | Preferencial Local | 26-Dec-2019 | 97.7 |
| MESTENIO | Government | 9-Dec-2013 | Preferencial Local | 26-Dec-2019 | 40.0 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 27-Jan-2015 | 6.85 | 27-Jan-2045 | 2,000.0 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 29-Jan-2016 | 6.88 | 29-Jan-2026 | 1,500.0 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 18-Jan-2017 | 5.95 | 25-Jan-2027 | 1,700.0 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 8-Feb-2018 | 6.50 | 15-Feb-2048 | 1,000.0 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 8-Feb-2018 | 8.90 | 15-Feb-2023 | 796.8 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 17-Jul-2018 | 6.00 | 19-Jul-2028 | 1,300.0 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 20-Mar-2006 | 8.63 | 19-Apr-2027 | 300.0 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 6-May-2010 | 7.50 | 5-May-2021 | 1,500.0 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 18-Apr-2013 | 5.88 | 18-Apr-2024 | 1,000.0 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 21-Oct-2013 | 6.60 | 27-Jan-2024 | 500.0 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 30-Apr-2014 | 7.45 | 30-Apr-2044 | 1,500.0 |
| BANK OF NY MELLON ⁽⁴⁾ | Government | 18-Dec-2014 | 5.50 | 27-Jan-2025 | 1,500.0 |
| TOTAL COMMERCIAL BANKS | | | | | 14,768.6 |

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2018 (in millions of US\$)⁽¹⁾

| Lender | Borrower | Approval Date (dd/mm/yyyy) | Interest Rate (as a %) | Maturity Date (dd/mm/yyyy) | Outstanding Amount as of December 31, 2018 |
|-----------------------------|----------|-------------------------------|---------------------------|-------------------------------|---|
| SUPPLIERS | | | | | |
| ASEA B.B. ⁽⁵⁾ | CDEEE | 30-Nov-1980 | EURIBOR 6m + 0.275 | 31-Dec-1989 | 0.6 |
| ATMOSPHERICS ⁽⁵⁾ | CDEEE | 27-Jan-1984 | 3.50 | 30-Dec-1986 | 0.1 |
| BURNS & ROE ⁽⁵⁾ | CDEEE | 14-Feb-1984 | 3.50 | 31-Dec-1989 | 0.5 |
| FIAT MARELLI ⁽⁵⁾ | CDEEE | 30-Jul-1980 | 7.75 | 7-Nov-1985 | 0.1 |
| FIAT TTG ⁽⁵⁾ | CDEEE | 23-Sep-1985 | 10.00 | 30-Apr-1987 | 3.5 |
| GEOLIDRO ⁽⁵⁾ | CDEEE | 29-Mar-1984 | 14.50 | 31-Dec-1988 | 0.4 |
| HARZA ⁽⁵⁾ | CDEEE | 23-Sep-1985 | LIBOR 6m + 3.00 | 31-Dec-1989 | 0.5 |
| SYSTEMS C. ⁽⁵⁾ | CDEEE | 27-Nov-1980 | 8.55 | 9-Mar-1987 | 0.3 |
| TOTAL SUPPLIERS | | | | | 6.0 |
| TOTAL | | | | | 21,860.4 |

(1) Currencies other than U.S. dollars are converted to U.S. dollars at a rate published by the IMF on December 31, 2018.

(2) Amount owed as contribution to the IDB, to be paid upon IDB's request.

(3) Includes loans from commercial entities guaranteed by export credit agencies of foreign governments.

(4) Entity acts as trustee.

(5) Constitutes arrears of the Republic with its suppliers. See "Public Sector Debt—External Debt—External Debt Owed to Commercial Lenders and Suppliers."

CDEEE = *Corporación Dominicana de Empresas Eléctricas Estatales* (Dominican Corporation of State-Owned Electric Entities)

EURIBOR = Euro Inter-Bank Offered Rate

LIBOR = London Inter-Bank Offered Rate

Sources: Ministry of Finance and Central Bank.

ISSUER

The Dominican Republic

Ministerio de Hacienda
Ave. México No. 45
Santo Domingo
República Dominicana

TRUSTEE, PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon

240 Greenwich St.
Floor 7 E
New York, New York 10286
United States of America
Attention: Corporate Trust – Global Americas

LUXEMBOURG LISTING AGENT AND PAYING AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch

Vertigo Building - Polaris
2-4 rue Eugène Ruppert - L-2453
Luxembourg

INITIAL PURCHASERS

BNP Paribas Securities Corp.

787 Seventh Avenue
New York, New York 10019
United States of America

J.P. Morgan Securities LLC

383 Madison Avenue
New York, New York 10179
United States of America

LEGAL ADVISORS TO THE DOMINICAN REPUBLIC

As to U.S. federal and New York law

Cleary Gottlieb Steen & Hamilton LLP

One Liberty Plaza
New York, New York 10006
United States of America

As to Dominican law

Consultor Jurídico del Poder Ejecutivo

Av. México esq. Dr. Delgado 2^{do} Piso,
Palacio Nacional
Santo Domingo
República Dominicana

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. federal and New York law

Simpson Thacher & Bartlett LLP

425 Lexington Avenue
New York, New York 10017
United States of America

As to Dominican law

Pellerano Nadal

Avenida Pedro Henríquez Ureña 150
Torre Diandy XIX 2^{do} Piso,
La Esperilla
Santo Domingo, 10108
República Dominicana

