The Dominican Republic

DOP35,314,500,000 8.000% *Bonos de Deuda Soberana* due 2028
DOP81,441,800,000 8.625% *Bonos de Deuda Soberana* due 2031

The Dominican Republic (the “Republic”) is offering DOP35,314,500,000 aggregate principal amount of its DOP-denominated 8.000% *Bonos de Deuda Soberana* due 2028 (the “2028 bonds”) and DOP81,441,800,000 aggregate principal amount of its DOP-denominated 8.625% *Bonos de Deuda Soberana* due 2031 (the “2031 bonds” and, together with the 2028 bonds, the “bonds”) in a global offering that consists of an offering in the Dominican Republic of DOP32,832,500,000 aggregate principal amount of the 2028 bonds and DOP77,092,100,000 aggregate principal amount of the 2031 bonds (the “local offering”) and an offering of DOP2,482,000.000 aggregate principal amount of 2028 bonds and DOP4,349,700,000 aggregate principal amounts of 2031 bonds to investors outside of the Dominican Republic (the “international offering”). Interest on each series of the bonds will accrue from June 11, 2021 and will be payable semi-annually in arrears on June 11 and December 11 of each year. The first interest payment on the bonds will be made on December 11, 2021. The 2028 bonds will mature on June 11, 2028, and the 2031 bonds will mature on June 11, 2031. All payments due on the bonds will be made in Dominican pesos. The Republic will have no obligation to convert amounts payable in Dominican pesos into U.S. dollars or any other currency.

The bonds will be registered with CEVALDOM, Deposito Centralizado de Valores, S.A. (“CEVALDOM”) and will be eligible for clearance through the book-entry system of CEVALDOM. Investors may hold book-entry interests in the bonds through organizations that participate, directly or indirectly, in CEVALDOM. The bonds will not be eligible for clearance in The Depository Trust Company (“DTC”), in Euroclear Bank S.A./N.V., as operator of the Euroclear Clearance System plc (“Euroclear”) or in Clearstream Banking, S.A. (“Clearstream”). See “Book-Entry Settlement and Clearance.”

Any investors outside of the Dominican Republic wishing to purchase the bonds in Dominican pesos pursuant to this offering memorandum and taking delivery of the bonds through CEVALDOM will do so according to customary local practices. Settlement practices through CEVALDOM require receipt of payments in Dominican pesos related to the bonds in order to deliver such bonds through the CEVALDOM system.

Investing in the bonds involves risks. See “Risk Factors” beginning on page 15.

The bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or the securities laws of any other jurisdiction. In the United States, the bonds will be offered only to qualified institutional buyers in reliance on Rule 144A under 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. For further details about eligible offerees and resale restrictions, see “Plan of Distribution” and “Transfer Restrictions.”

	Issue Price Per Bond	Issue Price Per DOP100,000	Total Gross Proceeds to the Republic
2028 bonds(1)	100.0000%	DOP100,000.00	DOP35,314,500,000.00
2031 bonds(1)	100.1694%	DOP100,169.40	DOP81,579,762,409.20

(1) Plus accrued interest, if any, from June 11, 2021.

Delivery of the bonds is expected to be made on or about June 11, 2021.

Initial Purchasers and Placement Agents

Citigroup **J.P. Morgan**

June 8, 2021

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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IMPORTANT NOTICE

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

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 United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation) for offering or selling the bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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. The courts of the Republic will have exclusive jurisdiction over all matters relating to the bonds.

The Republic has not consented to service or waived sovereign immunity with respect to actions brought against it relating to the bonds, 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 "Budgetary Government" are all entities within the central government of the Dominican Republic, which consists of the legislative, judicial and executive branches, 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" 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 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 the last business day of 2016, 2017, 2018 and 2019. As of December 31, 2020, the nominal DOP/U.S. dollar exchange rate reached DOP58.11 per US$1.00, a depreciation of 9.0% compared to the last business day of 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 U.S. dollar in the future.

	Reference exchange rates(1)			
	High	**Low**	**Average(2)**	**Period end**
Year ended December 31,				
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
2020	58.43	52.91	56.47	58.11

(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 May 25, 2021, the DOP/U.S. dollar “reference” exchange rate was DOP56.86 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. In March 2020, the Central Bank published the *Encuesta Nacional de Gastos e Ingresos de los Hogares ENGIH 2018* (the Survey of National Household Expenses and Income 2018), which provides the main results of the survey and its methodological notes.

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 was expected to be completed in 2021, although the COVID-19 outbreak has delayed its completion.

Presentation of Fiscal Information

In 2018, as a means to improve transparency and accountability in the administration of public resources, the Ministry of Finance began publishing fiscal data through the statement of operations, integrating the publication of the Government’s income, expenditures and financing transactions. The fiscal data presented in the statement of operations, and in this offering memorandum, has been developed using the International Monetary Fund’s Government Finance Statistics Manual 2014 (the “GFSM 2014”), which provides the principles and guidelines to be used in compiling fiscal statistics.

Information on the performance of the Budgetary Government has been published since November 2018, on a monthly basis with a lag of up to 45 days.

The use of the GFSM 2014 has implied certain changes in the presentation and classification of government revenues, as the methodology differs from the Public Sector's Budget Classifier Manual updated in 2014 and is of mandatory use by all public sector institutions in all stages of the budget cycle (*i.e.*, formulation, execution, monitoring and evaluation). Some of the material differences are as follows:

- the definition of "income" under the Public Sector's Budget Classifier Manual specifies that income is the set of non-reimbursable entries, other than grants, which are included as total revenues;
- the GFSM 2014 simplifies the classification of government revenue in taxes (or tax revenues), social security contributions, grants and other revenues. As such, there is no clear distinction between tax and non-tax revenues;
- the revenue from property tax under the GFSM 2014 only includes real estate property (*Impuesto a la Propiedad Inmobiliaria - IPI*), tax on assets and tax on inheritance and grant, with all other taxes that had been previously included as property tax (such as taxes on checks, real estate operations, transfer of personal property and motor vehicle transactions) being registered as "taxes on financial and capital transactions" under "general taxes on goods and services";
- all fines, indemnity surcharges and interest, which are registered with their respective taxes as per the Budget Classifier Manual, under the GFSM 2014, must be recorded under "other revenues";
- all gains on placement of premium bonds or accrued interest, which were previously recorded as revenues, under the GFSM 2014, are to be registered as a reduction in interest expenses;
- the capital revenue classification no longer exists as the sales of non-financial assets are not considered revenue, while capital transfers are registered under "other revenues"; and
- debt cancellations that were previously part of financing, as a reduction of such debt, under the GSFM 2014, are reclassified as income, as they affect net worth, under "other revenues."

The principal impact of the GFSM 2014 on the Republic's fiscal accounts are the following:

1. Greater detail in revenue and expense accounts, specifically in transfer accounts. Previously, transfers were classified by institutional sector while under the GFSM 2014 methodology they are classified by type of expenditure, be they subsidies, social benefits, donations (to government entities) or transfers;
2. Detailed financing operations by type of financial instrument; and
3. Expansion of institutional and transactional coverage.

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;
  - 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; and
  - impact in the economy of the ongoing coronavirus ("COVID-19") pandemic;
- 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 15 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,				
	2016	**2017[1]**	**2018[1]**	**2019[1]**	**2020[1]**
Domestic economy					
GDP (at current prices)	75,759	80,025	85,537	88,906	78,829
GDP (in millions of DOP, at current prices)	3,487,293	3,802,656	4,235,847	4,562,235	4,456,657
Real GDP (in chained indexes referenced to 2007)[2]	153	160	171	180	168
Real GDP growth rate[3]	6.7%	4.7%	7.0%	5.1%	(6.7)%
Consumer price index (annual rate of change)	1.7%	4.2%	1.2%	3.7%	5.6%
Open unemployment rate[4]	7.1%	5.5%	5.7%	6.2%	5.8%
Exchange rate (end of period, in DOP per US$1.00)	46.62	48.19	50.20	52.90	58.11
Balance of payments[5]					
Total current account[5]	(815)	(133)	(1,322)	(1,188)	(1,541)
of which:					
Trade balance (deficit)	(7,559)	(7,600)	(9,559)	(9,075)	(6,749)
Income from tourism	6,720	7,184	7,548	7,472	2,674
Personal transfers (workers' remittances)	5,261	5,912	6,494	7,087	8,219)
Net (borrowing)/lending	(815)	(133)	(1,322)	(1,188)	(1,541)
Financial account balance (deficit)[5]	(2,455)	(2,121)	(3,083)	(3,139)	(3,400)
of which:					
Foreign direct investment	2,407	3,571	(2,535)	(3,021)	(2,554)
Errors and omissions[6]	(748)	(1,260)	(928)	(826)	(564)
Overall balance of payments, excluding impact of gold valuation adjustment[7]	892	728	833	1,125	1,295.0
Change in Central Bank gross international reserves (period end)	407	780	731	849	1,150
Central Bank net international reserves (period end)	6,047	6,780	7,627	8,781	10,752
Public sector balance[1] [8]					
Budgetary Government revenues[9]	10,495	11,173	12,133	12,793	11,173
As a % of GDP	13.9%	14.0%	14.2%	14.4%	14.2%
Budgetary Government expenditure[10]	12,779	13,882	14,119	14,865	17,707
As a % of GDP	16.9%	17.3%	16.5%	16.7%	22.5%
of which:					
Subsidies to CDEEE	451	370	344	423	484
As a % of GDP	0.6%	0.5%	0.4%	0.5%	0.6%
Budgetary Government balance[11]	(2,348)	(2,468)	(1,847)	(1,951)	(6,226)
As a % of GDP	(3.1)%	(3.1)%	(2.2)%	(2.2)%	(7.9)%
Non-financial public sector balance[12]	(2,029)	(2,225)	(1,947)	(2,062)	(5,975)
As a % of GDP	(2.7)%	(2.8%	(2.3)%	(2.3)%	(7.6)%
Public sector debt [13]					
Public sector external debt [14]	18,170	19,124	21,860	23,677	31,008
As a % of GDP	24.0%	23.9%	25.6%	26.6%	39.3%
Public sector domestic debt [15]	15,933	18,091	19,115	21,251	23,565
As a % of GDP	21.0%	22.6%	22.3%	23.9%	29.9%
Total public sector debt	34,103	37,215	40,975	44,928	54,572
As a % of GDP	45.0%	46.5%	47.9%	50.5%	69.2%
Public sector external debt service					
Amortizations	1,206	1,330	984	1,304	2,363
Interest payments	918	1,000	1,093	1,307	1,396
Total external debt service	2,124	2,330	2,077	2,611	3,758
As a % of total exports	11.7%	12.3%	10.3%	12.7%	26.0%

(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) 2015-2018 revised data; 2019 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.
(6) 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.
(7) As presented, gold reserves have been valued at their corresponding market prices as of December 31 of each year.
(8) Budgetary Government corresponds to all entities within the central government of the Dominican Republic, which consists of the legislative, judicial and executive branches, and its authorized representatives.
(9) Includes social security contributions and grants.
(10) Excludes "Statistical Discrepancy" (difference between financing below the line and the overall fiscal balance registered above the line).
(11) Includes "Statistical Discrepancy."
(12) The non-financial public sector includes the Budgetary Government and non-financial public sector institutions (such as extra-budgetary, social security funds, local governments, and state-owned enterprises).
(13) Consolidated public sector debt. Excludes debt owed by *Banco de Reservas* ("BanReservas") to foreign creditors.
(14) 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.
(15) Net of Budgetary 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 years ending December 31, 2020 and 2021 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 Economy

2021 Economic Performance and COVID-19

Based on preliminary figures of the Monthly Indicator of Economic Activity ("IMAE"), the Dominican economy recorded cumulative growth of 3.1% in the first quarter of 2021, compared to the first quarter of 2020, reflecting an acceleration of economic expansion throughout the quarter. This growth is mainly due to coordinated fiscal and monetary policies of the Government and the Central Bank, including in particular the adoption of several measures to alleviate the negative effects of the pandemic designed to stimulate a rapid economic recovery process. These measures included certain tax incentives and benefits to specific economic sectors and targeted government spending on social programs, as well as implementation of the monetary measures needed in order to provide liquidity to the economy, boosting domestic production and household consumption. In addition, such growth was driven by the gradual reopening of economic activity, the easing of mobility restrictions and the progress in the implementation of the national vaccination program, and the *Plan de Recuperación Responsable del Turismo* (Responsible Recovery Plan for the Tourism Sector).

The following table sets forth the distribution of the IMAE in the Dominican economy, indicating for each sector the annual growth rate (contraction) in January, February and March 2021 compared to the same months in 2020.

Monthly Indicator of Economic Activity (IMAE)
(% change period-over-period, chained volume indexes referenced to 2007)

	January 2021(1)	February 2021(1)	March 2021(1)
Primary production:			
Agriculture, livestock, fishing and forestry	0.4	0.9	1.6
Mining	(12.9)	7.8	21.4
Secondary production:			
Traditional manufacturing	2.9	6.5	13.4
Free trade zones	(1.4)	0.1	32.4
Electricity, gas and water	(3.0)	(1.1)	–
Construction	6.7	9.1	56.8
Services:			
Wholesale and retail trade	(1.7)	4.3	9.4
Hotels, bars and restaurants	(47.7)	(45.1)	(12.6)
Transportation	(1.9)	(0.7)	19.7
Communications	0.9	0.6	0.9
Financial services	(4.5)	(2.5)	0.3
Real estate	2.4	2.2	2.1
Public administration	(2.4)	(2.5)	(3.8)
Education	(5.7)	(5.7)	(5.8)
Health	4.2	4.0	0.9
Other services	(7.8)	(7.1)	(5.6)
IMAE	**(1.8)**	**1.1**	**10.6**

(1) Preliminary data. January, February and March 2021 compared to January, February and March 2020, respectively.
Source: Central Bank

During the month of March 2021, based on preliminary IMAE figures, the economic activities that recorded real growth, as compared to the month of March 2020, were:

- construction (56.8% growth), mainly due to a recovery in private investment, after maintaining operations closed during the suspension of non-essential economic activities in the most critical months of the pandemic in 2020, in the form of medium- and low-cost real estate projects, non-residential buildings, and the expansion of hotel units (measured by the increase in the stock of available rooms), as well as in public investment in infrastructure, particularly roads and highways;
- free trade zones (32.4% growth), driven by an increase in external demand, reflected in the growth of free trade zone exports, which in turn reflected a recovery in employment in this sector;
- mining (21.4% growth), mainly due to an increase in nickel-iron production, as well as copper and quarry products;
- traditional manufacturing (13.4% growth), mainly as a result of increased production of oil and chemical products and construction materials;
- transportation (19.7% growth) and wholesale and retail trade (9.4% growth), driven by a recovery in domestic and imported tradeable goods, and the easing of mobility restrictions; and
- health services (0.9% growth), real estate (2.1% growth), agriculture, livestock, fishing and forestry (1.6% growth), communications (0.9% growth) and financial services (0.3% growth).

In contrast, the following economic activities contracted in March 2021 compared to March 2020:

- hotels, bars and restaurants (12.6% contraction), which is the lowest monthly contraction in the sector since April 2020;
- other services (5.6% contraction);
- education (5.8% contraction); and
- public administration (3.8% contraction).

Measures to Mitigate the Impact of the COVID-19 Outbreak on the Economy

Vaccination Plan

On February 15, 2021, the Government announced the National Vaccination Plan and created a special committee (*Comité de Emergencia y Gestión Sanitaria para el Combatir del COVID-19*) to regulate and implement its application. The National Vaccination Plan targets adults over 18 years of age and initially assigned priority based on comorbidity, risk of contagion (i.e., frontline personnel) and age. As of the date of this offering memorandum, any person 18 years of age or older is eligible to receive a vaccine.

As of the date of this offering memorandum, there were approximately 44,186 confirmed cases of COVID-19 infections, with 323 patients in intensive care units and the cumulative confirmed COVID-19-related fatalities was 345.50 per million people. In addition, as of the date of this offering memorandum, the Republic had administered more than 3,000,000 doses of COVID-19 vaccines and 4 out of 10 people had received their first dose.

Social Measures

Protection of vulnerable households and informal workers. On January 4, 2021, the Republic announced that the *Comer es Primero* program will transition into the *Supérate* program beginning in May 2021. The *Supérate* program is expected to double the amount of assistance to DOP1,650 and provide comprehensive support to facilitate access to education and employment. The program aims to reach an additional 200,000 households, benefitting over one million households in total.

Support for Formal Employees Suspended by their Employers

The Government maintained the Employee Solidarity Assistance Fund (*Fondo de Asistencia Solidaria al Empleado*, known as "FASE") until April 2021. See "The Economy—Measures to Mitigate the Impact of the COVID-19 Outbreak on the Economy—Support for Formal Employees Suspended by their Employers."

As of the date of this offering memorandum, the FASE program is estimated to have benefited more than 754,000 families, representing an injection of liquidity into the economy of approximately DOP15.0 billion. Together, the Stay at Home and FASE programs have benefited approximately 2.3 million families, impacting the income of more than eight million Dominicans as of the date of this offering memorandum.

The Government announced that it will replace the FASE program with a special program that will focus on assisting micro-, small- and medium-sized enterprises.

Monetary and Financial Measures to Support the Economy

In February 2021, the provision of funds through the Rapid Liquidity Facility ("RLF") aimed at households, productive sectors and micro- and small- enterprises was increased to DOP125.0 billion, which increased the aggregate amount of liquidity provided in pesos to DOP215.0 billion.

For more information, see "—The Monetary System—Supervision of the Financial System—Reforms of the Financial System."

Tax Measures

Given the ongoing COVID-19 pandemic and as a means to support the most affected sectors of the economy, the Internal Revenue Agency (*Dirección General de Impuestos Internos*) has decided to maintain certain measures that had been implemented during 2020, including:

- An exemption of the advanced income tax payment from January to April 2021 for taxpayers of the tourism sector that have their corresponding operating license from the Ministry of Tourism and for legal entities or businesses with one owner that is considered a micro- or small-enterprise.
- An exemption of the third payment of the advanced income tax generated during the 2019 fiscal year for individuals and undivided successions with non-commercial and industrial activities that are required to present a sworn income tax statement and whose total income is less than DOP 8.7 million.
- An exemption of the first payment of the asset tax for micro- and small-enterprises that carry out commercial operations, except for such enterprises whose fiscal year ends on December 31, 2020.
- Legal entities whose fiscal year ends on September 30, 2020 and are required to pay income tax and asset tax by January 28, 2021 were allowed to pay such tax in two equal, consecutive installments.

The Tourism Sector

The preventive measures adopted to mitigate the spread of COVID-19 abroad continued to have a negative effect on the flow of tourists to the country during the first quarter of 2021. In January, February and March 2021, the Republic received 205,311, 198,485 and 313,289 visitors respectively, a cumulative decrease for these three months of 48.5% compared to the first three months of 2020. Notwithstanding the foregoing, the March data exhibits a trend towards a recovery of the sector, with a 16.0% increase compared to March 2020, marking the month with the most visitor arrivals since April 2020.

The Electricity Sector

During the first quarter of 2021, the energy purchased by the electricity distribution companies ("EDEs"), measured in gigawatt hours, increased by 5.1% compared to the same period in 2020, while technical and non-technical energy losses were estimated at 32.9% of energy purchased, as compared to 27.7% for the same period in 2020. This increase in energy losses is mainly a result of an increase on energy supplied by the EDEs driven by the COVID-19 pandemic.

During the first quarter of 2021, the current deficit of the electricity sector was US$46.6 million. In addition, during the first quarter of 2021, capital expenditures by public electricity companies were US$25.6 million. Therefore, the overall deficit of the electricity sector was US$72.2 million, which implied a 65% decrease compared to the same period in 2020. This decrease is mainly due to a decrease in operating and capital expenses.

During the first quarter of 2021, the Budgetary Government transferred US$142.8 million to the electricity sector and the Central Termoeléctrica Punta Catalina transferred US$45.0 million to the Budgetary Government, compared to US$118.5 million and US$45.0 million, respectively, during the first quarter of 2020. The net amount transferred to the electricity sector during the first quarter of 2021 was US$97.8 million, compared to US$73.5 million during the first quarter of 2020.

In February 2021, the National Pact for the Reform of the Electricity Sector (the "Electricity Sector Reform Pact") was signed by representatives of more than 80 public institutions, private companies, business associations, trade unions and institutions of civil society. The Electricity Sector Reform Pact contains multiple commitments to implement measures to improve institutional, legal, regulatory and commercial matters in the electricity sector and establishes specific deadlines for implementation of each measure, as well as those responsible for the implementation of such measures and compliance indicators. In particular, the Electricity Sector Reform Pact includes:

- commitments to reaffirm the position of the Government as a policy maker through the strengthening of the Ministry of Energy and Mines, and as a regulator of the sector through the Superintendency of Electricity;
- an agreement by the Ministry of Energy and Mines to coordinate the preparation of expansion plans for generation, transmission and distribution capacity, including projections of the resources necessary to implement them;
- an agreement by the Superintendency of Electricity to prepare and issue resolutions creating, updating, or completing the regulation of key aspects in the electricity sector, such as the quality of the electricity service, the generation and publication of management indicators of the companies participating in the sector, the accounting requirements for an effective control of their activities, calculations of parameters such as the cost of power and the added value of transmission and distribution, among others;
- a consensus reached among the parties to the Electricity Sector Reform Pact on a gradual transition process from the tariffs currently applied to those corresponding to efficient electrical systems;
- the establishment of key performance indicators and precise and verifiable goals that distribution companies shall meet in a six-year period;
- a commitment of the distribution companies to develop and present plans for management improvement and reduction of energy losses, with defined actions, objectives, indicators, and associated goals; and
- an agreement by the Government to review the entire legal framework and send to Congress a proposal for its reform in order to ensure that all the commitments included in the Electricity Sector Reform Pact are reflected in the regulatory framework.

On May 21, 2021, the Government announced that it intends to dissolve the *Corporación Dominicana de Empresas Eléctricas Estatales* (Dominican Corporation of State-Owned Electric Entities or "CDEEE") on June 30, 2021. Following such dissolution, the Ministry of Energy and Mines will regulate and oversee the energy sector, but the Government will no longer act as an intermediary between electricity generators and distributors, which is expected to increase transparency in the electricity sector. In addition, following the dissolution of the CDEEE, the Punta Catalina thermal power plant will be administered by a public trust, which will receive all of Punta Catalina's assets and liabilities and maintain them separately from its own assets and liabilities.

Balance of Payments and Foreign Trade

Balance of Payments

Based on preliminary information, the current account recorded a deficit of US$702.9 million for the three-month period ended March 31, 2021, compared to a deficit of US$121.9 million recorded in the same period in 2020. This deficit increase was mainly due to a 24.9% increase in oil imports and a 49.6% decrease in income from tourism.

For the three-month period ended March 31, 2021, total exports amounted to US$2.9 billion, which represents a 7.5% increase compared to the same period in 2020, mainly due to a 12.1% increase in free trade zone exports, particularly industrial exports, as well as a 2.1% increase in national exports, especially gold and nickel exports.

For the three-month period ended March 31, 2021, total imports amounted to US$5.0 billion, which represents a 9.9% increase as compared to the same period in 2020, mainly due to a 24.9% increase in oil imports compared to the same period in 2020 driven by both an increase in oil prices and imported volumes.

For the three-month period ended March 31, 2021, income from tourism reached US$818.9 million, representing a 49.6% decrease compared to the same period in 2020, mainly due to fewer visitors as result of the preventative measures implemented to contain the spread of COVID-19.

The net borrowing balance of the financial account reached US$2.8 billion as of March 31, 2021, which represents a 191.5% increase compared to the US$977.4 million balance as of March 31, 2020, mainly due to the issuance of bonds by the Government in the first quarter of 2021.

For the three-month period ended March 31, 2021, foreign direct investment inflows totaled US$851.1 million, which represents a 2.5% increase compared to the US$830.4 million in such inflows registered in the same period in 2020, mainly due to an increase in loans by local companies in the mining, real estate and communications sectors with their respective foreign parent companies, as well as an increase in reinvested earnings.

In the three-month period ended March 31, 2021, the Republic received net inflow of US$2.4 billion of portfolio investment, reflecting no significant variation compared to the net inflow of portfolio investment recorded during the same period in 2020.

In the three-month period ended March 31, 2021, remittances totaled US$2.5 billion, which represents a 49.6% increase compared to the same period in 2020, mainly driven by the continuous recovery of economic activity in the United States, from where 85.7% of remittances originate.

As of March 31, 2021, net international reserves increased 30.6% to US$12.2 billion from US$9.3 billion as of March 31, 2020.

As of March 31, 2021, the nominal DOP/U.S. exchange rate was DOP56.82 per US$1.00, an appreciation of 2.28% compared to the last business day of 2020.

The Monetary System

Monetary Policy

During the first four months of 2021, the Central Bank kept the monetary policy rate ("MPR") at 3.00% per annum, while maintaining the monetary easing measures that were implemented following the COVID-19 outbreak, which included easing reserve requirements and increasing financing for households, small and medium enterprises at lower interest rates. Particularly, in February 2021, the Rapid Liquidity Facility (as defined in "The Economy—Measures to Mitigate the Impact of the COVID-19 Outbreak on the Economy—Monetary and Financial Measures to Support the Economy") was increased by DOP25 billion for new loans and refinancing to key productive sectors of the economy. As of the date of this offering memorandum, the Central Bank's monetary easing program amounts to DOP215 billion (approximately 5% of GDP). See "The Economy—Measures to Mitigate the Impact of the COVID-19 Outbreak on the Economy—Monetary and Financial Measures to Support the Economy."

In the Dominican financial system, the weighted average annualized lending rate charged by commercial banks was 10.02% as of April 30, 2021, representing a decrease of 337 basis points from the rate observed as of April 30, 2020. Additionally, annualized interest rates paid on peso deposits during the four-month period ended April 30, 2021 was 2.91%, representing a decrease of 222 basis points as compared to the rate observed as of April 30, 2020.

Inflation and Credit Growth

For 2021, the Central Bank established a medium-term inflation target of 4.0%, within a range of plus or minus 1.0%. As of March 31, 2021, annualized inflation reached 8.30%, mainly due to a statistical effect caused by the comparison base, since the results were affected by the negative rates recorded in February and March of 2020.

In addition, 2021 has been characterized by high external inflationary pressures as a result of the rise of oil prices and commodities in the international markets. See "The Monetary System—Inflation."

Credit to the private sector in pesos continued to grow during 2021, influenced by the expansionary monetary policy measures implemented by the Central Bank and the Monetary Board. As of April 30, 2021, private lending in pesos amounted to DOP1,087.4 billion (US$19.1 billion), which represented an increase of DOP91.3 billion (US$1.6 billion), or 9.2%, as compared to the same period in 2020. This increase provided resources to economic sectors such as manufacturing, as well as to commerce and MSMEs.

Financial System and Reforms

As March 31, 2021, the financial system had total assets of US$42.6 billion, aggregate loan balances of US$21.4 billion and total deposits of US$32.4 billion, as compared to US$37.9 billion, US$21.9 billion and US$29.7 billion, respectively, as of March 31, 2020.

As of February 28, 2021, the capital adequacy ratio of the financial system as a whole was 21.2%, 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$2.5 billion, as compared to 16.2% and US$1.7 billion, respectively, as of February 29, 2020.

As of March 31, 2021, the loan portfolio of the financial system consisted mainly of loans to individuals (25.6%), the housing sector (17.9%), wholesale & retail trade (13.6%), construction (5.7%) and manufacturing (7.6%).

In March 2021, the financial system had a non-performing loan ratio of 2.1%, and provisions that cover 220.8% of the loan portfolio outstanding, as compared to 2.3% and 128.6%, respectively, in March 2020. The increase in the ratio of non-performing loans occurred primarily between March and June 2020 and was mainly due to the impact of the COVID-19 outbreak. Between June and December 2020, loan-loss reserves increased at a higher rate than the growth in the non-performing loan portfolio.

Average return on equity of the financial system as a whole was 20.2% and average return on assets was 2.2% in March 2021, as compared to 18.1% and 2.2%, respectively, in March 2020. These indicators show the capacity of financial intermediation entities to generate income, maintain a competitive market position, as well as replenish and increase their portfolios of assets despite the ongoing global economic crisis.

Public Sector Finances

2021 Budget

On December 2, 2020, Law No. 237-20 was enacted, approving the Republic's 2021 Budget Law (the "2021 Budget"), with total Budgetary Government revenues (including grants) estimated at US$12.0 billion, equivalent to 15.2% of the estimated 2021 GDP. The 2021 Budget represents an increase of 12.3% when compared to the 2020 Budget as amended in September 2020.

The 2021 Budget includes several aspects that are expected to have an impact on government revenues, including: (i) advances of taxes from the financial sector and from a newly-established mining company; (ii) efforts to reduce tax fraud and guarantee the proper use of tax incentives; and (iii) capital transfers derived from the sales of assets owned by government institutions such as the Patrimonial Fund of Reformed Companies (FONPER), among others.

Principal Budgetary Assumptions for 2021 used to prepared the 2021 Budget

Projected real GDP growth rate	5.5%
Projected annual inflation rate (+/- 1%)	4.0%
Projected annual exchange rate	DOP62.30 per U.S. dollar
Projected annual WTI oil price	US$45.50 per barrel
Projected annual price of gold	US$1,590.00 per ounce
Projected external financing sources (including proceeds from this offering)	US$3,218.7 million
Projected domestic financing sources	US$1,461.8 million

Sources: 2021 Budget, and its respective complementary documents. These assumptions are made by the Republic for planning purposes for the 2021 Budget. Actual results may be materially different.

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 Three-Month Period ended March 31,			
	2020 [(1) (2)]		**2021 Budget**		**2020**		**2021**[(1)]	
	US$	**%**	**US$**	**%**	**US$**	**%** [(3)]	**US$**	**%** [(4)]
Budgetary Government [(5)]								
Revenues:								
Taxes	9,730.0	12.3	9,657.7	12.3	2,727.5	3.5	2,878.8	3.7
Other revenues [(6)]	1,442.8	1.9	2,321.9	2.9	305.1	0.3	240.9	0.3
Total revenues	**11,172.9**	**14.2**	**11,979.6**	**15.2**	**3,032.7**	**3.8**	**3,119.7**	**4.0**
Expenses:								
Compensation of employees	3,814.2	4.8	3,356.9	4.3	930.5	1.2	865.2	1.0
Use of goods and services	1,779.1	2.3	1,699.5	2.2	462.0	0.6	346.2	0.4
Interest	2,551.6	3.2	2,945.1	3.7	734.9	0.9	935.2	1.1
To non-residents	1,372.9	1.7	1,581.5	2.0	367.0	0.5	529.4	0.6
To residents	1,178.7	1.5	1,363.7	1.7	367.9	0.5	405.7	0.5
of which: Central Bank recapitalization	214.0	0.3	194.2	0.2	34.3	0.0	31.5	0.0
Subsidies	695.3	0.9	844.6	1.1	153.5	0.2	174.8	0.2
of which: CDEEE	483.6	0.6	650.0	0.8	118.3	0.2	142.8	0.2
Grants	2,656.5	3.4	2,448.0	3.1	587.7	0.7	571.1	0.7
of which: to other general government units	2,636.8	3.4	2,429.5	3.1	585.6	0.7	568.2	0.7
Social benefits	3,306.6	4.2	1,161.0	1.5	268.2	0.3	432.3	0.5
Other expenses	1,586.9	2.0	635.9	0.8	312.4	0.4	75.5	0.1
of which:								
Central Bank recapitalization	—	—	—	—	—	—	—	—
Infrastructure projects	669.7	0.9	462.1	0.6	120.8	0.2	52.1	0.1
Total expenses	**16,390.3**	**20.8**	**13,091.0**	**16.6**	**3,449.1**	**4.4**	**3,400.4**	**4.1**
Gross operating balance	**(5,217.5)**	**(6.6)**	**(1,111.4)**	**(1.4)**	**(416.5)**	**(0.5)**	**(280.7)**	**(0.3)**
Gross investment in non-financial assets	1,316.6	1.7	1,217.2	1.5	401.5	0.5	72.4	0.1
Expenditures	**17,707.0**	**22.5**	**14,308.2**	**18.2**	**3,850.6**	**4.9**	**3,472.8**	**4.2**
of which:								
Capital expenditures	2,319.5	2.9	1,977.0	2.5	583.9	0.7	167.4	0.2
Primary expenditures	15,155.3	18.4	11,363.0	13.4	3,115.7	4.0	2,537.6	3.0
Primary balance	**(3,674.1)**	**(3.8)**	**616.9**	**1.9**	**118.9**	**0.2**	**626.8**	**0.8**
Statistical discrepancy[(8)]	308.4	0.4	—	—	**201.9**	**0.3**	**(44.7)**	**0.1**
Net borrowing rest of NFPS	250.3	0.3	—	—	**(45.9)**	**(0.1)**	**(149.8)**	(0.2)
Net borrowing NFPS[(9)]	**(5,975.4)**	**(7.6)**	**(2,328.5)**	**(3.0)**	**(661.9)**	**(0.8)**	**(458.2)**	**(0.5)**
Net borrowing[(7)]	**(6,225.7)**	**(7.9)**	**(2,328.5)**	**(3.0)**	**(656.6)**	**(0.5)**	**(4,780.4)**	**(6.1)**
Quasi-fiscal balance[(10)]	(1,074.2)	(1.4)	(944.3)	(1.2)	(232.0)	(0.3)	(726.5)	(0.9)
Consolidated public sector balance	**(7,049.6)**	**(9.0)**	**(3,272.8)**	**(4.2)**	**(893.9)**	**(1.1)**	**268.3**	**(0.3)**
GDP (at current prices)	**78,829.0**		**78,689.6**		**78,829.0**[(11)]		**83,485.1**[(12)]	

(1) Preliminary data.
(2) Figures correspond to actual 2020 information.
(3) Percentage relates to total amount as of March 31, 2020 in terms of annual GDP.
(4) Percentage relates to total amount as of March 31, 2021 in terms of annual estimated GDP.
(5) Budgetary Government corresponds to all entities within the central government of the Dominican Republic, which consists of the legislative, judicial and executive branches, and its authorized representatives.
(6) Includes social security contributions, grants and other revenues related to sales of goods and services, interest and other types of property income, voluntary transfers in cash or in kind other than grants, fines and penalties.
(7) Includes "Statistical Discrepancy."
(8) Difference between financing below the line and the overall fiscal balance registered above the line.
(9) Includes electricity distribution companies (CDEEE, EGEHID, ETED, EdeNorte, EdeSur and EdeEste).
(10) Includes interest payments on Central Bank recapitalization bonds and direct transfers for that purpose according to Law No. 167-07.
(11) Data corresponds to annual information for the year ended December 31, 2019.
(12) Data corresponds to estimated annualized information for 2020.
Sources: 2019 Budget, June Budget for 2020 and Central Bank.

In March 2021, the Ministry of Economy, Planning and Development published a report updating the estimated GDP for 2021 (at current prices) to US$83,485.1 million.

In the three-month period ended March 31, 2021, total Budgetary Government revenues (including grants) amounted to US$3.1 billion (equivalent to 4.0% of the estimated 2021 GDP), representing 26.0% of projected total revenues and grants as set forth in the 2021 Budget Law. This result is 2.9% higher than the total Budgetary Government revenues (including grants) for the three-months period ended March 31, 2020 due to higher revenues from mining and additional income received pursuant to Law No. 07-21, which reinstated Law No. 46-20 on Transparency and Equity Revaluation. See "—Other Developments." Mining revenues amounted to US$94.3 million in the first three months of 2021, reflecting a 32.2% increase compared to the same period in 2020, while revenues from Law No. 46-20 amounted to US$78.6 million, equivalent to 78.7% of the revenues collected during the ten months of 2020 in which the Law was in force. Additionally, during the three-months period ended March 31, 2021, the Government received US$86.0 million from a tax advancement agreement entered into with certain financial institutions, as well as extraordinary revenues amounting to US$31.9 million, mainly from transfers from government institutions. During the three-month period ended March 31, 2021, primary expenditures amounted to US$2.5 billion (3.0% of GDP estimated in the 2021 Budget), representing 22.3% of annual primary expenditures in the 2021 Budget. During the three-month period ended March 31, 2021, total expenditures amounted to US$3.5 billion (4.2% of GDP), representing 24.3% of the total annual expenditures set forth in the 2021 Budget. Consumption expenditures amounted US$1.2 billion (1.4% of GDP) during the period and decreased by 13.0% compared to the same period in 2020. During the three-month period ended March 31, 2021, capital expenditures decreased 71.3% and subsidies increased by 13.9%, in each case as compared to the same period in 2020.

Public Sector Debt

On January 14, 2021, the Republic issued an additional (i) US$1.0 billion principal amount of its bonds due 2030, which accrue interest at a rate of 4.500% per year, payable semi-annually in arrears in U.S. dollars, and (ii) US$1.5 billion principal amount of its bonds due 2041, which accrue interest at a rate of 5.300% per year, payable semi-annually in arrears in U.S. dollars.

As of March 31, 2021, the principal amount of consolidated public sector debt represented 70.5% of estimated GDP for 2021. As of March 31, 2021, the principal amount of financial public sector debt represented 16.7% of estimated GDP for 2021, and non-financial public sector debt outstanding represented 56.8% of estimated GDP for 2021 (including intragovernmental debt, representing 2.9% of estimated GDP for 2021, which is netted from the principal amount of consolidated public sector debt).

As of March 31, 2021, the Republic's public sector external debt totaled US$33.4 billion, representing 40.1% of estimated GDP for 2021 compared to US$26.2 billion as of March 31, 2020. As of March 31, 2021, the Republic's public sector external debt was composed of the following:

- outstanding bonds in an aggregate principal amount of US$24.7 billion (compared to US$19.0 billion as of March 31, 2020), which represented 73.9% 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$8.7 billion (compared to US$7.2 billion as of March 31, 2020), which represented 26.1% of the Republic's total public external debt at that date; and
- debt owed to other private creditors in an aggregate principal of US$9.6 million (compared to US$14.8 million as of March 31, 2020), which represented less than 0.1% of the Republic's total public external debt at that date.

As of March 31, 2021, the Republic's net domestic debt totaled US$25.4 billion, representing 31.0% of estimated GDP for 2021 compared to US$21.9 billion as of March 31, 2020. As of March 31, 2021, the Republic's public sector domestic debt was primarily composed of the following:

- the equivalent of US$249.0 million outstanding principal amount of loans due to banks by the Budgetary Government (compared to US$161.9 million as of March 31, 2020), representing 1.0% of total domestic debt outstanding at that date, of which the equivalent of US$100.9 million consists of a credit facility granted by the Central Bank to the Government for the financing of COVID-19 emergency measures, which is considered intra-governmental debt and, thus, is deducted for purposes of calculating total net domestic outstanding debt;
- the equivalent of US$14.0 billion outstanding principal amount of bonds issued by the Budgetary Government in the local market denominated in pesos and U.S. dollars (as compared to US$11.8 billion

as of March 31, 2020), representing 53.1% of total domestic debt outstanding at that date, of which the equivalent of US$2.4 billion were used for the recapitalization of the Central Bank (as compared to US$2.5 billion as of March 31, 2020), which is considered intra-governmental debt, and, thus, is deducted for purposes of calculating total net domestic debt outstanding;

- the equivalent of US$492.2 million outstanding principal amount of loans due to commercial banks by other public sector institutions (as compared to US$677.2 million as of March 31, 2020) representing 1.9% of total domestic debt outstanding at that date; and
- the equivalent of US$13.6 billion outstanding principal amount in certificates issued by the Central Bank (as compared to US$11.7 billion as of March 31, 2020) representing 53.5% of total domestic debt outstanding at that date.

As of March 31, 2021, non-financial public sector external debt represented 39.7% of estimated GDP for 2021, while domestic debt represented 17.6% of estimated GDP for 2021 compared to 38.9% and 15.6% of 2020 GDP, respectively, as of December 31, 2020. As of March 31, 2021, the average time to maturity of the non-financial public sector was 11.9 years, compared to 12.2 years as of December 31, 2020. The Republic has reduced its exposure to interest rate volatility by decreasing the percentage of variable rate debt from 13.2% in 2020 to 12.3% as of March 31, 2021. The average interest rate payable on the debt decreased from 6.7% to 6.6%.

Due to the sanitary and economic measures implemented to mitigate the negative effects of COVID-19 on vulnerable populations, and to continue with the orderly execution of the 2020 Budget, the Government has obtained the following financing arrangements which are contemplated in the 2020 Budget:

- The disbursement of US$150.0 million by the World Bank from a contingent line of credit for disasters and health-related events.
- The disbursement of SDR477.4 million by the IMF for emergency financial assistance under a rapid financing instrument.
- The disbursement of DOP$12.0 billion (US$210.3 million) by the Central Bank from an emergency loan.
- The issuance of three series of bonds for a total aggregate amount of DOP$40 billion (US$700.9 million), maturating in 10, 15 and 20 years, respectively, which were directly placed to four of the biggest pension funds in the Republic.

On May 12, 2021, the Republic entered into a landmark agreement with the World Bank's Forest Carbon Partnership Facility (FCPF), unlocking payments of up to US$25 million for verified carbon emission reductions between such date and 2025 through the Republic's Emissions Reduction Program, a national initiative focused on lowering forest emissions from deforestation and forest degradation across the Republic's 4.8 million hectares of biodiversity and forest-rich land, to improve local livelihoods and protect natural ecosystems.

Other Developments

On January 20, 2021, Congress enacted Law No. 07-21 reinstating the provisions of Law No. 46-20 on Transparency and Equity Revaluation and providing for a temporary regulatory framework that allows all taxpayers, other than limited exceptions, to benefit from a tax regularization facility to settle tax debt with significant decreases in the amount owed for late payments and interest, and reasonable rates for the different tax obligations that the regulation covers. For further information, see "Public Sector Finances—Tax Regime—Tax Amnesty."

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	DOP35,314,500,000 aggregate principal amount of DOP-denominated 8.000% *Bonos de Deuda Soberana* due 2028 will be offered in the global offering (of which DOP2,482,000,000 will be offered to investors outside of the Dominican Republic through the initial purchasers).
	DOP81,441,800,000 aggregate principal amount of DOP-denominated 8.625% *Bonos de Deuda Soberana* due 2031 will be offered in the global offering (of which DOP4,349,700,000 will be offered to investors outside of the Dominican Republic through the initial purchasers).
Issue Price for the Bonds	100.0000%, plus accrued interest, if any, from June 11, 2021, with respect to the 2028 bonds.
	100.1694%, plus accrued interest, if any, from June 11, 2021, with respect to the 2031 bonds.
Final Maturity Date	June 11, 2028, with respect to the 2028 bonds.
	June 11, 2031, with respect to the 2031 bonds.
Principal	The Republic will make payment of principal on the bonds on the relevant final maturity date.
Interest Rate	Interest on the 2028 bonds will accrue from June 11, 2021, on the outstanding principal amount of the bonds, at a rate of 8.000% per year.
	Interest on the 2031 bonds will accrue from June 11, 2021, on the outstanding principal amount of the bonds, at a rate of 8.625% per year.
Payments of Principal and Interest	The accrued interest on and principal of each series of the bonds will be paid semi-annually on June 11 and December 11 of each year, commencing on December 11, 2021 and on the relevant final maturity date (or if any such date falls on a day that is not a business day (as defined herein), on the next succeeding business day), by wire transfer to CEVALDOM for further credit to each CEVALDOM participant, which will receive the funds for distribution to the holders. Payments will be made to the persons in whose names the bonds are registered at the close of business on the day prior to the relevant payment date.
Currency	Pesos. All amounts due in respect of principal or interest to holders of bonds will be paid solely in pesos, with the Republic having no obligation to convert pesos into U.S. dollars or any other currency.
Form and Denominations	The bonds are issued in dematerialized and uncertificated form, in minimum denominations of DOP1,000,000 and in integral multiples of DOP100,000 in excess thereof.
Book-Entry Settlement and Clearance	The bonds sold pursuant to this offering memorandum will be credited to the accounts of investors through the book-entry system of CEVALDOM. Investors that are not CEVALDOM participants

	may hold book-entry interests in the bonds directly or indirectly, through CEVALDOM participant accounts. Investors that are not CEVALDOM participants and do not have an account with a CEVALDOM participant will need to either become a CEVALDOM participant or create an account with a CEVALDOM participant prior to investing in the bonds. The distribution of the bonds will be effected through CEVALDOM. Owners of book-entry interests in the bonds, including owners of book-entry interests in the bonds held in CEVALDOM participant accounts will receive payments in pesos by means of a credit in their CEVALDOM account. The Republic will have no obligation to convert pesos into U.S. dollars or any other currency. CEVALDOM has established electronic securities transfer, processing, depositary and custodial links among CEVALDOM participants, either directly or through custodians and depositaries. These links allow securities to be issued, held and transferred among clearing system participants without the physical transfer of certificates. See “Book-Entry Settlement and Clearance.”
Sinking Fund	The bonds will not have the benefit of any sinking fund.
Redemption..	The bonds are not subject to early redemption at the option of the holders of the bonds or the Republic.
No Restrictive Covenants	The bonds do not include any covenants, other than the Republic’s obligations to make principal and interest payments on the bonds. See “Description of the Bonds—No Restrictive Covenants.”
Further Issues...	The Republic may from time to time, without the consent of the holders of the bonds, create and issue additional debt securities of a series having substantially 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, which additional securities may be consolidated and form a single series with the bonds of such series being offered hereby; *provided, however*, that any such additional securities of a series subsequently issued that, for United States federal income tax purposes, are not issued pursuant to a “qualified reopening” of the bonds of such series, as part of the same “issue” as the bonds of such series, or with less than a *de minimis* amount of original issue discount, shall have a separate ISIN or other identifying number from the previously outstanding bonds of such series.
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, the initial purchasers and the placement agents cannot assure you that a liquid market for the bonds will develop or be maintained. The initial purchasers are not obligated to make a market in the bonds, and any market making with respect to the bonds, if commenced, may be discontinued without notice.
Tender Offer	The Republic is issuing the bonds offered hereby contemporaneously with an offer to purchase (the “Tender Offer”) a portion of several series of its outstanding DOP-denominated, Dominican law-governed bonds maturing between 2022 and 2027,

	including DOP-denominated bonds of each such series in the form of Global Depositary Notes (the "Existing Notes").
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 in the global offering will be approximately DOP116,641,941,129. The Republic intends to use a portion of the net proceeds from the sale of the bonds to pay the consideration for the Existing Notes that are validly tendered and accepted in the Tender Offer, and the remainder for general purposes of the Government of the Republic, including the partial financing of the 2021 Budget.
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 15 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 (in which case no additional amounts will be paid to holders). See "Taxation" for important information regarding possible tax consequences to holders of the bonds.
Listing	The bonds will be listed upon their issuance on the Stock Exchange of the Dominican Republic (*Bolsa de Valores de la República Domincana*).
Governing Law; Jurisdiction	The bonds will be governed by, and construed in accordance with, the laws of the Dominican Republic. The courts of the Republic will have exclusive jurisdiction over all matters relating to the bonds.
No Agent or Trustee	The Republic has not appointed any trustee, fiscal agent or settlement agent to act on behalf of holders of the bonds.

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 novel coronavirus could have an adverse effect on our economy.

In December 2019, a novel form of pneumonia first noticed in Wuhan, Hubei province (COVID-19, caused by a novel coronavirus) was reported to the World Health Organization, with cases soon confirmed in multiple provinces in China. On March 11, 2020, the World Health Organization characterized the COVID-19 as a pandemic. Governments have undertaken several measures across the world to control the coronavirus, including mandatory quarantines and travel restrictions.

The measures implemented in 2020, together with lower external demand and tighter international financial conditions, have resulted in a slowdown in economic activity (real GDP contracted by 6.7% in 2020 compared to 2019 and, in 2020, the Republic's non-financial public sector deficit represented approximately 7.6% of GDP compared to a 2.3% of GDP deficit in 2019). The measures implemented so far are expected to further affect economic growth in 2021 to a degree and for a duration that the Republic cannot quantify as of the date of this offering memorandum. Any additional restrictive measures put in place to control the outbreak of contagious diseases or other public health developments in the Republic may, as in other countries, have an unintended adverse effect on the Republic's economy. In the medium to long term, if the spread of COVID-19 is prolonged, it could adversely affect the economies and financial markets of the Republic and of many other countries. The occurrence of these events could have an adverse effect on the Republic's economy. See "Recent Developments—The Economy—2020 Economic Performance and COVID-19."

The Dominican economy may further 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 2016 to 2019, the Dominican economy experienced an annual average GDP growth rate of approximately 5.8%. However, due to the COVID-19 outbreak, the Dominican economy experienced an economic contraction of 6.7% in 2020. See "Recent Developments—The Economy—2020 Economic Performance and COVID-19."

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'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 the Republic 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 Inter-American Development Bank ("IDB") and the World Bank. The IDB was the Republic's largest single lender as of December 31, 2020. 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.

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. Remittances totaled US$5.3 billion in 2016, US$5.9 billion in 2017, US$6.5 billion in 2018, US$7.1 billion in 2019 and US$8.2 billion in 2020. The majority of remittances to the Republic originate in the United States. According to the Central Bank's estimates for 2020, the United States and Spain accounted for 82.7% and 8.0%, respectively, of total remittances to the Republic. 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, which in turn could affect the market for 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. 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 September 2020 amendment to the Budget for 2020 was prepared assuming an average price per barrel of US$38.50 in the international market. The average price for import per barrel of oil into the Dominican Republic was US$43.05 during 2016, US$55.26 during 2017, US$69.17 during 2018, US$61.81 during 2019 and US$42.26 during 2020. 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.

In the past, 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 has provided annual subsidies to the electricity sector to cover operating deficits resulting from increases in fuel costs and inefficiencies in collections and operations. During 2020, the current deficit for the electricity sector was US$257.7 million, representing a decrease of 66.2% as compared to the deficit recorded during 2019. For more information, see "The Economy—The Electricity Sector."

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 16.7%, 15.2%, 13.6%14.3% and 16.8% of total exports in, 2016, 2017, 2018, 2019 and 2020, respectively. 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 7.1%, 5.5%, 5.7%, 6.2% and 5.8% in 2016, 2017, 2018, 2019 and 2020, 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 Abinader administration's party, the *Partido Revolucionario Moderno*, currently controls a majority in both houses of Congress. However, future changes in the political environment, including due to any changes enacted by the Abinader administration, 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. Among 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), (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, and (iii) several former government officials, government contractors and related individuals connected to President Danilo Medina's administration, due to alleged administrative corruption. For further details on, and the current status of, these investigations, see "The Dominican Republic—History, Government and Political Parties—Government" and "Recent Developments—Other Developments."

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, natural disasters and climate change 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. In addition, climate change is a threat to the Republic's economy and its future growth prospects. A global increase in the mean temperature is likely to lead to changed precipitation patterns, sea level rises and more frequent extreme weather events, such as prolonged droughts and flooding. The Republic's economy is dependent on climate sensitive sectors, including, for example, agriculture, tourism and energy. Droughts may negatively affect the supply of agricultural commodities, the food supply in general and the generation of hydroelectric power. A change in climate may have several consequences on the Republic, including lower agriculture productivity and damage to coastal infrastructure.

Risks Relating to the Bonds

The bonds are governed by Dominican law. The Republic is a sovereign state, it has not submitted to jurisdiction of courts outside of the Dominican Republic, may claim some immunities under the U.S. Foreign Sovereign Immunities Act of 1976, Dominican Law or any other applicable law, and it may be difficult to obtain or enforce judgments against it.

The bonds are governed by Dominican law. The application of Dominican law in respect to the Republic's obligation under the bonds may produce different results than those expected by non-Dominican investors in connection with investments in securities sold on the international markets. All payments on the bonds will be made in the Republic.

The Republic has not submitted to the jurisdiction of any U.S. or other courts outside of the Dominican Republic with respect to actions based upon the bonds. The Republic is a sovereign state. Consequently, it may be difficult for holders of the bonds to obtain or enforce judgments with respect to the bonds where the holder of the bonds is located or elsewhere. The Republic will not waive immunity from attachment prior to judgment and attachment in aid of execution under Dominican law with respect to its property, whether in the Republic or abroad.

The Republic has not consented to service or waived sovereign immunity with respect to actions brought against it based on the bonds, 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. 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 or developed or be maintained, 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 Republic and elsewhere.

The bonds will not be listed on any exchange outside of the Dominican Republic. 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, they may not be offered or sold in the United States 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.

In addition, offers and sales of the bonds may also be subject to transfer restrictions in other jurisdictions. You should consult your financial or legal advisors for advice concerning applicable transfer restrictions in respect of the bonds.

For a discussion of restrictions on resale and transfer, see “Transfer Restrictions” and “Plan of Distribution.”

CEVALDOM or CEVALDOM participants do not maintain a mechanism for determining whether U.S. account holders are QIBs.

Neither CEVALDOM nor any CEVALDOM participant maintains any mechanism for determining whether U.S. account holders are QIBs, and as a result, holders of bonds held through directly through CEVALDOM or through a CEVALDOM participant will be responsible for determining whether an investor to which they intend to sell bonds is capable of purchasing such securities pursuant to an exemption from the registration requirements of the Securities Act, applicable U.S. state securities laws and the transfer restrictions described herein under “Transfer Restrictions.”

CEVALDOM and CEVALDOM participants may not give holders notice of communications issued by the Republic.

Neither CEVALDOM nor any CEVALDOM participant is under any obligation to give any holder of bonds notice of any communication from the Republic or of any other matter concerning the affairs of the Republic. Any reports, communications and other documents published by the Republic are made generally available to the holders of such bonds through publication on the official website of the Ministry of Finance, currently at ***https://www.creditopublico.gob.do/emisiones/subastas?Length=9*** (such website is not incorporated by reference into this offering memorandum). Therefore, you will be responsible to keep yourself informed in respect of the bonds and the Republic.

The bonds do not include any covenants, other than the Republic’s obligations to make principal and interest payments on the bonds.

The bonds are not subject to any covenants and will not restrict the ability of the Republic to incur additional debt or place liens on any of its assets. The Republic has no obligations under the bonds other than the payment of principal and interest and the other obligations described herein.

The Republic has not appointed any trustee, fiscal agent or settlement agent to act on behalf of holders of the bonds.

The Republic has not appointed any trustee, fiscal agent or settlement agent to act on behalf or for the benefit of the holders of the bonds. As a result, it may be difficult for the holders of the bonds to coordinate collective action to enforce their rights under the bonds. See “Description of the Bonds—No Agents or Trustee.”

Sovereign credit ratings may not reflect all risks of investment in the bonds.

Sovereign credit ratings are an assessment by rating agencies of the Republic’s ability to pay its debts when due. Consequently, real or anticipated changes in the Republic’s sovereign credit ratings will generally affect the market value of the bonds. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the bonds. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each credit rating agency’s rating should be evaluated independently of any other agency’s rating.

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

The 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 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;
- the impact of pandemics, such as the COVID-19 outbreak;
- 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 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.

Risk Relating to Foreign Currency Securities

If the peso depreciates against the U.S. dollar, the effective yield on the bonds will decrease, and the amount payable at maturity may be less than your investment, resulting in a loss to you.

Principal and interest payments on the bonds will be made in pesos. Rates of exchange between the U.S. dollar and the peso have varied over time. Historical trends do not necessarily indicate future fluctuations in rates and should not be relied upon as indicative of future trends. Currency exchange rates can be volatile and unpredictable. The Republic will not provide a currency indemnity in connection with the bonds. See "Description of the Bonds—Currency Indemnity."

If the peso depreciates against the currency of your home country (your "home currency"), the effective yield on the bonds, measured in your home currency, will be less than the interest rate on the bonds, and the amount payable on the bonds at maturity may be less than your investment in home currency terms, resulting in a loss to you. Depreciation of the peso against your home currency could also adversely affect the market value and liquidity of the bonds.

Government policy or actions could adversely affect the exchange rate between the peso and other currencies, including the U.S. dollar, and an investment in the bonds.

The Republic has a floating exchange rate. However, in order to mitigate the unfavorable effects of exchange rate volatility, the Central Bank intervenes from time to time in the foreign exchange market. Such interventions or other governmental actions could adversely affect the value of the bonds, as well as the yield on the bonds and the amount payable to you at maturity.

Even in the absence of governmental action directly affecting currency exchange rates, political or economic developments in the Republic or elsewhere could lead to significant and sudden changes in the exchange rate between the peso and the U.S. dollar.

Exchange controls could affect the exchange rate between the peso and other currencies, including the U.S. dollar, the amount payable on the bonds and the ability to transfer payments of principal and interest, or proceeds from sales of bonds, outside the Republic.

The peso/U.S. dollar exchange rate is set by the market, based upon the supply of, and demand for, U.S. dollars. Currently, the Central Bank does not impose any limit on the fluctuation of the free market exchange rate; however, we cannot assure you that any exchange control regulations will not be instituted in the future.

Any restrictive exchange controls imposed in the future could impair the ability to exchange pesos for U.S. dollars or other foreign currency or the ability to transfer pesos or foreign currency outside the Republic as well as cause the value of the peso to depreciate against the U.S. dollar or other currencies.

If any such exchange controls become effective, holders of bonds may not be able to convert the peso proceeds of sales of bonds into foreign currencies for repatriation, which could have a material adverse effect on their investment and the value of the bonds, as well as in their use of peso distributions in respect of the bonds.

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 in the global offering will be approximately DOP116,641,941,129.

The Republic intends to use a portion of the net proceeds from the sale of the bonds to pay the consideration for the Existing Notes that are validly tendered and accepted in the Tender Offer, and the remainder for general purposes of the Government of the Republic, including the partial financing of the 2021 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 10.4 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 estimates and projections of total population 2000-2030, based on the national census conducted in 2010, the population grew at an estimated average annual rate of 1.2% in the period from 2000 to 2010, and 1.0% in the period from 2010 to 2020. 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$19,228	US$10,194	US$9,020	US$9,164	US$32,851	US$15,630	US$21,060	US$20,448	US$65,298
United Nations index of human development (world ranking)(2)	88	101	127	124	57	83	62	74	17
Life expectancy at birth (in years)(3)	74	74	74	73	78	77	80	75	79
Literacy rate, adult total (% of people ages 15 and above)(4)	93.8%	88.1%	81.3%	89.0%	95.4%	95.1%	97.9%	95.4%	N/A
% of population below the poverty line(5)	3.2%	9.2%	20.5%	8.1%	4.7%	10.5%	3.8%	6.9%	1.2%

(1) Data refer to 2019, expressed in current international dollars converted by purchasing power parity (PPP) conversion factor.
(2) Data refer to 2020.
(3) Data refer to 2018.
(4) Data refer to 2018, except for Jamaica and Guatemala (2014) and Dominican Republic (2019), in the latter, using national data from the System of Social Indicators of the Dominican Republic (SISDOM).
(5) Data refer to 2018, except for Jamaica (2004), Guatemala (2014), 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 February 17, 2021), 2020 United Nations Human Development Report, and System of Social Indicators of the Dominican Republic (SISDOM) of the Ministry of Economy, Planning and Development. 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, 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. Mr. 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 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, Mr. Medina was elected for a second four-year term, after obtaining 61.74% of the votes cast during the first ballot, against Luis Abinader of the *Partido Revolucionario Moderno* ("PRM"), who obtained 34.98% of the votes cast. Until August 2020, the PLD had been the majority party in Congress since 2006.

In August 2020, Luis Abinader of the PRM was inaugurated as President of the Republic for a four-year term. Mr. Abinader was elected after obtaining 52.5% of the votes cast during the first ballot. In addition, the PRM became the majority party in Congress as a result of the 2020 general elections. See "The Dominican Republic—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's* (Public Prosecutor's Office) specialized branch of Special Corruption (*Procuraduría Especializada de Corrupción Administrativa* or "PEPCA), 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 Third Court of Instruction of the National District (*Tercer Juzgado de la Instrucción del Distrito Nacional*) 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. As of the date of this offering memorandum, the case had been remanded to a first-instance court, where the proceedings were ongoing.

In June 2019, Odebrecht applied for bankruptcy in Brazil and has since then failed to make payments scheduled 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. On October 5, 2020, the Brazilian bankruptcy court recognized the Republic as a creditor. Odebrecht contested the ruling. As of the date of this offering memorandum, the appellate court had not made a decision.

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. PEPCA 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, PEPCA formally charged six individuals, including government ministers, among others, and several companies for their alleged involvement. In January 2019, PEPCA 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 were 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 PEPCA. PEPCA is currently investigating the Odebrecht and Embraer corruption cases, among other corruption cases. In addition, on January 10, 2017, the Government 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—The Electricity Sector—Punta Catalina Thermal Power Plant."

On September 10, 2020, the Director General of Public Procurement and Contracting ("*DGCP*") and the Director of Ethics and Government Integrity ("*DIGEIG*") filed with PEPCA documents related to an investigation into the irregular purchase of DOP11.5 billion in asphalt concrete by the Ministry of Public Works during the administration of Gonzalo Castillo, former Minister of Public Works during the Medina administration. As of the date of this offering memorandum, the Attorney General's Office has not initiated a formal investigation or filed any charges in connection with these allegations.

On November 29, 2020, the Attorney General's Office, PEPCA and Department of Prosecution (*Dirección de Persecusión*), conducted a series of arrests in connection to alleged administrative corruption of past government officials, government contractors and related individuals, including two siblings of former President Danilo Medina. As of the date of this offering memorandum, some of those individuals arrested remained in custody. The Public Prosecutor's Office will present formal charges after the investigatory phase concludes.

On December 7, 2020, the Youth Minister, Kimberly Taveras, resigned her position in office due to allegations of misuse of government funds in 2017. PEPCA is investigating these allegations.

On February 22, 2021, the Attorney General's Office, through the PEPCA, conducted a raid at the Audit Chamber (Cámara de Cuentas) in connection to alleged administrative corruption related to past governmental officials. PEPCA is currently in the process of investigation before bringing formal charges. As of the date of this memorandum, no arrests have been made.

On February 24, 2021, President Abinader announced that he was removing Public Health Minister, Plutarco Arias, by way of presidential decree. This action was taken after information was made public that the Republic had undertaken a public selection process to purchase needles required for the National Vaccination Plan (*Plan Nacional de Vacunación*) related to COVID-19 vaccines at above-market prices. The process was since canceled and a new needle purchase arrangement was executed.

On April 24, 2021, the Attorney General's Office, through the PEPCA, conducted a series of arrests in connection to alleged administrative corruption, involving high level military and police officials connected to the previous government, including former President Danilo Medina's head of security. As of the date of this offering memorandum, some of those individuals arrested remained in custody or house arrest. The Public Prosecutor's Office will present formal charges after the investigatory phase concludes.

On May 13, 2021, senator Antonio Marte presented a complaint with the Attorney General's Office against former finance minister Donald Guerrero and former ministers Gustavo Montalvo and José Ramón Peralta alleging misuse of DOP17 billion collected from an asphalt tax that was intended for refurbishment of the Republic's public road infrastructure. As of the date of this offering memorandum, the Attorney General's Office has not indicated whether it has begun any investigations related to this complaint.

On May 18, 2021, Congress member Miguel Andrés Gutierrez Diaz was arrested on arrival into Miami and criminally charged by U.S. drug enforcement authorities with forming part of a transnational drug ring that operated in the Dominican Republic, Colombia and the United States and conspiring to import and distribute cocaine into the United States. The Office of the Presidency of the Dominican Republic and the Dirección Nacional de Control de Drogas (DNCD) cooperated in this operation with U.S. federal and local enforcement agencies.

Political Parties

The principal political parties in the Dominican Republic are the *Partido Revolucionario Moderno* or PRM (social democratic), the *Partido de la Liberación Dominicana* or PLD (democratic center left), the *Partido Revolucionario Dominicano* or PRD (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 Revolucionario Moderno. The PRM is a recently-created social democratic party, formerly known as *Alianza Social Dominicana*, that supports socially-oriented market policies. Its principal leaders are President Luis Abinader and former President Hipólito Mejía Domínguez, and its original members were mostly persons who left the PRD to form a new party in 2014. In August 2020, Mr. Abinader was inaugurated as President of the Republic.

Partido de la Liberación Dominicana. The PLD is a democratic center-left party. The PLD was founded by late former President Juan Bosch, after his split with the PRD. Its principal leader is former President Danilo Medina. 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 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 Antún Batlle. 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, and has entered into a series of political alliances in connection with recent presidential elections, including, most recently, a political alliance with *La Fuerza del Pueblo* in connection with the 2020 presidential elections (supporting Mr. Fernandez's candidacy). The PRSC has not presented a separate candidate for presidency in general elections since the 2008 general elections.

Partido Revolucionario Dominicano (PRD). The PRD is a social democratic party. The party's current leader is Mr. Miguel Vargas, who ran for office in the 2008 presidential elections. 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 (Danilo Medina, who won the May 2016 presidential election, ran as the candidate for both parties). The political alliance was renewed for the general elections held in June 2020, in which the PRD supported the PLD's candidate for the presidency, Mr. Gonzalo Castillo.

Since 1996, successive presidential administrations have 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 various policies intended to create employment and address social and economic inequities, such as modernization of the public education system, rural and urban infrastructure development, modernization of the healthcare system, and development of affordable housing and other housing solutions.

In August 2020, Mr. Luis Abinader, of the PRM, was inaugurated as President of the Republic for a four-year term ending in August 2024. Mr. Abinader was elected after obtaining 52.5% of the votes cast in the first round of the general elections held on July 5, 2020 (originally scheduled for May 17, 2020, but postponed due to concerns regarding the COVID-19 pandemic). The PRM also won a majority of the seats in both the Senate and in the Chamber of Deputies.

Since assuming office in August 2020, the Abinader administration has announced several initiatives and policy objectives, including:

- *Reactivation of the economy and other measures to address the impact of COVID-19*: The Abinader administration has extended through April 2021 social and employment support programs adopted by the previous administration to address the impact of COVID-19, such as *Quedate en Casa, FASE* and *Pa' ti*. The increase in fiscal expenditures for COVID-19-related social programs is expected to be funded via a reorganization of internal uses of funds and will not impact sources approved under the 2021 budget. See "The Economy—Measures to Mitigate the Impact of the COVID-19 Outbreak on the Economy." In addition, the new administration has announced measures to provide support to various sectors of the economy, including tourism, health, construction and agriculture, among others. These measures include various forms of tax relief, investments and incentives in housing and other construction, and the creation of a state guarantee fund to facilitate credit to small and mid-sized businesses, through April 2021. See "The Economy—Measures to Mitigate the Impact of the COVID-19 Outbreak on the Economy" and "The Monetary System—Financial System and Reforms."
- *Further diversification of the economy and measures to support economic growth post-COVID-19*: The Abinader administration has announced a plan for construction and upgrade of infrastructure in

several key sectors, including dams, waterworks, and ports and roads, among others. This plan contemplates the use of public-private partnerships (PPPs) to combine the managerial experience and financing capabilities of the public and private sectors in large-scale infrastructure projects. In addition, the administration has announced measures to promote significant growth in exports in several productive sectors of the economy, as well as a plan to modernize the regulatory framework and increase the number and productivity of industrial free zones in the country.

- *Fiscal responsibility and public sector reform*: The administration plans to streamline the public sector to better control costs, reduce corruption and improve public services, which include the elimination or combination of a number of public sector institutions considered redundant or superfluous. In the electricity sector in particular, the Abinader administration has and is taking steps to dissolve the CDEEE and concentrate regulatory oversight of the energy sector in the Ministry of Energy and Mines, and to reorganize management of state-owned electricity distribution companies and state-owned generation companies under a single council for each activity. See "Recent Developments—The Economy—The Electricity Sector." The administration has also announced plans to open state-owned electricity assets to private sector investment and/or operation, as well as plans to promote investment in renewable energy.
- *Reinforce state institutions*: The Abinader administration has also announced plans to carry out a comprehensive reform of state institutions with the goal of enhancing transparency and reduce corruption. These plans include reforms to further strengthen the independence of the judiciary, as well as other autonomous institutions, and enhance controls in public bidding and contracting procedures.
- *Fiscal stability*: The Abinader administration has announced that it will carry out a comprehensive plan to achieve greater fiscal stability and fiscal responsibility, with a goal to eventually eliminate fiscal deficits. This plan includes an overall review of fiscal policy to improve the control and quality of public expenditures, the active management of public sector debt to achieve a sustainable debt structure, and the reform and simplification of the Dominican tax system to increase efficiency and tax collections. The plan also contemplates the recapitalization of the Central Bank.

Congressional representation of each of the political parties since the most recent elections in July 2020 is as follows:

	Senate		**Chamber of Deputies**[(1)]	
	Seats	**%**	**Seats**	**%**
Partido Revolucionario Moderno (PRM) and allied parties	18	56.3	92	48.4
Partido de la Liberación Dominicana (PLD) and allied parties	6	18.8	73	38.4
Partido Reformista Social Cristiano (PRSC)and allied parties	5	15.6	6	3.2
Bloque Institucional Social Demócrata (BIS) and allied parties	1	3.1	1	0.5
Partido Fuerza del Pueblo (FP)	1	3.1	4	2.1
Partido Dominicanos por el Cambio (DXC)	1	3.1	—	—
Alianza País (ALPAIS)	—	—	1	0.5
Alianza por la Democracia (APD)	—	—	2	1.1
Partido Cívico Renovador (PCR)	—	—	1	0.5
Partido Humanista Dominicano (PHD)	—	—	1	0.5
Partido Popular Cristiano (PPC)	—	—	1	0.5
Partido Revolucionario Social Demócrata (PRSD)	—	—	1	0.5
Partido Revolucionario Dominicano (PRD)	—	—	3	1.6
Partido Liberal Reformista (PLR)	—	—	1	0.5
Frente Amplio	—	—	3	1.6
Total	**32**	**100**	**190**	**100**

(1) Includes seven Deputies elected as representatives of the Diaspora (Dominicans living abroad) elected in July 2020.
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* or 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*). On January 20, 2021, the International Court of Arbitration of the International Chamber of Commerce issued its final award instructing the Republic to pay US$2.3 million in damages to Dominicana Renovables (compared to the US$287.6 million sought by the plaintiff).

On April 6, 2018, Mr. Michael Lee-Chin and Lajun Corporation, S.R.L. filed a notice of arbitration with the International Centre for Settlement of Investment Disputes under Article III of the Dominican Republic-Caribbean Community (CARICOM) Free Trade Agreement. Plaintiffs allege that the Republic breached its obligations under Annex III, and in particular, its obligations relating to transparency, most favored nation treatment, protection and full security and expropriation and compensation, and seek an award of US$601.0 million for damages. As of the date of this offering memorandum, the proceeding is still pending.

On June 7, 2019, Azucarera del Guadalfeo, S.A. and Mr. Joaquín Francisco Martín Montero filed a notice for arbitration with the Permanent Court of Arbitration under the APPRI), entered into by the Republic and Spain, alleging a violation of the Republic's obligations under the APPRI. Plaintiffs are seeking an award of US$46.8 million for damages. As of the date of this offering memorandum, the proceeding is still pending.

On July 17, 2020, Webuild, S.p.A. (f/k/a Salini Impregilo, S.p.A.) filed a notice of arbitration with the Arbitration Institute of the Stockholm Chamber of Commerce under the Agreement on Reciprocal Promotion and Protection of Investments ("APPRI Italy"), entered into by the Republic and Italy, alleging a violation of the Republic's obligations under the APPRI Italy. The plaintiff has informally notified the Republic that it is seeking an award of up to US$25.8 million and DOP179.6 million. As of the date of this offering memorandum, this proceeding is still pending.

On September 14, 2020, Entreprise Générale de Tous Travaux S.A.R.L. Empresa (EGTT Guadeloupe) and Mr. Yves Martine Garnier filed a notice for arbitration with the Permanent Court of Arbitration under the Agreement on the Reciprocal Protection and Promotion of Investments (the "APPRI"), entered into by the Republic and France, alleging a violation of the Republic's obligations under the APPRI. Plaintiffs are seeking an award of US$224 million for damages. As of the date of this offering memorandum, this 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 expiring on December 31, 2020.

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 Organization for Economic Co-operation and Development ("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.

Haiti is the second most important destination for Dominican exports. 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 exports of garments, clothing accessories and cotton. For the year ended December 31, 2017, exports to Haiti were US$1,238.6 million, representing an increase of 1.4% as compared to 2016, due to a 2.0% increase in exports from outside the free-trade zones. For the year ended December 31, 2018, exports to Haiti were US$1,272.7 million, representing an increase of 2.8% as compared to 2017 due to a 4.3% increase in exports from outside the free-trade zones. For the year ended December 31, 2019, exports from the Republic to Haiti amounted to US$1,213.6 million representing a decrease of 4.6% as compared to 2018. For the year ended December 31, 2020, exports from the Republic to Haiti amounted to US$1,080.5 million representing a decrease of 11.0% as compared to 2019.

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 *Superintendencia de Bancos* (the "Superintendency of Banks") 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.

2016-2020 Developments

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 U.S. 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 U.S. 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 U.S. 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 U.S. 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 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 U.S. 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 U.S. 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.

In 2019, based on preliminary figures, real GDP grew by 5.1%, primarily driven by investment and consumption in the second half of the year, which benefited from the effects of the monetary easing measures implemented by mid-year that stimulated financial credit to the private sector. For 2019, the Central Bank established an inflation target of 4.0%, plus or minus 1%. On December 31, 2019, the inflation rate stood at 3.66%.

During the 2016-2019 period the economy 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, contributed to increased export and tourism revenues, thus fostering certain economic sectors with high external demand.

In 2020, based on preliminary figures, real GDP contracted by 6.7%, primarily driven by the impact of the preventative public safety measures taken to contain the spread of the COVID-19 pandemic in the country. Such measures included, among others, mandatory quarantines and curfews, closure of the country's borders by air, land

and sea, suspension of non-essential economic activities and limited public transportation. Annualized GDP growth rate for the months of January and February 2020 was 4.7% and 5.3%, respectively, while GDP contracted by 9.4%, 29.8%, 13.6%, 7.1%, 8.8%, 7.2%, 5.6%, 4.3%, 3.4% and 1.0% in March, April, May, June, July, August, September, October, November and December 2020, respectively. The results of the first two months of 2020 demonstrate that the Dominican economy started the year growing at a favorable rate, consistent with the spillover effects of the expansionary measures implemented during the second half of 2019.

Nevertheless, since registering the steepest monthly decline in April 2020, economic performance improved in the following months, mainly due to the gradual reopening of non-essential economic activity, easing monetary policy measures to provide liquidity to the economy, the adoption of certain tax incentives and benefits and targeted government spending on social programs. The 1.0% contraction observed in December 2020 compared to December 2019 represented a 28.8 percentage point improvement compared to the 29.8% contraction observed in April 2020 compared to April 2019. Excluding hotels, bars and restaurants, the economic activity most affected by the COVID-19 pandemic, the rest of the economic activities in the Dominican Republic show on average a recovery in recent months, from a 12.5% average contraction in the second quarter of 2020 to a 3.0% average contraction in the third quarter of 2020 and a 0.6% average growth in the last quarter of the year, which includes growth rates of 0.2% and 2.3% in November and December 2020, respectively.

For 2020, the Central Bank established an inflation target of 4.0%, plus or minus 1%. However, in December 31, 2020, the inflation rate stood at 5.55%, due to the recovery in international oil and domestic food prices in the second half of the year.

The Central Bank's net international reserves increased by 22.4% from US$8,781.4 million as of December 31, 2019 to US$10,751.6 million as of December 31, 2020. The nominal depreciation of the DOP/US$ exchange rate increased rapidly between April and early July, due to the adverse effects of the pandemic, then stabilized from mid-July to the end of the year, mainly due to the efforts of the monetary authorities and the greater accumulation of international reserves, reaching DOP58.11 per U.S. dollar on the last business day of 2020, which represented an annualized peso depreciation rate of 9.0% since the beginning of 2020, as compared to depreciation of 5.1% in 2019. The average DOP/US$ exchange rate for the purchase of U.S. dollars in 2020 was DOP56.47 per US$1.00 compared to DOP51.20 per US$1.00 for 2019, which represents a 9.3% nominal average depreciation in 2020 compared to 2019.

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, 2020, private consumption accounted for 69.7% of GDP, government consumption for 12.6% of GDP and gross investment for 25.4% 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,									
	2016		2017(2)		2018(2)		2019(2)		2020(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Government consumption	7,805.3	10.3	8,753.6	10.9	9,289.2	10.9	9,840.8	11.1	9,953.4	12.6
Private consumption	53,404.6	70.5	55,577.2	69.5	58,419.6	68.3	60,278.6	67.8	54,939.1	69.7
Total consumption	61,209.9	80.8	64,330.8	80.4	67,708.8	79.2	70,119.4	78.9	64,892.5	82.3
Total gross investment	17,403.6	23.0	17,983.0	22.5	22,064.8	25.8	23,118.7	26.0	20,008.1	25.4
Exports of goods and services	18,113.6	23.9	18,951.5	23.7	20,145.2	23.6	20,510.0	23.1	14,422.3	18.3
Imports of goods and services	(20,967.6)	(27.7)	(21,240.9)	(26.5)	(24,381.9)	(28.5)	(24,842.0)	(27.9)	(20,493.9)	(26.0)
Net exports (imports)	(2,854.0)	(3.8)	(2,289.3)	(2.9)	(4,236.7)	(5.0)	(4,332.0)	(4.9)	(6,071.6)	(7.7)
GDP	**75,759.4**	**100.0**	**80,024.5**	**100.0**	**85,536.9**	**100.0**	**88,906.1**	**100.0**	**78,829.0**	**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,									
	2016		2017(1)		2018(1)		2019(1)		2020(1)	
	DOP	%	DOP	%	DOP	%	DOP	%	DOP	%
Government consumption	359,285.0	8.9	415,959.0	15.8	460,006.9	10.6	504,984.6	9.8	562,725.0	11.4
Private consumption	2,458,273.8	8.1	2,640,954.6	7.4	2,892,980.7	9.5	3,093,208.9	6.9	3,106,022.1	0.4
Total consumption	2,817,558.7	8.2	3,056,913.5	8.5	3,352,987.6	9.7	3,598,193.5	7.3	3,668,747.1	2.0
Total gross investment	801,107.5	6.6	854,528.4	6.7	1,092,665.1	27.9	1,186,340.2	8.6	1,131,173.7	(4.7)
Exports of goods and services	833,790.0	9.5	900,550.5	8.0	997,602.5	10.8	1,052,474.9	5.5	815,376.5	(22.5)
Imports of goods and services	(965,163.7)	6.0	(1,009,336.6)	4.6	(1,207,408.4)	19.6	(1,274,773.5)	5.6	(1,158,640.0)	(9.1)
Net exports (imports)	(131,373.7)	(11.8)	(108,786.2)	(17.2)	(209,805.9)	92.9	(222,298.6)	6.0	(343,263.4)	54.4
GDP	**3,487,292.5**	**8.8**	**3,802,655.8**	**9.0**	**4,235,846.8**	**11.4**	**4,562,235.1**	**7.7**	**4,456,657.4**	**(2.3)**

(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,									
	2016		2017(2)		2018(2)		2019(2)		2020(2)	
	Index	%	Index	%	Index	%	Index	%	Index	%
Government consumption	141.5	1.9	142.7	0.8	146.7	2.8	156.0	6.3	163.7	4.9
Private consumption	153.7	6.0	160.4	4.4	169.5	5.7	177.3	4.6	171.3	(3.4)
Total consumption	152.1	5.5	158.1	3.9	166.4	5.2	174.4	4.8	170.2	(2.4)
Gross fixed investment(3)	147.6	12.3	147.2	(0.3)	166.8	13.3	180.4	8.1	158.6	(12.1)
Exports of goods and services	150.7	7.5	158.1	4.9	167.6	6.1	170.2	1.5	118.6	(30.3)
Imports of goods and services	140.1	8.1	135.9	(3.0)	147.5	8.5	156.1	5.8	133.3	(14.6)
Real GDP	**153.1**	**6.7**	**160.2**	**4.7**	**171.4**	**7.0**	**180.1**	**5.1**	**168.0**	**(6.7)**

(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 year-over-year 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 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, which 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.

In 2019, the Republic's real GDP grew by 5.1% as compared to 2018, mainly as a result of higher domestic demand, which resulted mainly from the expansion in gross fixed investment (8.1%) and total consumption (4.8%). This growth in GDP was due to the continuing effects of the monetary easing measures implemented in mid-2019, which 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 for the expansion of investment and consumption.

In 2020, the Republic's real GDP contracted by 6.7% as compared to 2019, due to the weakening of the components of external and domestic demand, as a result of the preventative public safety measures taken to contain the spread of COVID-19 in the country. Specifically, total consumption and gross fixed investment, declined 2.4% and 12.1%, respectively. In addition, total exports and imports decreased 30.3% and 14.6%, respectively.

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,									
	2016(1)		2017(1)		2018(1)		2019(1)		2020(1)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Domestic investment	17,403.6	23.0	17,983.0	22.5	22,064.8	25.8	23,118.7	26.0	20,008.1	25.4
Domestic savings:										
Public savings	720.3	1.0	817.0	1.0	724.7	0.8	N/A	N/A	N/A	N/A
Private savings	15,868.6	20.9	17,032.9	21.3	20,018.7.	23.4	N/A	N/A	N/A	N/A
Total domestic savings	16,588.9	21.9	17,849.9	22.3	20,743.3	24.3	21,930.8	24.7	18,467.1	23.4
External savings (2)	814.7	1.1	133.1	0.2	1,321.5	1.5	1,187.9	1.3	1,541.0	2.0
Total savings	**17,403.6**	**23.0**	**17,983.0**	**22.5**	**22,064.8**	**25.8**	**23,118.7**	**26.0**	**20,008.1**	**25.4**

(1) Preliminary data.
(2) Calculated as the inverse negative of the current account balance.
N/A = not available.
Source: Central Bank.

During the period from 2016 through 2019, 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, 2018 and 2019, with domestic savings representing 22.3%, 24.3% and 24.7% of GDP, respectively, and external savings representing only 0.2%, 1.5% and 1.3% of GDP, respectively. In 2020, total domestic savings decreased by 15.8% when compared to 2019, while external savings increased by 29.7% during the same period. In 2020, domestic savings and external savings represented 23.4% and 2.0% 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,									
	2016		2017(4)		2018(4)		2019(4)		2020(4)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Per capita GDP	7,519.5	5.3	7,869.3	4.7	8,331.9	5.9	8,583.1	3.0	7,544.5	(12.1)
Per capita income	7,720.1	5.2	8,057.8	4.4	8,598.9	6.7	8,856.2	3.0	7,946.8	(10.3)

(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 2016 through 2019, economic growth and improved employment levels resulted in an expansion of per capita GDP and per capita income. However, in 2020 per capita GDP and per capita income decreased by 12.1% and 10.3%, respectively, due to the impact of COVID-19 pandemic.

Measures to Mitigate the Impact of the COVID-19 Outbreak on the Economy

Education Measures

In order to safeguard the health and safety of students and staff, the Ministry of Education suspended classes in all schools and universities on March 17, 2020 due to the spread of COVID-19. On April 16, 2020, the Ministry of Education enabled an online education portal that included resources and pedagogical guides for the initial, basic, and intermediate levels of education, and on November 2, 2020, it indicated online classes would be available on YouTube in order to guarantee that students can continue their education.

In order to guarantee the effectiveness of distance learning, the Government has implemented the following measures:

(i) provision of tablets and notebooks to approximately 2.7 million students;

(ii) provision of technological equipment to approximately half of the Dominican Republic's teachers;

(iii) assumption of student's cost of internet connectivity by the Government;

(iv) the use of radio, television and cable channels for the transmission of educational material in places where internet connectivity is not available;

(v) establishment of institutional mechanisms to integrate civil entities linked to education and educational management; and

(vi) simplification of the curriculum.

Investment in educational equipment and internet access for students and teachers is expected to exceed DOP27.0 billion. Further, the cost of updating schools and other institutions for in person learning is expected to exceed DOP3.0 billion.

Social Measures

School meal program. In order to safeguard the food security of vulnerable households, the Government decided to maintain the *Programa de Alimentación Escolar* (School Meal Program), despite the suspension of in-person classes. Pursuant to this measure, families are provided access to food rations based on the number of students of each family enrolled in schools.

Protection of vulnerable households and informal workers. Through the *Quédate en Casa* (Stay at Home) program implemented in April 2020, the Government committed to subsidizing 1.5 million households identified as poor or vulnerable, which are expected to be mostly supported by the preventive measures taken to contain the spread of COVID-19 in the Dominican Republic.

In particular, the Stay at Home program pays DOP5,000 per month to over 1.5 million families who also benefit from the *Comer es Primero* (Eating Comes First) program.

The Stay at Home program was extended until April 2021 and it is estimated to have benefited 46.9% of all households in the Republic and involve resources of approximately DOP17.0 billion.

Support for Formal Employees Suspended by their Employers. In April 2020, the Government launched the FASE program to support those formal employees of certain companies who have been suspended from their employment. In particular, through the FASE program, in April and May 2020, the Government transferred to these employees a portion of their salaries in an amount not to exceed DOP8,500 per month.

*Pa' Ti (*For You*) Program.* In May 2020, the Government launched the *Pa' Ti* (For You) program to provide temporary support to certain independent workers through a DOP8,500 unconditional monthly cash distribution paid by the Government, which is intended to assist workers in counteracting the economic effects of the public health measures taken to prevent the spread of COVID-19.

Monetary and Financial Measures to Support the Economy

Since the outbreak of the COVID-19 pandemic, the Central Bank and the Monetary Board have adopted a set of expansive monetary and financial measures to mitigate the effects of the COVID-19 pandemic by easing reserve requirements and increased financing for households and small and medium enterprises at lower interest rates. Between March and August 2020, the Central Bank decreased the MPR by 150 basis points to 3.00% per annum, due to the increase in uncertainty associated with the economic impact of the COVID-19 pandemic. The Central Bank also narrowed the interest rate corridor, from MPR plus or minus 150 basis points to MPR plus or minus 50 basis points. See "—The Monetary System—Monetary Policy."

In addition, to increase liquidity in the financial system, since April 2020, the Government has implemented the following measures:

- Provision of liquidity in pesos in an aggregate amount of approximately DOP215.0 billion, to be provided through financial institutions by:
    - o the release of approximately DOP30.1 billion from the legal reserve held by financial institutions, equivalent to 2.7 percentage points of the legal reserve coefficient, to be used as loans to households and productive sectors, at annual interest rates not to exceed 8.0%;
    - o in the case of savings and loan institutions and credit corporations, the legal reserve was reduced by 0.5%, equivalent to approximately DOP136.4 million, which was required to be made available as credit to micro and small businesses and households;
    - o the provision of liquidity through repos of up to 360 days to channel DOP60.0 billion, using securities issued by the Central Bank and guaranteed by the Ministry of Finance. This facility is available with interest rates of 4.50% for repos up to 90 days, 5.00% for repos between 91 and 180 days, and 5.50% for repos between 181 and 360 days. In October 2020, as most of these repos had matured, the Central Bank set at DOP20.0 billion this facility's available funds, adding the remaining DOP40.0 billion to the Rapid Liquidity Facility (as described below);
    - o the provision of up to DOP20.7 billion in liquidity for micro-, small- and medium-sized enterprises ("MSMEs") and households through repos and the release of legal reserve requirements held by financial institutions;
    - o the provision of up to DOP20.0 billion in liquidity for productive sectors such as tourism, exports, construction, and manufacturing; and
    - o the provision of funds through a Rapid Liquidity Facility aimed at households, productive sectors and micro- and small- enterprises for DOP60.0 billion, which was increased to (i) DOP100.0 billion in October 2020 following the DOP40.0 billion reduction in available funds through short-term repos, as described above, and (ii) DOP125.0 billion in February 2021.
- Provision of liquidity in foreign currency in an aggregate amount exceeding US$600 million, contributing to the proper functioning of the exchange market and the channeling of foreign currency to the productive sectors, through the following measures:
    - o the injection of approximately US$400 million, through 90-day repo operations, using securities issued by the Ministry of Finance as guarantees with an interest rate reduction from 1.80% to 0.90% per annum;
    - o the release of approximately US$222 million from the legal reserve of financial institutions in foreign currency; and
    - o the remuneration, at an interest rate of 0.45% per annum, for reserves in foreign currency held by financial institutions exceeding the required minimum reserve level.
- Special regulations aimed at mitigating the potential impact of the COVID-19 pandemic on companies' cash flows and the deterioration of their credit portfolios, such as:
    - o freezing credit ratings and provisions;
    - o keeping the risk rating of creditors that were granted credit restructurings unchanged, without generating additional provisions;
    - o providing that loans disbursed against credit lines will not be considered past due for a period of sixty days; and

- o providing a ninety-day extension on the term granted to debtors for them to update guarantees corresponding to credit ratings.

For more information, see "—The Monetary System—Supervision of the Financial System—Reforms of the Financial System." For a description of monetary measures implemented in 2021, see "Recent Developments—The Monetary System."

Tax Measures

Given the ongoing COVID-19 pandemic and as a means to support the economy during this time, since mid-March 2020, the Internal Revenue Agency (*Dirección General de Impuestos Internos)* and the Customs Agency *(Dirección General de Aduanas*) have implemented certain measures to improve companies' cash flows and tax compliance, including, among others:

- A temporary suspension of the application of the Advanced Price Agreements (APA) with the tourism sector, which determines payments due for VAT and income tax.
- An exemption, until December 2020, of the payment of the advance income tax available to legal entities or sole proprietorship businesses, including those large taxpayers facing difficulties to operate during the COVID-19 state of emergency. Large taxpayers that, due to particular circumstances cannot comply with advance income tax payments, may request a total or partial exemption.
- An exemption of the first and second advanced income tax payment for individuals and undivided estates due on July 15 and August 15, 2020, respectively; provided that the taxpayer's total income does not exceed DOP8.7 million.
- A temporary suspension of the advanced payment of 50.0% of VAT for companies under the *Pro-industria* regime.
- An exemption, until December 2020, of taxes on the acquisition, either locally or internationally, of denatured ethyl alcohol to be used in the formulation of antibacterial gel and on personal protective equipment used in hospitals, among other health related products.
- A postponement of several taxes otherwise payable from March through July 2020, such as:
  - o a postponement from April 30 to July 29, 2020 of the deadline for the declaration and payment of the second installment of the tax on the assets for companies with fiscal years ending on June 30;
  - o a postponement from March 1 to July 29, 2020 for the presentation and payment of taxes related to gambling and betting;
  - o a postponement from April 29 to July 29, 2020 for the declaration and payment of the income tax and asset tax for companies with a fiscal year ending on December 31 and for sole proprietorship businesses and non-profit institutions with fiscal years ending on December 31; such taxes are also payable in installments;
  - o a postponement from March to July 29, 2020 for the declaration and payment of income tax that must be made by natural persons and taxpayers included in the Simplified Tax Regime (RST) corresponding to the 2019 fiscal period; and
  - o a postponement from July 29 to August 31, 2020 for the presentation and payment of the income tax and asset tax for companies with a fiscal year ending on March 31.
- The payment of tax obligations in installments, which will not be subject to the monthly compensatory interest, such as:
  - o four equal and consecutive installments for the annual income tax payments that must be made by companies with a fiscal year ending on December 31;
  - o three equal and consecutive installments for the excise tax payments on consumption of alcohol and tobacco during the month of March 2020; and
  - o three equal and consecutive installments for VAT payments on goods and services purchased during the month of March 2020.

- A deferral, from April to July 2020, of payments under existing agreements in force before the current pandemic, with 50% reduction in the value of installments.
- Facilities for the regularization of taxpayers who have overdue obligations due to the COVID-19 pandemic, without penalty.
- An expedited customs clearance for high-priority goods.
- A simplification of procedures to obtain a low-cost housing bonus and the dispatch of imported vehicles.

Additionally, in compliance with the measures to prevent the spread of COVID-19 and to facilitate an efficient operation for key economic sectors, each of the Ministry of Finance, the Internal Revenue Agency and the Customs Agency have digitized many of its services, as well as extended the validity of license plates and VAT exemption cards for free trade zones. In addition, the Customs Agency eliminated charges for late declaration and extended the time period for merchandise kept at deposits to be considered abandoned.

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 2016 to 2019. The annual average GDP growth rate for 2016 to 2019 was 5.8%. Real GDP contracted by 6.7% in 2020, primarily as a result of the preventative public safety measures taken to contain the spread of COVID-19 in the country.

The following table sets forth the principal sectors of the economy in 2020.

Sectors of the Dominican Economy
(as a % of GDP for 2020, at current prices)

	2020(1)
Primary production(2)	8.0
Manufacturing(3)	14.4
Other Secondary Production(4)	13.8
Services(5)	57.2
Taxes (less subsidies)	6.5

(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 prior year.

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

	As of December 31,									
	2016		2017(1)		2018(1)		2019(1)		2020(1)	
	DOP	%	DOP	%	DOP	%	DOP	%	DOP	%
Primary production:										
Agriculture, livestock, fishing and forestry	192,054.7	5.5	203,163.2	5.3	218,052.2	5.1	238,481.2	5.2	269,248.0	6.0
Mining	68,971.7	2.0	70,388.1	1.9	73,574.2	1.7	82,459.0	1.8	89,231.2	2.0
Total primary production	261,026.4	7.5	273,551.3	7.2	291,626.4	6.9	320,940.2	7.0	358,479.1	8.0
Secondary production:										
Manufacturing:										
Traditional	386,688.6	11.1	410,978.1	10.8	456,900.9	10.8	482,045.4	10.6	486,551.9	10.9
Free trade zones	116,137.1	3.3	125,039.1	3.3	141,858.7	3.3	145,663.6	3.2	157,215.0	3.5
Total manufacturing	502,825.7	14.4	536,017.2	14.1	598,759.6	14.1	627,708.9	13.8	643,766.8	14.4
Electricity, gas and water	60,220.2	1.7	62,187.6	1.6	65,909.5	1.6	71,206.6	1.6	71,140.7	1.6
Construction	329,711.0	9.5	398,765.9	10.5	482,158.6	11.4	545,201.9	12.0	545,447.3	12.2
Total secondary production	892,756.9	25.6	996,970.7	26.2	1,146,827.7	27.1	1,244,117.5	27.3	1,260,354.8	28.3
Services:										
Wholesale and retail trade	374,146.3	10.7	395,718.2	10.4	437,201.0	10.3	459,655.6	10.1	472,288.7	10.6
Hotels, bars and restaurants	272,527.5	7.8	297,203.9	7.8	323,927.0	7.6	336,131.2	7.4	183,998.1	4.1
Transportation	287,234.4	8.2	315,149.8	8.3	347,875.9	8.2	378,099.2	8.3	370,344.6	8.3
Communications	34,905.8	1.0	36,470.6	1.0	40,595.4	1.0	38,366.3	0.8	40,301.7	0.9
Financial services	147,575.5	4.2	157,911.6	4.2	171,595.7	4.1	190,699.2	4.2	209,188.9	4.7
Real estate	281,741.3	8.1	300,902.8	7.9	321,221.5	7.6	341,778.8	7.5	360,311.9	8.1
Public administration	136,755.6	3.9	154,464.7	4.1	174,791.1	4.1	185,857.5	4.1	188,249.7	4.2
Private education	76,078.2	2.2	80,967.6	2.1	86,378.0	2.0	92,231.3	2.0	90,591.9	2.0
Public education	107,570.0	3.1	122,601.9	3.2	139,831.6	3.3	157,352.4	3.4	153,731.7	3.4
Private health	70,767.3	2.0	77,536.1	2.0	89,604.1	2.1	94,190.1	2.1	107,215.6	2.4
Public health	33,594.7	1.0	39,151.6	1.0	45,614.1	1.1	51,459.3	1.1	68,592.7	1.5
Other services	264,195.5	7.6	281,687.6	7.4	304,717.0	7.2	333,726.0	7.3	304,581.6	6.8
Total services	2,087,092.1	59.8	2,259,766.3	59.4	2,483,352.5	58.6	2,659,546.8	58.3	2,549,397.2	57.2
Taxes to production net of subsidies	246,417.1	7.1	272,367.4	7.2	314,040.2	7.4	337,630.7	7.4	288,426.2	6.5
Total GDP	**3,487,292.5**	**100.0**	**3,802,655.8**	**100.0**	**4,235,846.8**	**100.0**	**4,562,235.1**	**100.0**	**4,456,657.4**	**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,									
	2016		2017(1)		2018(1)		2019(1)		2020(1)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Primary production:										
Agriculture, livestock, fishing and forestry	4,172.3	5.5	4,275.4	5.3	4,403.3	5.1	4,647.4	5.2	4,762.4	6.0
Mining	1,498.4	2.0	1,481.3	1.9	1,485.7	1.7	1,606.9	1.8	1,578.3	2.0
Total primary production	5,670.6	7.5	5,756.7	7.2	5,889.0	6.9	6,254.3	7.0	6,340.7	8.0
Secondary production:										
Manufacturing:										
Traditional	8,400.6	11.1	8,648.8	10.8	9,226.5	10.8	9,393.8	10.6	8,606.1	10.9
Free trade zones	2,523.0	3.3	2,631.4	3.3	2,864.6	3.3	2,838.6	3.2	2,780.8	3.5
Total manufacturing	10,923.6	14.4	11,280.1	14.1	12,091.1	14.1	12,232.4	13.8	11,386.9	14.4
Electricity, gas and water	1,308.3	1.7	1,308.7	1.6	1,330.9	1.6	1,387.6	1.6	1,258.3	1.6
Construction	7,162.8	9.5	8,391.8	10.5	9,736.5	11.4	10,624.6	12.0	9,647.8	12.2
Total secondary production	19,394.6	25.6	20,980.6	26.2	23,158.6	27.1	24,244.6	27.3	22,293.1	28.3
Services:										
Wholesale and retail trade	8,128.1	10.7	8,327.6	10.4	8,828.7	10.3	8,957.5	10.1	8,353.8	10.6
Hotels, bars and restaurant	5,920.5	7.8	6,254.5	7.8	6,541.2	7.6	6,550.3	7.4	3,254.5	4.1
Transportation	6,240.0	8.2	6,632.1	8.3	7,024.9	8.2	7,368.2	8.3	6,550.6	8.3
Communications	758.3	1.0	767.5	1.0	819.8	1.0	747.7	0.8	712.9	0.9
Financial services	3,206.0	4.2	3,323.2	4.2	3,465.1	4.1	3,716.2	4.2	3,700.1	4.7
Real estate	6,120.7	8.1	6,332.3	7.9	6,486.6	7.6	6,660.4	7.5	6,373.2	8.1
Public administration	2,970.9	3.9	3,250.6	4.1	3,529.7	4.1	3,621.9	4.1	3,329.7	4.2
Private education	1,652.8	2.2	1,703.9	2.1	1,744.3	2.0	1,797.3	2.0	1,602.4	2.0
Public education	2,336.9	3.1	2,580.1	3.2	2,823.7	3.3	3,066.4	3.4	2,719.2	3.4
Private health	1,537.4	2.0	1,631.7	2.0	1,809.4	2.1	1,835.5	2.1	1,896.4	2.4
Public health	729.8	1.0	823.9	1.0	921.1	1.1	1,002.8	1.1	1,213.3	1.5
Other services	5,739.5	7.6	5,927.9	7.4	6,153.3	7.2	6,503.5	7.3	5,387.4	6.8
Total services	45,340.9	59.8	47,555.4	59.4	50,147.8	58.6	51,827.7	58.3	45,093.5	57.2
Taxes to production net of subsidies	5,353.3	7.1	5,731.8	7.2	6,341.6	7.4	6,579.5	7.4	5,101.7	6.5
Total GDP	**75,759.4**	**100.0**	**80,024.5**	**100.0**	**85,536.9**	**100.0**	**88,906.1**	**100.0**	**78,829.0**	**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,				
	2016	2017[1]	2018[1]	2019[1]	2020[1]
Primary production:					
Agriculture, livestock, fishing and forestry	145.3	153.7	162.2	168.8	173.6
Mining	409.8	397.8	392.7	405.9	355.1
Total primary production	203.7	218.2	221.5	228.6	220.2
Secondary production:					
Manufacturing:					
Traditional	135.0	138.2	146.0	149.9	146.6
Free trade zones	123.5	128.0	138.4	141.3	137.5
Total manufacturing	132.4	135.8	144.2	147.8	144.5
Electricity, gas and water	119.4	123.8	130.8	140.6	141.2
Construction	155.8	163.5	182.8	201.9	180.2
Total secondary production	140.3	145.2	158.8	170.1	159.9
Services:					
Wholesale and retail trade	143.8	147.6	159.2	165.2	157.2
Hotels, bars and restaurants	146.0	155.9	164.8	165.1	86.7
Transportation	167.0	174.9	185.4	195.3	180.5
Communications	161.4	167.7	188.8	175.2	180.0
Financial services	194.3	202.0	216.6	236.2	253.0
Real estate	140.9	147.0	153.2	160.9	167.1
Public administration	136.7	137.2	141.1	146.2	147.4
Private education	125.6	127.1	129.3	132.6	130.7
Public education	181.5	187.7	193.7	198.4	188.3
Private health	196.4	207.7	231.9	236.0	255.5
Public health	157.6	148.1	150.7	164.9	198.7
Other services	163.2	169.0	177.1	189.6	168.7
Total services	155.7	161.9	171.4	178.9	166.0
Total GDP	**153.1**	**160.2**	**171.4**	**180.1**	**168.0**

(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,				
	2016	2017[1]	2018[1]	2019[1]	2020[1]
Primary production:					
Agriculture, livestock, fishing and forestry	5.6	5.8	5.5	4.1	2.8
Mining	25.7	(2.9)	(1.3)	3.4	(12.5)
Total primary production	7.0	7.1	1.5	3.2	(3.7)
Secondary production:					
Manufacturing:					
Traditional	3.1	2.4	5.6	2.7	(2.2)
Free trade zones	3.5	3.6	8.1	2.1	(2.7)
Total manufacturing	3.2	2.6	6.2	2.5	(2.2)
Electricity, gas and water	(1.4)	3.7	5.7	7.5	0.4
Construction	10.5	5.0	11.8	10.4	(10.7)
Total secondary production	5.9	3.5	9.3	7.1	(6.0)
Services:					
Wholesale and retail trade	7.3	2.6	7.9	3.8	(4.8)
Hotels, bars and restaurants	6.3	6.8	5.7	0.2	(47.5)
Transportation	6.4	4.8	6.0	5.3	(7.6)
Communications	5.9	3.9	12.5	(7.2)	2.7
Financial services	11.1	4.0	7.2	9.0	7.1
Real estate	5.1	4.4	4.2	5.0	3.8
Public administration	0.1	0.4	2.8	3.7	0.8
Private education	3.7	1.2	1.7	2.5	(1.4)
Public education	2.6	3.4	3.2	2.5	(5.1)
Private health	13.9	5.7	11.7	1.8	8.3
Public health	3.8	(6.0)	1.8	9.4	20.5
Other services	7.5	3.6	4.8	7.1	(11.1)
Total services	6.6	4.0	5.9	4.3	(7.2)
Real GDP growth[2]	**6.7**	**4.7**	**7.0**	**5.1**	**(6.7)**

(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 5.3% average annual growth between 2016 and 2019. In 2020, this sector showed a moderate growth rate of 2.8%.

In 2016, 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 DOP6.6 billion 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.

In 2019, this sector grew at a rate of 4.1% compared to 2018, driven primarily by the implementation of public policies, such as technical assistance and financial support by the Budgetary Government and the Ministry of Agriculture, which supported sustained production and partially offset the effects of a drought that impacted different areas of the country throughout most of the year.

In 2020, this sector continued its positive outcome, albeit at a slower pace, growing at a rate of 2.8%. This result was mainly due to the impact of the COVID-19 pandemic and due to the lagged impact of environmental factors, such as the drought that affected harvest during the first half of 2020 and two tropical storms, which generated a decrease in the supply of various food products.

In 2020, the Budgetary Government implemented policies in favor of small and medium producers through the Ministry of Agriculture and its dependencies, developing technical assistance to the sector, offering purchase agreements, assuming refrigeration costs and providing storage facilities to preserve products in a frozen state, aiming to foster agricultural production and guaranteeing food security. Similarly, the Banco Agrícola supplied liquidity to agricultural producers, which was a decisive boost for the sector. In addition, in August 2020, Banco Agrícola announced a specific loan program for producers of DOP5 billion without interest for new crops.

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,				
	2016	2017(2)	2018(2)	2019(2)	2020(2)
Crops:					
Fruits	915.9	944.4	945.0	983.3	1,025.6
Rice	318.2	333.5	357.7	344.2	370.4
Root crops	254.9	226.9	240.9	251.5	272.0
Vegetables	177.0	203.7	226.4	219.7	222.0
Sugarcane	187.8	224.8	217.8	200.0	213.4
Coffee	48.9	43.9	44.1	37.7	46.8
Legumes	65.1	63.6	66.3	73.1	80.9
Corn	16.0	17.3	18.1	21.8	20.4
Tobacco	18.0	17.6	17.2	20.2	6.7
Oleaginous crops	6.3	5.6	7.0	9.1	8.8
Other agricultural (plantains)	319.1	328.1	329.2	412.7	481.7
Total crops	2,327.2	2,409.4	2,469.8	2,573.4	2,748.7
Livestock:					
Poultry	428.3	433.6	453.2	438.0	429.6
Milk	449.1	478.2	492.3	487.6	500.6
Beef	560.4	573.7	585.7	590.4	625.3
Eggs	156.9	167.2	179.3	201.2	236.5
Pork	201.9	197.7	204.1	205.7	213.9
Lamb	—	—	—	—	—
Total livestock	1,796.7	1,850.4	1,914.6	1,922.9	2,006.0
Honey and bees' wax	—	—	—	—	—
Fishing and forestry	52.7	53.7	55.2	56.3	51.0

(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,				
	2016	**2017(1)**	**2018(1)**	**2019(1)**	**2020(1)**
Crops:					
Fruits	2.6	3.2	6.2	7.1	3.4
Rice	3.9	5.6	6.7	(4.7)	2.5
Root crops	4.8	2.2	(1.1)	8.1	3.6
Vegetables	(2.4)	15.3	15.7	6.2	0.4
Sugar cane	13.3	23.6	1.0	(23.0)	17.3
Coffee	22.2	16.4	4.8	(8.1)	11.2
Legumes	15.6	6.1	6.9	7.5	(4.1)
Corn	22.3	5.6	1.5	11.5	1.6
Tobacco	(21.9)	0.8	(5.3)	12.2	22.2
Oleaginous crops	15.1	8.1	1.9	14.6	4.0
Other agricultural (plantains)	9.4	5.3	(1.3)	0.9	2.5
Total crops	6.1	7.0	2.3	3.0	4.9
Livestock:					
Poultry	3.0	3.9	3.2	(2.6)	(8.0)
Milk	15.2	9.4	5.6	1.5	(1.8)
Beef	0.9	0.9	1.0	0.9	0.9
Eggs	(1.8)	8.8	11.0	20.5	10.4
Pork	2.2	1.6	(1.2)	4.8	1.6
Lamb	—	—	—	—	—
Total livestock	5.4	4.9	4.1	2.3	(1.1)
Honey and bees' wax	—	—	—	—	—
Fishing and forestry	3.8	4.0	3.9	4.0	4.0

(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 2.0% of GDP in 2020.

During 2016, the mining sector grew by 25.7%, 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 by 2.9% during 2017, explained by the 8.7% fall in the production of gold, attributed to the temporary stoppage in 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. The mining sector recovered in 2019, growing by 3.4%, as compared to 2018, mainly due to the increase of nickel-iron, sand and gravel production. In 2020, the mining sector decreased by 12.5%, mainly due to a 11.3% contraction in the production of gold, which was the result of a 15.1% decrease in external demand of gold due to the global impact of COVID-19 pandemic. For a description of the recovery of the mining sector in 2021, see "Recent Developments—The Economy—2021 Economic Performance and COVID-19."

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 estimated it would 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. However, as gold prices during the period from 2013 to 2016 were below US$1,400 per troy ounce, the Republic received US$1.1 billion in revenue during such period. As of December 31, 2020, the Republic had received payments from PVDC in an aggregate amount equal to US$2.2 billion. In 2020, PVDC paid US$396.1 million in taxes, doubling the amounts paid in 2019, mainly due to a sustained increase in the international price of gold, as well as an increase in production, sales and profitability. Additionally, in 2020, the Government received US$47.0 million from PVDC in extraordinary payments of royalties, as part of an advance tax agreement entered into in the last quarter of 2020.

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.

The manufacturing sector accounted, on average, for 14.1% of GDP during the 2016-2020 period, at current prices. During such years, the manufacturing sector performed as follows:

- 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.

- in 2019, the traditional manufacturing industries grew 2.7% compared to 2018, driven primarily by a growth of 8.2% in the production of beverages and tobacco, 2.9% in the food industries and 2.1% in other manufacturing industries. Manufacturing in free trade zones grew by 2.1%, driven by the positive performance observed in exports in U.S. dollars of medical and surgical equipment, jewelry and related articles and tobacco products.
- in 2020, the traditional manufacturing industries decreased by 2.2% compared to 2019, driven primarily by the effects of the COVID-19 pandemic. With the exception of the food industries, which grew by 4.4%, all the other components contracted in 2020: other manufactures, beverages and tobacco, and petroleum and chemical refining decreased by 5.1%, 9.5% and 4.7%, respectively. The traditional manufacturing industries showed a recovery during the second half of 2020, with an average growth rate of 1.2% during such period, due to the boost received by the government in the form of easing monetary policy measures to provide liquidity to the economy and by the adoption of certain tax incentives and benefits. Manufacturing in free trade zones decreased by 2.7% in 2020, driven by a 5.6% contraction in exports when measured in U.S. dollars, which was mainly the result of the temporary reduction of the operations of a large part of the industry due to the impact of the preventative public safety measures taken to contain the spread of COVID-19. However, exports when measured in U.S. dollars improved in the second half of 2020, with growth rates in the third (0.7%) and fourth (4.7%) quarters, mainly driven by the gradual reopening of operations since July 2020. In 2020, the Republic saw an increase in exports of pharmaceutical products and medical devices when measured in U.S. dollars, of 141.4% and 6.4%, respectively, mainly due to a higher external demand for these products driven by the health crisis caused by the COVID-19 pandemic. Similarly, the electrical products and tobacco manufactures registered growth rates of 3.6% and 1.3%, respectively, in 2020.

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,				
	2016	**2017[(1)]**	**2018[(1)]**	**2019[(1)]**	**2020[(1)]**
Raw sugar (in metric tons)	407,604	561,496	625,035	506,407	604,467
Refined sugar (in metric tons)	129,116	171,136	157,494	124,687	124,880
Beer (in thousands of liters)[(2)]	476,823	491,488	520,084	575,181	530,730
Cigarettes (in thousands of packs of 20 units)	72,063	88,736	95,831	88,931	67,566
Rum (in thousands of liters)	46,298	48,708	47,380	48,977	56,661
Milk (in thousands of liters)	138,133	150,549	159,769	168,149	176,207
Flour[(3)]	2,816,142	2,823,251	2,897,087	1,619,435	2,338,702
Cement (in metric tons)	5,171,069	5,253,660	5,429,629	5,644,176	5,168,969
Paint (in metric tons)	68,115	74,002	77,150	72,248	59,354

(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,				
	2016	2017(1)	2018(1)	2019(1)	2020(1)
Raw sugar (in metric tons)	(7.7)	37.8	11.3	(19.0)	19.4
Refined sugar (in metric tons)	(8.6)	32.5	(8.0)	(20.8)	0.2
Beer (in thousands of liters)(2)	0.5	3.1	5.8	10.6	(7.7)
Cigarettes (in thousands of packs of 20 units)	(15.7)	23.1	8.0	(7.2)	(24.0)
Rum (in thousands of liters)	(1.9)	5.2	(2.7)	3.4	15.7
Milk (in thousands of liters)	14.5	9.0	6.1	5.2	4.8
Flour(3)	(17.1)	0.3	2.6	(44.1)	44.4
Cement (in metric tons)	(0.2)	1.6	3.3	4.0	(8.4)
Paint (in metric tons)	12.2	8.6	4.3	(6.4)	(17.8)

(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 2016 to 2019, the performance observed in manufactured goods was supported by the behavior in the domestic and international demand for such products, showing an average growth rate as follows: raw sugar (5.6%), paint (4.7%), milk (8.7%), cigarettes (2.1%), rum (1.0%), beer (5.0%) and cement (2.2%). In contrast, during such period, the production of refined sugar and flour decreased by 3.1% and 16.9%, respectively.

During 2020, raw sugar, refined sugar, rum and milk grew by 0.2%, 19.4%, 15.7% and 4.8%, respectively. In contrast, the production of beer, cigarettes, cement, and paint decreased by 7.7%, 24.0%, 8.4% and 17.8%, respectively.

In particular, milk production grew at an average annual rate of 8.7% in the period from 2016 to 2019. In 2016, 2017, 2018 and 2019, milk production registered an increase of 14.5%, 9.0%, 6.1% and 5.2%, respectively, due to increased demand sustained by extended day school program (see "The Economy–Poverty and Income Distribution"). In 2020, milk production registered an increase of 4.8%.

Similarly, cement production grew at an average annual rate of 2.2% in the period from 2016 to 2019. 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 maintained adequate levels of production to satisfy domestic demand. The production of cement recovered its positive trend in 2017, 2018 and 2019, experiencing an increase of 1.6%, 3.3% and 4.0%, respectively, due to the sustained increase in public and private investment in construction projects of infrastructure for ground transportation, schools and residential projects. In 2020, cement production decreased by 8.4%, compared to 2019, mainly due to the impact of the preventative public safety measures taken to contain the spread of COVID-19. However, during the second half of 2020, the production of cement grew by 6.6%, partially offsetting the 23.5% reduction registered in the first half of the year, mainly due to the reactivation of the construction sector.

During 2016, the production of refined sugar and raw sugar decreased at an average annual rate of 8.6% and 7.7%, 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. In 2018, the production of raw sugar grew 11.3%, as compared to 37.8% in 2017. In 2019, the production of refined sugar and raw sugar decreased by 20.8% and 19.0%, respectively, due to the high temperatures that affected the production of sugar cane. In 2020, the production of refined sugar and raw sugar increased by 0.2% and 19.4%, respectively.

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. As of December 31, 2019, there were 76 free trade zone parks located throughout the Republic, compared to 74 at December 31, 2018, and total employment in the free trade zones increased to 172,009 employees as of December 31, 2019, compared to 171,726 as of December 31, 2018. As December 31, 2020, there were 75 free trade zone parks and total employment in the free trade zones decreased to 168,200 employees.

Textile manufacturing in the free trade zones decreased at an average rate of 9.9% during the period from 2016 to 2020, 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, 7.2% of GDP during the period from 2016 to 2020.

During the period from 2016 to 2020, free trade zone exports increased at an average rate of 1.8%. The increase during recent years is mainly 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,				
	2016(1)	**2017(1)**	**2018(1)**	**2019(1)**	**2020(1)**
Existing parks	68	71	74	75	75
Employees	163,147	165,724	171,726	176,555	168,200
Exports (in millions of US$)	5,503.9	5,709.6	6,035.2	6,249.5	5,898.1
of which:					
Textile exports (in millions of US$)	1,102.8	1,067.8	1,094.6	1,037.7	689.4
Exports as a percentage of GDP	7.3	7.1	7.1	7.0	7.5
Net foreign exchange earnings (in millions of US$)	1,969.8	1,962.9	2,391.3	2,277.8	N/A
Average monthly salary (in US$)(2):					
Technicians	486.4	485.7	520.5	516.0	N/A
Workers	251.2	256.3	264.0	273.8	N/A

(1) 2016-2019 revised data; 2020 preliminary data.
(2) Calculated based on the weighted average exchange rate for each year.
N/A = not available.
Sources: *Consejo Nacional de Zonas Francas de Exportación* (National Council of Free Trade Zones) and Central Bank.

Electricity, Gas and Water

From 2016 to 2019, the electricity, gas and water sectors collectively grew at an average annual rate of 3.9%, and contributed, in the average, 1.6% to GDP at current prices from 2016 to 2019. In 2020, the electricity, gas and water sectors collectively moderated its growth rate to 0.4%, contributing, in the average, 1.6% to GDP at current prices, mainly due to lesser energy consumption in the economy as a result of the COVID-19 pandemic.

Electricity. In 2016, 2017, 2018, 2019 and 2020, electricity production increased by 5.1%, 2.6%, 2.7%. 10.9% and 1.4%, respectively, and electricity consumption increased by 3.6%, 1.5%, 4.0%. 5.9% and 3.5%, respectively.

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.

At December 31, 2019, total installed generation capacity was 4,848.2 megawatts, approximately 1,015 megawatts more than in 2018 due to the entry of new sources of renewable energy, including: a coal-fired power plant, wind farms and solar farms, with 758.2, 182.3 and 75.0 megawatts, respectively. Electricity generated during 2019, prior to the effects of technical and commercial losses and electricity consumed by generators, was 17,411.5 gigawatt hours. Net electricity generated during 2019, which accounts for losses in transmission lines and electricity consumed by generators, was 17,073 gigawatt hours.

As of December 31, 2020, the total installed generation capacity was 4,848.2 megawatts, reflecting no variation when compared to 2019. The diversity of our generation sources changed in 2020, due to the conversion of plants that operated with fuels derived from petroleum to natural gas, accounting for approximately 750 megawatts. Electricity generated during 2020, prior to the effects of technical and commercial losses and the electricity consumed by generators, was 17,663 gigawatt hours. Net electricity generated during 2020, which accounts for losses in the transmission lines and the electricity consumed by the generators, was 17,354 gigawatt hours.

For additional information on the electricity sector, see "—The Electricity Sector."

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. According to the most recent household survey (ENGIH 2018), 83.7% 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.

Construction

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.

In 2019, the construction sector grew by 10.4% compared to 2018, continuing to be the highest contributor to economic growth. The growth of the construction sector is mainly due to the continued increase of private investment in medium- and low-cost real estate projects, non-residential buildings, hotel units and renewable energy generation plants, as well as public investment in infrastructure, particularly roads and highways and transportation alternatives.

In 2020, the construction sector contracted by 10.7% compared to 2019, primarily due to the effects of the total stoppage of private and public investment since the end of March 2020 as a preventive measure to address the spread of COVID-19. However, in the last quarter of the year, the sector grew by 3.2%, which provided some recovery for the year.

Services

Wholesale and Retail Trade

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.

Between 2016 and 2019, wholesale and retail trade grew at an average annual rate of 5.4% due to an increase in per capita income, among other factors. In the same period, wholesale and retail trade accounted for an average of 10.4% of GDP at current prices, making it one of the largest components of the economy. In 2020, even though the sector remained one of the largest sectors of the economy (10.6% of GDP at current prices), it contracted by 4.8%, mainly due to a decrease in trade activity due to the impact of the preventative public safety measures taken to contain the spread of COVID-19, such as the closure of non-essential economic activities.

Hotels, Bars and Restaurants

Since 1985, tourism has been the primary source of foreign currency for the Dominican economy. 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.

Driven primarily by tourism, the hotel, bar and restaurant sector was an important contributor to the Dominican economy between 2015 and 2019, accounting on average for 7.7% of GDP at current prices, while the sector grew at an average annual rate of 5.0% 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, 2019, the number of tourists increased by 15.1% when compared to 2015 and the number of hotel rooms in the country were approximately 83,041, an increase of 15.9% as compared to the total number of rooms as of December 31, 2015.

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 fewer than in the previous year. Non-resident Dominican arrivals grew by 14.5%, partially offsetting the 4.6% decrease recorded for non-resident foreigner 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.

In 2020, the tourism sector experienced the negative effects of the COVID-19 pandemic and the measures taken to contain the spread of COVID-19, with the hotels, bars and restaurants sector suffering the steepest decline among other economic activities, with a contraction of 47.5%. This result is mainly due to the closure of the country's borders by air, land and sea, that severely affected the non-resident arrivals to the country and, consequently, the number of occupied hotel rooms and tourism revenues.

Following the closure of its borders in March 2020, on July 1, 2020, the Republic reopened its borders and incoming international passenger flights resumed, in line with the easing of limitations on international air traffic. During the months of July, August, September, October, November and December 2020, the Republic received 135,163, 110,284, 103,942, 138,276, 175,095 and 348,464 visitors, respectively, recovering from the 1,632 visitors registered during the second quarter of 2020. During the second half of 2020, the Dominican Republic received 1,011,224 non-resident passengers. During 2020, the Dominican Republic received more than 2.4 million visitors by air, a cumulative decrease of 62.7% compared to 2019.

As of the date of this offering memorandum, the Government and the private sector were coordinating the implementation of the *Plan de Recuperación Responsable del Turismo* (Plan for the Responsible Recovery of Tourism), which contemplates measures to promote the Republic as a safe vacation destination. Particularly, the Plan for the Responsible Recovery of Tourism includes the application of internationally certified health security protocols by the entire industry and for travelers entering the Republic, basic health insurance in the event an individual contracts COVID-19 during their stay, as well as monetary and fiscal incentives to companies linked to the sector, among other measures.

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 5.6% per year in the period from 2016 to 2019. In 2020, activity in the transportation sector decreased by 7.6% due to the impact of the preventative public safety measures taken to contain the spread of COVID-19. Such measures included, among others, mandatory quarantines and curfews, suspension of non-essential economic activities and limited public transportation.

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 1930. From 1930 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,				
	2016	**2017**	**2018**	**2019**	**2020**
Lines (per 100 residents)					
Fixed wire	11.1	11.1	10.8	10.4	9.9
Cellular	86.3	85.9	86.4	85.6	85.1
Total lines	97.4	96.9	97.2	96.0	95.0
Internet accounts (number of accounts)	6,064,695	6,993,667	7,653,200	8,169,799	8,764,687

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

During 2016, the communications sector grew by 5.9% as compared to 2015, mainly due to the increased use of mobile telecommunications services. In 2017, the communications 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 communications sector grew by 12.5% compared to 2017, mainly due to the expansion in internet and mobile telecommunications services. In 2019, the communications sector decreased by 7.2% compared to 2018, mainly due to a decrease in the volume of internet and mobile telecommunications services, in line with the general contraction in the communications sector during 2019. In 2020, the communications sector grew by 2.7%, mainly due to a recovery in the volume of internet and mobile telecommunications services, as this sector has played a fundamental role during the COVID-19 crisis as an essential service for the continuity of work from home due to confinement measures, and by enabling education through the use of electronic devices with Internet access.

The relative share of this sector in GDP at current prices was stable during the period from 2016 to 2020, averaging 0.9% of GDP.

Cellular phone service grew from 8.6 lines per 100 residents in 2000 to 85.1 lines per 100 residents in 2020, accounting for almost the entire increase in the total number of phone lines over this period. During 2016, 2017, 2018, 2019 and 2020, the total number of lines remained relatively constant, registering 97.4, 96.9, 97.2, 96.0

and 95.0 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 a portion 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

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.

Between 2016 and 2019, the financial services sector grew at an average annual rate of 7.8%, 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. In 2020, the sector continued to expand, with a growth rate of 7.1%, primarily due to the easing of monetary policy measures to provide liquidity to the economy and mitigate the negative effects of the COVID-19 crisis, which accounted for more than 4.0% of GDP, increasing financing to productive sectors and households and refinancing debt obligations under more favorable terms to borrowers.

Public Administration

Between 2016 and 2019, the public administration sector exhibited an average growth rate of 1.8% due to an increase in the Government's payroll. In 2020, the public administration sector recorded a growth rate of just 0.8% compared to 2019, mainly due to a moderate increase in the number of public sector employees that provided support to homeland security and health during the COVID-19 crisis, as well as a reduction in specific personnel relating to non-essential activities.

Real Estate and Other Services

Real estate expanded at a 4.7% average annual growth rate in the period from 2016 to 2019. During 2020, the real estate sector grew by 3.8% as compared to 2019.

Other services supplied in the Dominican economy include personal services, cleaning services, services rendered to private companies and computer services. During 2020, the other services sector declined by 11.1% as compared to 2018, due to the negative effects of the COVID-19 pandemic.

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
Empresa de Generación Hidroeléctrica Dominicana (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
Empresa de Transmisión Eléctrica Dominicana (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
Ede Sur, Ede Norte and Ede Este, which are owned by the Republic, through FONPER and CDEEE	Approx. 99%	Owns distribution facilities
EGE ITABO and EGE HAINA, partially owned by the Republic, through FONPER	Approx. 50%	Operates power generation business through thermoelectric plants
Consejo Estatal del Azúcar (*CEA,* National Sugar Board)	100%	Owns the Dominican Republic's sugar mills and land. All sugar mills are leased to the private sector
Instituto Nacional de Aguas Potables y Alcantarillados (INAPA, National Institute of Potable Water and Sewers)	100%	Provides potable water to urban and rural areas
Corporación de Acueducto y Alcantarillado de Santo Domingo(CAASD, Aqueduct and Sewer Corporation of Santo Domingo)	100%	Owns and operates the aqueducts and sewers of Santo Domingo
Corporación de Acueducto y Alcantarillado de Santiago (CORAASAN, Aqueduct and Sewer Corporation of Santiago)	100%	Owns and operates the aqueducts and sewers of Santiago
Banco de Reservas de la República Dominicana (BanReservas)	100%	Commercial bank
Banco Agrícola (Agricultural Bank)	100%	Development bank that provides financing for small farmers
BANDEX	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
Refinería Dominicana de Petróleo (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
Falconbridge Dominicana	10%	Operates the Dominican Republic's nickel-iron mines and exports nickel-iron to foreign markets

The Electricity Sector

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

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

- thermoelectric plants operated by private companies holding a 50% ownership stake in the plants, with the remaining 50% being state-owned;
- thermoelectric plants owned and operated by private companies;
- one state-owned thermoelectric plant;
- wind, solar and biomass power plants;
- hydroelectric plants operated and owned by *Empresa de Generación Hidroeléctrica Dominicana* (Hydroelectric Generation Company, known as "EGEHID"); and
- back-up generators owned by private businesses and homeowners.

Of total electricity production 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. During 2019, the mix was 87.5% generated by thermoelectric plants and 11.7% by renewables and hydroelectric plants. During 2020, the mix was 83.8% generated by thermoelectric plants and 16.2% by renewables and hydroelectric plants.

The high voltage transmission company (known as "ETED") 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.

ETED charged US$0.007172, US$0.007077, US$0.007220, US$0.006824 and US$0.006237 per kilowatt/hour to transmit electricity produced by generation companies at high voltage through the country's power grid as of December 31, 2016, 2017, 2018, 2019 and 2020, respectively.

Distribution is provided by companies that purchase electricity from electricity generators to sell in regulated and unregulated markets to end users.

As of the date of this offering memorandum, almost 100% of distribution is controlled by three distribution companies: *Edenorte Dominicana, S.A.* or "EdeNorte," *Edesur Dominicana, S.A.*, or "EdeSur," and *Empresa Distribuidora de Electricidad del Este, S.A.*, or "EdeEste."

In recent years, the Republic has made progress in improving circumstances in the electricity sector, including the following key measures:

- The reduction of technical and non-technical energy losses in the distribution network, from 31.5% in 2016 to 27.0% in 2019.
- An increase in the cash recovery index (which is the collections performance indicator adjusted for different tariffs charged to end-users) from 66.2% in 2016 to 70.5% in 2019.
- The execution of various loan agreements with the World Bank, IDB, the Fund for International Development ("OFID") and the European Investment Bank ("EIB") for projects in the electricity sector were approved between 2016 and 2020, 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 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 diversification of sources of electricity generation to mitigate the reliance on any principal source of generation capacity. In 2016, the private sector installed three new power plants, which consist of a wind farm with total installed capacity of 50 megawatts, a photovoltaic park with total installed capacity of 30 megawatts, and a biomass power plant with total installed capacity of 30 megawatts, reaching a total installed capacity of 110 megawatts of new renewable energy. During the first quarter of 2017, the Republic added to the system 114 megawatts 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, 2019, approximately 23.5% of generating plants in the Republic are thermoelectric plants that use Fuel Oil #6 and #2, as a result of the input of 134 megawatts ("MW") from wind farm, 98.3 MW from photovoltaic park and 752 MW form coal. During the second half of 2020, the CESPM, Quisqueya I and II plants were converted to natural gas with a capacity of 730 MW.

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 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. In 2019, subsidies were US$432.7 million, representing a 20.4% increase compared to 2018. In 2020, subsidies were US$480.0 million, representing a 11.0% increase compared to 2019. However, during 2020, the Central Termoeléctrica Punta Catalina transferred US$180.0 million to the Budgetary Government. Therefore, the net current transferred to the electricity sector in 2020 was US$300.0 million.

As of December 31, 2020, technical and non-technical losses in the electricity distribution network were 33.1%, as compared to 27.0% for 2019, 28.4% for 2018, 29.9% for 2017, and 31.5% for 2016. 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, OFID and EIB. See “Recent Developments—The Economy—The Electricity Sector.” During the period from 2016 to 2020, the total investments from these institutions in these projects amounted to US$433.0 million.

During 2020, total expenditures on electricity decreased in 11.9% to US$1,719.0 million as compared to 2019. During 2020, the average purchase price of electricity decreased by approximately 14.9% as compared to 2019, mainly driven by the slight decreases in international fuel oil prices in that year.

During 2020, the electricity sector current deficit was US$257.7 million, representing a decrease of 66.2% compared to the US$762.6 million deficit recorded in 2019. This reduction was mainly a result of (i) a large decrease in the purchase of energy from private generation companies given the increase of energy generation from the Central Termoeléctrica Punta Catalina and (ii) a significant reduction in financial expenses after the financial operations explained in the next paragraph.

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 EdeEste) 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.

In December 2020, the Republic (i) issued DOP$17.5 billion principal amount of its 10.875% bonds due 2035, and (ii) US$150.0 million principal amount of its 6.75% bonds due 2040 in the domestic market, the proceeds of which were used to pay outstanding commercial debt of the government-owned EDEs (EdeNorte, EdeSur and EdeEste).

In 2016, the ratio of distributable energy to energy purchased 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%. In 2019, the ratio increased by 1.5 percentage points as compared to 2018, reaching 70.4%. During 2019, the EDEs collected 96.3% of the monetary value of the total electricity they billed. In 2020, the ratio of distributable energy to energy purchased decreased by 6.5 percentage points as compared to 2019, reaching 63.9%. During 2020, the EDEs collected 94.4% 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 Government is considering adjusting tariffs to cover for part of the indexing lag and is also seeking to reach consensus on the sustainability of the national electricity system, from an institutional and financial point of view, including the dissolution of the CDEEE to concentrate regulatory oversight of the energy sector in the Ministry of Energy and Mines. See “The Dominican Republic—2020 Elections.”

The chart below shows the evolution of transfers made by the Budgetary Government to the CDEEE from 2015 to 2019 to cover the current deficit, as a percentage of GDP.

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

As of December 31,	
2016	0.6
2017	0.5
2018	0.4
2019	0.5
2020(1)	0.6

(1) Preliminary data.
Source: Ministry of Finance.

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

- tariffs applied by distribution companies do not make a complete pass-through of the purchase prices of energy faced by these companies; and
- a need to further improve the management of distribution companies to reduce energy losses and increase collection 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;
- complete regularization of supplies to unbilled and billed customers in all areas with subsidies targeted at low-income families pursuant to the Bonoluz scheme;
- execute 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;
- 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;
    - 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 the Organization of Petroleum Exporting Countries ("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.

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

	As of December 31,				
	2016	2017	2018	2019	2020
Production of electricity sector (in millions of US$)(3)	1,164.3	1,167.2	1,189.1	1,253.3	1,134.5
Energy Production:					
Generators and CDEEE (in MW/hour):					
Renewable	336,000.0	534,239.8	736,839.8	1,017,274.43	1,611,874.89
Coal	2,140,630.0	2,155,042.7	2,084,122.1	2,214,265.31	6,550,625.18
Hydroelectric	1,500,560.0	2,169,412.2	1,767,732.2	1,025,107.50	1,244,640.75
Gas	4,362,260.0	4,901,512.5	5,113,972.2	5,212,689.33	5,299,035.08
Fuel oil (#6 and #2)	7,520,240.0	6,513,270.2	7,093,748.3	7,942,161.06	2,957,078.91
Total generators and CDEEE	15,859,760.0	16,273,477.4	16,796,414.7	17,411,497.63	17,663,254.80
Consumption by economic sector (in MW/hour):					
Residential	3,988,346.1	4,062,241.9	4,280,972.3	4,666,526.02	5,119,754.85
Commercial	817,647.0	857,396.5	939,066.7	1,102,303.97	1,005,807.46
Industrial	3,340,941.2	3,535,843.6	3,791,427.5	3,973,357.48	3,113,434.28
Government	905,623.3	930,383.1	971,627.0	1,044,272.12	964,285.36
Municipalities	225,822.4	258,394.6	256,765.2	273,137.68	280,899.04
Total consumption	9,278,380.0	9,644,264.5	10,239,858.8	11,059,597.28	10,484,180.99
Energy sale revenue (in millions of US$)	1,512.4	1,537.2	1,645.6	1,708.9	1,492.5
Distribution Efficiency Indicators:					
Energy delivered (gigawatts ("GW")/hour)	13,545.6	13,748.5	14,303.5	15,150.2	15,674.0
Collection on billed amounts	96.4%	96.1%	95.7%	96.3%	94.4%
Cash Recovery Index (CRI)	66.1%	67.4%	68.5%	70.5%	63.2%
Clients	2,154,735	2,256,464	2,464,750	2,594,821	2,662,769

(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,				
	2016	2017	2018	2019	2020
Energy distribution losses	31.5%	29.9%	28.4%	27.0%	33.1%

(1) Preliminary data.
Source: CDEEE.

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 megawatts (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.

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 Construtora Norberto Odebrecht, S.A., Tecnimont S.p.A. and Ingeniería Estrella S.R.L. (the "OTE Consortium") was the winner of the bidding process and was awarded the project. The EPC contract with the aforementioned consortium was executed in February 2014 for a price equal to US$1,945 million.

In July 2017, the OTE Consortium filed a costs claim under the EPC contract for the initial sum of US$708 million. In March 2020, the parties reached an out-of-court settlement for the amount of US$395.5 million. CDEEE's final acceptance of Units I and II is still pending, as there are several tasks that the OTE Consortium still has to execute. As of the date of this offering memorandum, US$2.7 million remained to be paid under the EPC contract.

From its first synchronization to the National Interconnected Electric System (the "SENI") on February 27, 2019 until December 31, 2020, Unit I has injected 3,773 GWh while from its first synchronization to the SENI on October 10, 2019 until December 31, 2020, Unit II injected 2,236 GWh, for a total accumulated in both units of 6,009 GWh.

On May 21, 2021, the Government announced that as of June 30, 2021, following the dissolution of the CDEEE, the Punta Catalina thermal power plant will be administered by a public trust. See "Recent Developments—The Economy—The Electricity Sector."

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,				
	2016	2017	2018	2019	2020
Participation rate(1)	62.3	62.2	63.6	65.1	60.2
Employment rate(2)	57.9	58.7	60.0	61.0	56.7
Open unemployment rate(3)	7.1	5.5	5.7	6.2	5.8

(1) Labor force as a percentage of the total population at or above the minimum working age (including both active and inactive segments of the population).
(2) Employment as a percentage of the total population at or above the minimum working age.
(3) Refers to population at or above the minimum working age that is not employed and is 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 open unemployment rate, falling from 7.6% in the first quarter of 2016 to an average of 5.9% in the last quarter of 2019, reaching a historically low rate of 5.1% in the last quarter of 2017.

During the second quarter of 2020, the open unemployment rate stood at 3.2%, mainly due to a limitation on the main indicator of the unemployment metric, which depends on the number of individuals that are actively seeking work, which was limited as a result of the confinement measures and the restrictions in mobility imposed to limit the spread of COVID-19. A larger part of the labor force became absent workers, a group that showed a significant increase compared to its normal levels prior to the pandemic. Absent workers include employees registered in the support programs implemented by the Government which maintain ties to their current employers. Consequently, these temporally suspended workers were considered employed, as the guidelines of the ILO stipulates, and were not included in the unemployment rate during that period.

In the third and fourth quarters of 2020, the labor market began to regularize as fewer absent workers were registered, and the open unemployment rates stood at 7.1% and 7.4%, respectively. Despite this increase in open unemployment during such period, there was also an increase in employed persons in the third (4,295,451 employees) and fourth (4,414,601 employees) quarters, compared to those employed in the second quarter (4,246,695 employees), resulting in an increase in the employment rate to 55.4% in the third quarter and 56.6% in the fourth quarter, as compared to 54.8% in the second quarter to 55.4%, mainly due to the easing of confinement measures and the partial reopening of economic activities. This has allowed the return of a significant proportion of people to the labor force and an increase in employment in the third and fourth quarters of 2020 when compared to the second quarter of the same year, in line with the economic recovery process since April 2020.

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,				
	2016	**2017**	**2018**	**2019**	**2020**
Agriculture and livestock	8.9	9.6	9.3	8.8	9.0
Industries (1)	10.4	10.2	10.0	10.2	10.7
Electricity and water	1.7	1.5	1.5	1.2	1.4
Construction	6.9	7.7	8.1	7.4	7.4
Wholesale and retail trade	19.9	19.6	20.0	20.4	20.8
Hotels, bars and restaurants	7.5	7.6	7.1	7.4	6.5
Transportation and communications	7.8	7.6	7.4	7.0	7.8
Financial services	2.4	2.2	2.4	2.5	2.2
Public administration and defense	5.3	4.9	5.0	5.4	5.9
Education	6.0	6.2	6.2	5.8	5.9
Health and social assistance	3.6	3.8	4.0	4.1	4.1
Other services	19.6	19.1	19.0	19.7	18.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(1) 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 2020, the Central Bank estimated that 49.4% of the total labor force was employed in the informal sector, compared to 48.8% in 2019. This increase was mainly due to the impact of the COVID-19.

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 2020, the real minimum wage recorded in the private sector, public sector and free trade zones, decreased, on average, by 5.3% from the levels registered in 2019. This was due to the fact that the National Committee on Salaries did not meet to negotiate a new adjustment in the minimum nominal wage.

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,				
	2016	**2017**	**2018**	**2019**	**2020**
Private sector wages:					
Large size companies[1]	123.7	142.4	140.8	154.8	146.7
Medium size companies[2]	123.7	142.4	140.8	154.8	146.7
Small size companies[3]	123.7	142.4	140.7	154.8	146.7
Free trade zone wages	125.1	138.1	142.8	158.5	150.1
Public sector wages	81.3	78.0	77.1	145.4	137.8

(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 2016 to 2020, poverty was reduced considerably. According to data published by the *Ministerio de Economía, Planificación y Desarrollo* (Ministry of Economy, Planning and Development), in 2020, approximately 23.4% of the population lived below the national poverty line, as compared to 28.6% in 2016, and 3.5% of the population lived below the national extreme poverty line, as compared to 4.5% in 2016. 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 Progresando con Solidaridad* (Progressing with Solidarity Program). This Program aims to improve the income of families 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 (conditional cash transfer schemes). The Progressing with Solidarity Program has three basic components:

- *Comer es Primero* (Eating Comes First): In this component, each beneficiary family receives a monthly financial assistance of DOP825.00 to purchase food, the amount of which is determined based on a basic basket of consumer and retail prices. This scheme aims to supplement the basic diet of households living in poverty, subject to the condition that pregnant women attend clinical check-ups of their pregnancy and periodically take their children to the doctor to measure their weight and height, thus guaranteeing follow-ups with respect to their physical development and good health.

- *Incentivo a la Asistencia Escolar* (School Attendance Initiative): Through this component, each household living in extreme or moderate poverty and with children and adolescents between the ages of 5 and 21 years of age attending school in the different grades of initial and basic level, receives a monthly financial stipend conditioned on school attendance.
- *Bono Escolar Estudiando Progreso* (Studying I Progress Scholarship): This scheme is based on a monthly allowance of DOP500.00 for each young person up to 21 years old who attends the first or second year of high school; DOP750.00 for those who enroll in and attend the third and fourth years of high school; and DOP1,000.00 for those who are in the last courses in the technical-professional school modality, so that households living in extreme or moderate poverty acquire food from the basic basket, thereby contributing to reducing the number of students who need to leave school to find work.

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 País*;
- 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.

Additionally, in response to the COVID-19 pandemic, the Government has taken several measures to offset its effects on the education sector, as well as on poverty levels. See "The Economy—Measures to Mitigate the Impact of the COVID-19 Outbreak on the Economy."

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 km^2, which includes the land area (48,670 km^2) and the territorial marine zone (22,224 km^2 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 2017, 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 2016 and 2020 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 1.8% (2016) and 2.0% (2020) of GDP for each respective year.

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 U.S. 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 U.S. 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 U.S. 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 U.S. 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$1,321.5 million, an increase of US$1,188.4 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 U.S. 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 U.S. dollar, which represented an average depreciation of 4.0% compared to the average exchange rate for 2017.

In 2019, the current account deficit reached US$1,187.9 million, an increase of US$133.6 million compared to the account deficit of US$1,321.5 million recorded in 2018, mainly due to reduced income from tourism. In addition, the nominal DOP/US$ exchange rate increased gradually during 2019, reaching DOP52.90 per U.S. dollar on the last business day of 2019, which represented an annualized peso depreciation rate of 5.1% since the beginning of 2019. During 2019, the average nominal DOP/US$ exchange rate reached DOP51.20 per U.S. dollar, which represented an average depreciation of 3.5% compared to the average exchange rate for 2018.

In 2020, the current account deficit reached US$1,541.0 million, an increase of US$353.1 million compared to the account deficit of US$1,187.9 million recorded in 2019, mainly due to reduced income from tourism. In addition, the nominal DOP/US$ exchange rate decreased gradually during 2020, reaching DOP58.11 per U.S. dollar on the last business day of 2020, which represented an annualized peso depreciation rate of 9.0% since the beginning of 2020. The average DOP/US$ exchange rate for the purchase of U.S. dollars in 2020 was DOP56.47 per US$1.00 compared to DOP51.20 per US$1.00 for 2019, which represents a 9.3% nominal average depreciation in 2020 compared to 2019.

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$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 net borrowing balance of the financial account reached US$2.5 billion as of December 31, 2019, a decrease of US$198.1 million, compared to US$2.7 billion as of December 31, 2018. The increase resulted from an increase in liabilities of portfolio investments.

The net borrowing balance of the financial account reached US$3.4 billion as of December 31, 2020, an increase of US$260.8 million, compared to US$3.1 billion as of December 31, 2019. 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,				
	2016[1]	2017[1]	2018[1]	2019[1]	2020[1]
Current account:					
Trade balance:					
Exports:					
National	4,335.7	4,425.0	4,602.9	4,943.2	4,399.2
Free trade zones	5,503.9	5,709.6	6,035.2	6,249.5	5,898.1
Total exports	9,839.6	10,134.6	10,638.1	11,192.7	10,297.3
Imports:					
National	13,864.5	13,987.6	16,359.7	16,316.2	13,426.4
Free trade zones	3,534.1	3,746.7	3,837.6	3,951.6	3,620.1
Total imports	17,398.6	17,734.3	20,197.3	20,267.8	17,046.5
Trade balance (deficit)	**(7,559.0)**	**(7,599.7)**	**(9,559.2)**	**(9,075.1)**	**(6,749.2)**
Services balance:					
Credits	8,309.2	8,856.8	9,413.6	9,316.5	4,147.2
Debits	3,369.6	(3,307.0)	(3,917.1)	(4,258.2)	(3,142.2)
Service balance	4,939.6	5,549.8	5,496.5	5,058.3	1,005.0
Primary income balance:					
Credits	478.7	459.4	619.3	665.9	385.3
Debits	3,731.8	4,253.2	4,311.0	4,734.8	4,242.2
Primary income balance (deficit)	(3,253.1)	(3,793.8)	(3,691.7)	(4,068.9)	(3,856.9)
Secondary income:					
Income received	5,969.0	6,695.3	7,343.9	7,908.7	8,890.3
of which:					
Personal transfers	5,260.8	5,911.8	6,494.2	7,087.1	8,219.2
Income paid	911.2	984.7	911.0	1,010.9	830.2
Secondary income balance	**5,057.8**	**5,710.6**	**6,432.9**	**6,897.8**	**8,060.1**
Current account balance (deficit)	(814.7)	(133.1)	(1,321.5)	(1,187.9)	(1,541.0)
Capital account[2]	—	—	—	—	—
Net lending (borrowing)	(814.7)	(133.1)	(1,321.5)	(1,187.9)	(1,541.0)
Financial account:					
Foreign direct investment	(2,406.7)	(3,570.7)	(2,535.3)	(3,021.0)	(2,554.3)
Portfolio investment	(1,729.3)	(1,756.7)	(2,696.1)	(2,177.6)	(5,660.0)
Public and private debt, medium and long-term (net)	692.5	1,192.8	153.0	650.1	(218.2)
Public and private debt, short-term (net)	(61.7)	185.8	235.4	(482.6)	602.4
Currency and deposits	611.2	1,289.4	1,293.5	1,560.4	4,137.9
Other[3]	439.1	538.7	466.5	332.0	292.7
Financial account	**(2,454.9)**	**(2,120.7)**	**(3,083.0)**	**(3,138.7)**	**(3,399.5)**
Errors and omissions	(748.3)	(1,259.9)	(928.4)	(825.5)	(563.5)
Financing:					
Foreign assets	779.7	730.7	847.0	1,149.5	1,962.9
Use of fund credit and loans	(114.3)	—	—	—	—
Transfers (debt relief)	2.0	1.5	2.2	1.4	1.0
Portfolio investment (liabilities)	—	—	—	—	—
Other investment liabilities[4]	(0.1)	1.5	11.7	22.8	15.8
Financing	**891.9**	**727.7**	**833.1**	**1,125.3**	**1,295.0**

(1) 2016-2019 revised data; 2020 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 2020, the combined value of the Republic's imports and exports of goods equaled 34.7% of the country's GDP, reflecting the high degree of openness of the Dominican economy to foreign trade.

In 2020:

- the trade deficit was US$6.7 billion, which reflects a decrease of 25.6% as compared to US$9.0 billion in 2019;
- total exports were US$10.3 billion, as compared to US$11.2 billion for 2019, principally due to a 8.7% decrease in national exports compared to 2019;
- imports totaled approximately US$17.0 billion, as compared to US$20.3 billion during 2019; and
- imports of raw materials in free trade zones decreased by 10.0% as compared to 2019.

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 2020, exports from the Republic consisted primarily of:

- exports from free trade zones (such as textiles, medical equipment and electronics) valued at US$5,898.1 million, accounting for 57.3% of total exports;
- traditional exports (consisting of products, such as sugar, tobacco, coffee and nickel-iron and gold) valued at US$2,226.8 million, accounting for 21.6% of total exports; and
- non-traditional exports (consisting of other products that the Republic currently exports, such as beer and fruits) valued at US$2,017.4 million, accounting for 19.6% of total exports.

Due to the effects of COVID 19 on the global economy, data for 2020 demonstrates that total exports decreased by US$895.4 million as compared to the amount of exports recorded in 2019, mainly due to an 11.0% decrease in national exports.

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,									
	2016[(1)]		2017[(1)]		2018[(1)]		2019[(1)]		2020	
	US$	%	US$	%			US$	%	US%	%
Free trade zones:										
Textiles	1,102.8	11.2	1,095.9	10.8	1,094.6	10.3	1,037.7	9.3	689.4	6.7
Footwear	424.7	4.3	386.8	3.8	303.5	2.9	279.7	2.5	202.2	2.0
Electronics	750.6	7.6	883.1	8.7	1,017.9	9.6	1,067.3	9.5	1,105.4	10.7
Tobacco Manufacturing	695.9	7.1	798.4	7.9	823.5	7.7	885.4	7.9	897.2	8.7
Jewelry	407.0	4.1	422.2	4.2	490.6	4.6	530.5	4.7	429.2	4.2
Pharmaceutical products	152.7	1.6	64.3	0.6	53.0	0.5	32.1	0.3	77.5	0.8
Medical products	1,344.3	13.7	1,422.8	14.0	1,503.5	14.1	1,628.0	14.5	1,732.9	16.8
Cocoa products	115.1	1.2	0.9	—	1.1	0.0	1.1	0.0	1.7	0.0
Other	510.8	5.2	635.2	6.3	747.5	7.0	787.7	7.0	762.6	7.4
Total free trade zones	5,503.9	55.9	5,709.6	56.3	6,035.2	56.7	6,249.5	55.8	5,898.1	57.3
Traditional:										
Sugar and related products	124.0	1.3	141.9	1.4	147.7	1.4	128.1	1.1	149.7	1.5
Coffee	7.4	0.1	8.9	0.1	8.6	0.1	9.8	0.1	7.5	0.1
Cocoa	120.3	1.2	62.7	0.6	93.9	0.9	91.8	0.8	97.9	1.0
Tobacco	22.7	0.2	19.4	0.2	6.0	0.1	17.4	0.2	8.1	0.1
Nickel-iron	90.9	0.9	153.6	1.5	233.8	2.2	383.4	3.4	231.2	2.2
Gold-silver	1,643.7	16.7	1,539.4	15.2	1,447.0	13.6	1,598.7	14.3	1,732.4	16.8
Total traditional	2,009.0	20.4	1,925.9	19.0	1,937.0	18.2	2,229.2	19.9	2,226.8	21.6
Total non-traditional	1,993.8	20.3	2,042.4	20.2	2,147.3	20.2	2,248.3	20.1	2,017.4	19.6
Total other[(2)]	332.9	3.4	456.7	4.5	518.6	4.9	465.7	4.2	155.0	1.5
Total exports	**9,839.6**	**100.0**	**10,134.6**	**100.0**	**10,638.1**	**100.0**	**11,192.7**	**100.0**	**10,297.3**	**100.0**

(1) 2016-2019 revised data; 2020 preliminary data.
(2) Includes goods sold at port.
Source: Central Bank

Geographic Distribution of Exports
(% of total exports)

	As of December 31,				
	2016[1]	2017[1]	2018[1]	2019[1]	2020[1]
United States[1]	48.6	49.4	50.9	51.7	51.8
Canada	8.0	7.8	6.0	3.2	3.8
Mexico	0.4	0.2	0.4	0.4	0.5
Total North America	**57.0**	**57.5**	**57.3**	**55.3**	**56.1**
Brazil	—	0.1	0.2	0.2	0.3
Colombia	0.4	0.4	0.4	0.5	0.4
Costa Rica	0.3	0.4	0.3	0.3	0.4
El Salvador	0.1	0.1	0.1	0.1	0.2
Guatemala	0.2	0.2	0.2	0.2	0.3
Haiti	12.4	12.2	12.0	10.8	10.5
Honduras	0.3	0.3	0.3	0.3	0.4
Jamaica	0.6	0.6	0.7	0.7	0.7
Venezuela	0.2	0.4	0.2	0.4	0.2
Other	3.2	3.1	3.2	3.0	2.7
Total Latin America and the Caribbean	**17.7**	**17.8**	**17.4**	**16.3**	**16.0**
Belgium	1.1	1.0	0.6	0.5	0.6
France	0.3	0.3	0.3	0.3	0.2
Germany	1.1	0.9	0.9	0.9	1.1
Italy	0.6	0.6	0.8	0.7	0.5
The Netherlands	2.2	1.9	2.6	3.1	3.8
Spain	1.0	0.8	1.1	0.7	0.6
Other	6.4	4.8	3.5	9.4	13.4
Total Europe	**12.7**	**10.3**	**9.9**	**15.7**	**20.3**
Japan	0.2	0.2	0.1	0.2	0.5
Other	8.3	9.1	9.6	7.8	5.3
Total Asia	**8.4**	**9.2**	**9.7**	**8.0**	**5.8**
Africa	0.2	0.2	0.3	—	—
Unidentified	3.9	5.0	5.4	4.7	1.8
Total exports	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

(1) 2016-2018 revised data; 2019 and 2020 preliminary data.
Source: Central Bank.

In 2020, imports into the Republic consisted of:

- consumer goods valued at US$7,251.9 million, representing 42.5% of total imports;
- intermediate goods valued at US$3,938.8 million, representing 23.1% of total imports;
- capital goods valued at US$2,235.7 million, representing 13.1% of total imports; and
- imports into the free trade zones valued at US$3,620.1 million, representing 21.2% of total imports.

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,									
	2016(1)		2017(1)		2018(1)		2019(1)		2020(1)	
	US$	%	US$	%	US$	%	US$	%	US$	%
Consumer goods:										
Durable goods	1,360.1	7.8	1,238.1	7.0	1,335.1	6.6	1,492.0	7.4	1,169.5	6.9
Refined petroleum products	1,962.1	11.3	2,462.6	13.9	3,050.0	15.1	2,972.1	14.7	1,843.2	10.8
Other	3,844.0	22.1	4,018.7	22.7	4,342.7	21.5	4,481.3	22.1	4,239.2	24.9
Total consumer goods	7,166.2	41.2	7,719.4	43.5	8,727.8	43.2	8,945.4	44.1	7,251.9	42.5
Intermediate goods:										
Crude oil and reconstituted fuel	363.2	2.1	405.8	2.3	664.8	3.3	585.5	2.9	174.4	1.0
Other	3,648.9	21.0	3,630.0	20.5	4,274.1	21.2	4,111.0	20.3	3,764.4	22.1
Total intermediate goods	4,012.1	23.1	4,035.8	22.8	4,938.9	24.5	4,696.5	23.2	3,938.8	23.1
Capital goods	2,686.2	15.4	2,232.4	12.6	2,693.0	13.3	2,674.3	13.2	2,235.7	13.1
Imports into the free trade zones	3,534.1	20.3	3,746.7	21.1	3,837.6	19.0	3,951.6	19.5	3,620.1	21.2
Total imports	**17,398.6**	**100.0**	**17,734.3**	**100.0**	**20,197.3**	**100.0**	**20,267.8**	**100.0**	**17,046.5**	**100.0**

(1) 2016-2019 revised data; 2020 preliminary data.
Source: Central Bank.

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

	As of December 31,				
	2016(2)	2017(2)	2018(2)	2019(2)	2020(2)
United States(3)	42.9	44.5	44.3	42.5	41.0
Canada	1.1	1.1	1.0	1.1	1.3
Mexico	5.9	4.8	3.7	4.1	4.2
Total North America	**49.9**	**50.4**	**49.1**	**47.8**	**46.6**
Argentina	0.8	0.6	0.6	0.9	0.7
Brazil	4.0	3.4	3.2	3.5	2.9
Chile	0.4	0.4	0.4	0.3	0.4
Colombia	1.9	2.1	2.0	2.0	2.2
Guatemala	1.0	1.0	0.8	0.8	0.9
Panama	0.4	0.3	0.4	0.4	0.4
Trinidad and Tobago	1.4	1.6	1.2	1.2	1.0
Venezuela	0.4	0.2	0.2	0.1	0.0
Other	5.3	4.7	4.7	5.2	4.6
Total Latin America and the Caribbean	**15.4**	**14.3**	**13.5**	**14.4**	**13.1**
Spain	3.5	3.3	3.6	3.3	3.3
Denmark	0.5	0.4	0.4	0.4	0.4
Germany	1.7	1.7	1.9	1.8	2.1
Italy	2.9	1.4	1.6	2.0	2.2
France	1.0	1.1	0.8	0.9	0.9
Belgium	0.5	0.3	0.4	0.4	0.5
Norway	0.3	0.2	0.2	0.3	0.4
Other	3.6	4.5	5.1	5.1	5.8
Total Europe	**14.0**	**13.0**	**14.0**	**14.3**	**15.6**
Japan	2.3	1.9	1.9	1.9	1.6
China and Taiwan	13.5	14.5	14.9	15.9	17.8
South Korea	1.6	1.5	1.2	1.2	1.0
Other	2.9	3.0	2.9	3.0	3.5
Total Asia	**20.3**	**20.8**	**20.9**	**22.0**	**23.9**
Africa	0.2	1.3	2.3	1.3	0.5
Others	0.2	0.2	0.2	0.3	0.4
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) 2016-2020 revised 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 decreased from US$6.7 billion in 2016 (8.5% of GDP) to US$2.7 billion (3.4% of GDP) in 2020. This decrease was mainly driven by the measures implemented in response to the COVID-19 pandemic, which affected the passenger traffic of the main destinations in the world during 2020.

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 2018. Arrivals of non-resident visitors increased by 264,544 visitors, representing a 4.9% increase compared to 2017.

In 2019, income from tourism was US$7.5 billion, a decrease of US$92.6 million, or 1.2%, compared with 2018. Arrivals of non-resident visitor decreased by 260,942 visitors, representing a 4.6% decrease compared to 2018.

In 2020, income from tourism was US$2.7 billion, a decrease of US$4,797.7 million, or 64.2%, compared with 2019, mainly due to the impact of the preventative public safety measures taken to contain the spread of COVID-19. Arrivals of non-resident visitor decreased by 3.7 million visitors, representing a 68.3% decrease compared to 2019.

As of December 31, 2019, 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,				
	2016[(1)]	**2017[(1)]**	**2018[(1)]**	**2019[(1)]**	**2020**
Arrivals by airplane (number of passengers):					
Total arrivals	5,959,347	6,187,542	6,568,888	6,446,036	2,405,315
of which:					
Foreign non-resident arrivals	5,134,110	5,354,017	5,618,561	5,357,619	1,699,194
Average length of stay (number of nights):					
Non-resident foreigners	8.5	8.6	8.4	8.5	9.1
Non-resident Dominicans	15.5	15.6	15.8	16.1	16.3
Hotel activity:					
Number of rooms	72,969	77,263	79,939	83,041	N/A
Occupancy rate (in %)	78.0%	77.1%	77.50%	71.60%	40.50%
Income from hotels, bars and restaurants (in millions of US$)	146.0	155.9	164.8	165.1	87.8
Income from tourism (in millions of US$)	6,719.6	7,184.1	7,547.70	7,471.50	2,673.80
Expenses from tourism (in millions of US$)	(503.0)	(530.3)	548.5	623.6	214.1
Balance (income less expenses)	**6,216.6**	**6,653.8**	**6,999.20**	**6,847.90**	**2,459.70**

(1) 2016-2019 revised data; 2020 preliminary data.
N/A = not available.
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 8.0% of GDP for the last five years. In 2016, 2017, 2018 and 2019 remittance inflows grew by 6.1%, 12.4%, 9.9% and 9.1% respectively, mainly due to the continuous improvement of economic conditions in the U.S. economy. In 2020, remittance inflows grew by 16.0%, or US$1,132.2 million, compared to 2019.

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,				
	2016[(1)]	**2017[(1)]**	**2018[(1)]**	**2019[(1)]**	**2020[(1)]**
Total remittances	5,260.8	5,911.8	6,494.2	7,087.0	8,219.2
% of GDP	6.9	7.4	7.6	8.0	10.4

(1) 2016-2019 revised data; 2020 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 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 due to 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. In 2019, FDI increased by US$477.5 million, mainly due to investments in the communications and electricity sectors, operating losses and payment of intercompany loans. In 2020, FDI inflows totaled US$2.6 billion, which represents a 15.4% decrease compared to the US$3.0 billion inflows registered in the same period in 2019, mainly due to an increase in loans by resident companies in the communications and mining sectors to their respective foreign parent companies, as well as a reduction in profits.

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,									
	2016(1)		2017(1)		2018(1)		2019(1)		2020(1)	
	US$	%	US$	%	US$	US$	US$	%	US$	%
Electricity	(8.3)	(0.3)	63.7	1.8	202.6	8.0	276.7	9.2	406.7	15.9
Communications	(263.9)	(11.0)	67.1	1.9	(240.1)	(9.5)	312.4	10.3	(121.9)	(4.8)
Wholesale and retail trade	413.2	17.2	1,365.2	38.2	539.8	21.3	356.2	11.8	436.4	17.1
Tourism	790.0	32.8	704.0	19.7	854.2	33.7	994.2	32.9	942.3	36.9
Financial services	124.6	5.2	90.9	2.5	178.7	7.0	94.3	3.1	96.3	3.8
Free trade zones	223.9	9.3	263.9	7.4	233.6	9.2	259.7	8.6	231.7	9.1
Mining	485.7	20.2	409.6	11.5	184.8	7.3	224.9	7.4	20.9	0.8
Real estate	587.3	24.4	545.9	15.3	518.3	20.4	440.7	14.6	446.7	17.5
Transport	54.2	2.3	60.4	1.7	63.4	2.5	61.9	2.0	95.2	3.7
Other	—	—	—	—	—	—	—	—	—	—
Total	**2,406.7**	**100.0**	**3,570.0**	**100.0**	**2,535.3**	**100.0**	**3,021.0**	**100.0**	**2,554.3**	**100.0**

(1) 2016-2019 revised data; 2020 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)

	2016		2017		2018		2019		2020	
	US$	%	US$	%	US$	%	US$	%	US$	%
Brazil	148.0	6.1	998.8	28.0	71.1	2.8	23.6	0.8	63.8	2.5
Canada	479.5	19.9	473.4	13.3	329.3	13.0	258.9	8.6	69.4	2.7
Cayman Islands	(122.4)	(5.1)	9.9	0.3	(33.8)	(1.3)	(9.2)	(0.3)	(96.2)	(3.8)
Denmark	31.9	1.3	62.6	1.8	(459.7)	(18.1)	7.1	0.2	(114.2)	(4.5)
France	4.4	0.2	6.1	0.2	4.5	0.2	239.1	7.9	82.4	3.2
Germany	6.5	0.3	7.4	0.2	19.8	0.8	29.7	1.0	35.2	1.4
Italy	48.4	2.0	32.4	0.9	24.0	0.9	44.6	1.5	18.3	0.7
Mexico	118.3	4.9	(45.4)	(1.3)	(80.4)	(3.2)	608.8	20.2	393.3	15.4
Panama	4.7	0.2	2.9	0.1	12.4	0.5	12.1	0.4	27.4	1.1
Spain	281.4	11.7	205.9	5.8	287.8	11.4	354.5	11.7	181.7	7.1
Switzerland	11.8	0.5	9.0	0.3	5.8	0.2	17.1	0.6	25.0	1.0
The Netherlands	35.4	1.5	30.9	0.9	37.1	1.5	54.2	1.8	47.1	1.8
United Kingdom	1.1	--	3.1	0.1	5.3	0.2	(26.1)	(0.9)	19.7	0.8
United States	355.8	14.8	732.1	20.5	708.8	28.0	937.2	31.0	773.9	30.3
Venezuela	15.9	0.7	7.7	0.2	29.1	1.1	12.0	0.4	11.0	0.4
Virgin Islands	23.5	1.0	52.0	1.5	74.0	2.9	61.6	2.0	36.0	1.4
Other	962.5	40.0	981.2	27.5	1,500.2	59.2	395.8	13.1	980.5	38.4

(1) Net inflows from these countries are represented with positive numbers while net outflows are represented with negative numbers.
(2) 2016-2019 revised data; 2020 preliminary data.
Source: Central Bank.

Foreign direct investment in the Republic historically has originated mainly from the United States, Spain and Canada. 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. In 2019, 65.8% of FDI inflows came from United States, Mexico 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$3,000 million sovereign bonds in the international market.

During 2019, the Republic observed an inflow of US$2,177.6 million of portfolio investment, which represented a decrease of US$518.5 million compared to the US$2,696.1 million registered in 2018. This inflow was mainly originated by capital inflows from the placement of the US$2,365.5 million sovereign bonds in the international market.

During 2020, the Republic observed an inflow of US$5,660.0 million of portfolio investment, which represented an increase of US$3,482.4 million compared to the inflow of US$2,177.6 million registered in 2019. This inflow increase in 2020 was mainly a result of capital inflows from the placement of sovereign bonds in the international market in an aggregate principal amount of US$6,300.0 million.

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 Superintendency of Banks.

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 Superintendency of Banks and consists of nine members, specifically:

- three *ex-officio* members (the Governor of the Central Bank, the Minister of Finance and the Superintendent of Banks); 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 Superintendency of Banks 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 Superintendency of Banks 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 Superintendency of Banks augmented the level of compliance with FSAP guidelines.

Additionally, during the first quarter of 2013, the Superintendency of Banks 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 Superintendency of Banks 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 2016 to 2020, 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 the first nine months of 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% per annum by the end of December 2016, while the weighted average interest rate for deposits reached 6.8% per annum, 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 the private sector in local currency grew 12.8% year-over-year by December 2016, which represented an increase of DOP79.3 billion. Total credit to the private sector in local currency reached DOP700.8 billion 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 considering 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% per annum, respectively, as of December 31, 2017. The financial intermediation margin was 6.14% at the end of 2017. In this regard, loans to the private sector in local currency grew to DOP784.7 billion or 12.0% year-over-year in 2017, which represented an increase of DOP83.9 billion compared to 2016.

During the first half of 2018, the Central Bank maintained the MPR at 5.25% per annum. However, in July 2018, the Central Bank increased the MPR to 5.50% per annum, considering 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% per annum, respectively, as of December 31, 2018. The financial intermediation margin was 4.62% at the end of 2018. In this regard, loans to the private sector in local currency grew to DOP869.4 billion or 10.8% year-over-year in 2018, which represented an increase of DOP84.6 billion compared to 2017.

During 2019, the Central Bank reduced the MPR from 5.50% to 4.50% per annum between June and August 2019, considering foreign trade conflicts, geopolitical tensions and the upcoming election cycle, maintaining the MPR at 4.50% per annum for the remainder of 2019. Headline inflation in 2019 was 3.66% year-over-year, reaching a level close to the Central Bank's target range. The weighted average lending interest rate and the weighted average interest rate paid on deposits reached 12.43% and 6.66% per annum, respectively, as of December 31, 2019. The financial intermediation margin was 5.77% at the end of 2019. In this regard, loans to the private sector in local currency grew to DOP974.9 billion, which represented an increase of DOP105.5 billion or 12.1% compared to 2018.

During the first two months of 2020, the Central Bank maintained the MPR at 4.50% per annum, in a context of moderate economic growth and a low inflationary environment. In March 2020, the COVID-19 outbreak led the Central Bank and the Monetary Board to adopt a broad set of expansive monetary and financial measures to mitigate the effects of the COVID-19 pandemic by easing reserve requirements and increasing financing for households and small and medium enterprises at lower interest rates. Additionally, during such month, the Central Bank decreased the MPR by 100 basis points to 3.50% per annum, and narrowed the interest rate corridor, from MPR plus or minus 150 basis points to MPR plus or minus 100 basis points, due to increased uncertainty associated with the global health crisis. On August 31, 2020, the Central Bank further decreased the MPR by 50 basis points to 3.00% per annum, and narrowed the interest rate corridor to MPR plus or minus 50 basis points. Headline inflation in 2020 was 5.55% year-over-year, above the upper limit of the Central Bank's target range, while core inflation stood at 4.77%. Inflation in 2020 was primarily due to the recovery of international oil prices during the second half of the year, and an increase in food prices driven by a lagged impact of environmental factors, such as the drought that affected harvest during the first half of 2020 and two tropical storms, which generated a decrease in the supply of various food products. As a result of the expansionary measures taken during the year, the weighted average lending interest rate and the weighted average interest rate paid on deposits reached 9.85% and 3.10%, respectively. Consequently, the financial intermediation margin was 6.75% as of December 31, 2020. In 2020, loans to the private sector in local currency grew to DOP1,061.2 billion, which represented a year-over-year increase of 8.85% or DOP86.3 billion.

Supervision of the Financial System

The Superintendency of Banks was created in 1947 and forms part of the Monetary and Financial Administration. The Superintendency of Banks 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 Superintendency of Banks initiated a program with assistance from the IDB to reform its regulatory framework for banking supervision. As part of this program, the Superintendency of Banks 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 Superintendency of Banks 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 with the Central Bank 10.6% of their aggregate deposits in domestic currency and 20.0% of their aggregate deposits in foreign currency.

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, 2020:

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

	As of December 31, 2020		
	Loans 31-90 days past due[(1)]	**Loans >90 days past due[(1)]**	**Total past-due loans[(1)]**
Commercial banks[(2)]	0.1	1.8	1.9
Savings and loans associations	0.2	2.2	2.4
Saving and credit banks	0.3	2.8	3.1
Credit corporations	0.6	3.1	3.6
Government-owned financial institution[(3)]	—	1.4	1.4
Total past-due loans	**0.1**	**1.8**	**1.9**

(1) Includes outstanding principal and accrued interest.
(2) Includes *Banco de Reservas*.
(3) Includes *BANDEX.*
Source: Central Bank.

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

	As of December 31, 2020	
	Loan-Loss reserve by type of financial institution	
	As a % of past-due loans[1]	As a % of total loans[1]
Commercial banks[2]	242.3	4.5
Savings and loans associations	158.0	3.8
Saving and credit banks	148.8	4.6
Credit corporations	112.9	4.1
Government-owned financial institution[3]	789.6	11.4
Total loan-loss reserves	**227.2**	**4.4**

(1) Includes only outstanding principal.
(2) Includes *Banco de Reservas*.
(3) Includes *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 Superintendency of Banks. 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 Superintendency of Banks 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 Superintendency of Banks 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 Superintendency of Banks 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.
- *Superintendency* of Banks *Risk Department*. The Superintendency of Banks strengthened its Risk Department in order to provide updated information to financial institutions with respect to debtors' credit history and to reinforce the Superintendency of Banks' 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 Superintendency of Banks for applying and enforcing sanctions set forth in the Monetary and Financial Law. Both the Superintendency of Banks and Central Bank enforce the legal framework on sanctions.
- *Regularization Plans*. On November 24, 2011, the Superintendency of Banks 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 Superintendency of Banks 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 Superintendency of Banks 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.

On August 31, 2016, the Monetary Board issued a resolution regulating 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 a 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 Superintendency of Banks 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 a 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 a 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 a 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 Superintendency of Banks 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 Superintendency of Banks 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 a 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 a 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.

On January 24, 2019, the Monetary Board issued a resolution approving the Regulation of External Audits (*Reglamento de Auditorías Externas*), which modifies the Regulation of External Auditors (*Reglamento de Auditores Externos*) issued on August 5, 2004 and is based on international best practices issued by the International Auditing and Assurance Standards Board, 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, 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 a 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 more information see "Recent Developments—Monetary Sector—Financial System and Reforms."

On March 17, 2020, the Monetary Board issued a resolution to reduce the regulatory cost of credit offering and to preserve the levels of credit inclusion amidst the COVID-19 outbreak. In particular, through this resolution, the Monetary Board authorized that resources from financial institutions' reserve requirements be allocated as credit to the real sectors of the economy, with the aim of providing liquidity to the economy.

In addition, the Monetary Board allowed financial intermediaries to restructure existing loans without affecting their credit ratings or recording greater loan loss provisions for affected loans in their loan portfolios. Finally, the Monetary Board authorized that loans against credit lines could be considered current when they are past-due for 60 days or less, and that valuation estimates of loan guarantees could be used to compute required provisions up to 90 days after maturity.

On March 24, 2020, the Monetary Board issued a resolution increasing the amount of cash that can be released from the available reserves under the March 17, 2020 resolution and eliminated commissions for cash withdrawals given customers' increasing demand for cash during the height of the COVID-19 pandemic.

On April 16, 2020, the Monetary Board issued resolutions easing requirements for direct or indirect financing to small and medium enterprises (SMEs). In particular, it approved a DOP15.0 billion liquidity facility at *Banco de Reservas* for up to three years, allowing it to provide direct or indirect financing to SMEs and personal loans to individuals in a principal amount up to 50 minimum wages. Further, on April 16, 2020, the Monetary Board eliminated commission fees on inactive accounts.

On May 6, 2020, the Monetary Board issued a resolution approving a DOP20.0 billion liquidity facility for up to three years for financial intermediaries to provide financing to the construction, manufacturing, agriculture, tourism and export sectors.

On July 22, 2020, the Monetary Board enacted a resolution for the approval of the FRL.

On December 15, 2020, the Dominican Monetary Board issued a resolution for phasing-out the special regulatory treatment established to tackle the effects of the COVID-19 pandemic to the financial system.

Financial Sector

As of December 31, 2020, the Dominican financial sector consisted of 49 financial institutions, including:

- 17 commercial banks (including *Banco de Reservas*);
- 14 savings and credit banks;
- ten savings and loan associations;
- six credit corporations; and
- two 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, 2020, 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 August 17, 2020, President Abinader appointed Mr. Samuel Pereyra Rojas as the chief executive of *Banco de Reservas*.

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, 2020		
	2016	2017	2018	2019	2020	Loans (%)	Deposits (%)	Share of Total Assets (%)
Commercial banks(2)	18	18	18	18	17	86.71	89.25	87.82
Development banks	—	—	—	—	—	—	—	—
Mortgage banks	—	—	—	—	—	—	—	—
Savings and loan associations	10	10	10	10	10	10.47	8.80	9.79
Financieras	—	—	—	—	—	—	—	—
Small lending institutions	—	—	—	—	—	—	—	—
Government-owned financial institutions(3)	1	1	1	1	1	0.02	0.19	0.31
Savings and credit banks	18	18	14	14	14	2.56	1.60	1.93
Credit corporations	12	11	8	6	6	0.25	0.15	0.15
Credit card issuing entities	—	—	—	—	—	—	—	—
Total	**59**	**58**	**51**	**49**	**48**	**100.00**	**100.00**	**100.00**

(1) Excludes insurance and reinsurance companies, private pension funds and the Dominican Republic Stock Exchange.
(2) Includes *Banco de Reservas*.
(3) Excludes *Banco Agrícola de la República Dominicana.*
Source: Superintendency of Banks.

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 Superintendency of Banks discovered that its executives had committed bank fraud for about US$32 million, equivalent to 75.3% of its credit portfolio. Once the Superintendency of Banks 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., Banco de Ahorro y Crédito JMMB Bank, 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)

	Financial System		Commercial Banks	
As of December 31,	**DOP**	**Growth rate (%)**	**DOP**	**Growth rate (%)**
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
2019	1,991,975.9	11.8	1,732,831.0	12.3
2020	2,375,197.4	19.2	2,085,859.2	20.4

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

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 (%)
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
2019	37,653.9	6.1	32,755.4	6.6
2020	40,872.0	8.5	35,893.1	9.6

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

Source Superintendency of Banks.

In the period from 2016 to 2019, the private sector received, on average, 92.3% of the total principal amount of loans issued by the financial system, while the public sector received 6.1%, 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 2016 to 2019), construction (on average, 6.7% of total loans from 2016 to 2019) and manufacturing (on average, 6.1% of total loans from 2016 to 2019). In 2020, the private sector received 95.8% of the total principal amount of loans issued by the financial system, while the public sector received 2.9%, and intra-financial sector loans accounted for the remaining 1.3%.

In 2020, private sector credit to wholesale and retail trade companies accounted for 18.3% of total loans, while construction and manufacturing accounted for 5.2% and 7.4%, respectively. 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,				
	2016	2017	2018	2019	2020
Private Sector:[1][2]					
Manufacturing	1,189.8	1,200.0	1,520.1	1,657.4	1,713.1
Mining	43.6	46.2	28.7	30.2	38.9
Agriculture	648.8	737.4	770.1	797.7	754.5
Construction	1,724.7	1,365.6	1,396.1	1,544.0	1,211.2
Electricity, gas and water	231.8	205.0	412.4	466.0	441.8
Wholesale and retail trade	4,142.4	4,608.0	4,728.3	4,591.3	4,214.1
Loans to individuals	9,951.7	10,707.5	11,451.5	12,410.6	12,000.6
Transportation, warehousing and communications	242.3	332.1	359.8	491.2	545.9
Other	907.0	1,096.2	1,046.0	1,053.2	1,191.8
Total private sector loans	19,082.0	20,298.2	21,713.0	23,041.6	22,112.1
Total public sector loans	1,525.5	1,388.6	1,377.1	1,246.8	669.8
Total financial sector loans	347.0	306.4	417.3	407.1	299.3
Total non-resident sector loans	0.1	0.2	0.1	2.1	2.9
Total loans	**20,954.6**	**21,993.4**	**23,507.4**	**24,697.6**	**23,083.9**

(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,				
	2016	2017	2018	2019	2020
Private Sector:(1)(2)					
Manufacturing	5.7	5.5	6.5	6.7	7.4
Mining	0.2	0.2	0.1	0.1	0.2
Agriculture	3.1	3.4	3.3	3.2	3.3
Construction	8.2	6.2	5.9	6.3	5.2
Electricity, gas and water	1.1	0.9	1.8	1.9	1.9
Wholesale and retail trade	19.8	21.0	20.1	18.6	18.3
Loans to individuals	47.5	48.7	48.7	50.3	52.0
Transportation, warehousing and communications	1.2	1.5	1.5	2.0	2.4
Other	4.3	5.0	4.4	4.3	5.2
Total private sector loans	91.1	92.3	92.4	93.3	95.8
Total public sector loans	7.3	6.3	5.9	5.0	2.9
Total financial sector loans	1.7	1.4	1.8	1.6	1.3
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)

	Private Commercial Banks		Banco de Reservas	
As of December 31,	**DOP**	**Foreign Currency**	**DOP**	**Foreign Currency**
2016	47.7	16.1	25.3	10.8
2017	49.2	17.0	24.5	9.3
2018	48.7	18.2	24.0	9.2
2019	48.4	18.6	24.7	8.3
2020	53.4	16.9	24.8	4.9

Source: Superintendency of Banks

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, 2020, foreign currency lending was 21.8% 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, 2020.

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

	As of December 31, 2020			
Category	**Commercial loans**	**Consumer loans**	**Mortgage loans**	**Total**
A	65.4	89.8	94.4	76.9
B	17.5	3.3	2.6	11.1
C	5.6	1.7	1.0	3.8
D1	6.1	3.1	1.0	4.4
D2	4.1	1.0	0.3	2.6
E	1.3	1.1	0.7	1.1
Total	**100.0**	**100.0**	**100.0**	**100.0**

Source: Superintendency of Banks.

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

As of December 31,	
2016	15.6
2017	16.4
2018	15.8
2019	14.9
2020	18.7

(1) Includes only commercial banks defined as "*bancos múltiples*" by the Superintendency of Banks
Source: Superintendency of Banks.

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 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 12.1% at the end of 2015 to approximately 12.8% at the end of 2016 (see "The Monetary System—Monetary Policy").

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.

During 2019, liquidity in the financial sector increased as a consequence of expansionary monetary policy measures adopted by the monetary authorities. Accordingly, the annual rate of private credit in local currency grew by 12.1% at the end of 2019.

During 2020, liquidity in the financial sector increased as a consequence of expansionary monetary policy measures adopted by the monetary authorities in response to the COVID-19 pandemic. Therefore, the annual rate of private credit growth in local currency reached 8.1% at the end of 2020.

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,				
	2016	2017	2018	2019	2020
Loans of:					
0-90 days	14.6	13.2	11.0	10.8	10.4
91-180 days	13.8	10.8	11.4	11.2	10.2
181-360 days	13.6	13.4	11.7	11.8	9.9
Weighted average	15.0	13.8	12.5	12.4	10.8
Real	12.4	9.6	9.0	8.9	6.1
Prime rate	11.7	10.8	10.4	10.3	9.0

(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,				
	2016	2017	2018	2019	2020
Deposits for:					
30 days	5.8	5.4	5.0	5.6	4.0
60 days	7.2	6.2	5.9	6.1	4.2
90 days	7.2	6.9	6.8	6.5	5.1
180 days	7.3	6.3	6.8	6.5	5.5
360 days	6.8	6.3	6.1	6.3	5.2
Weighted average	6.7	6.0	6.0	6.1	4.7
Real	4.1	1.8	2.5	2.6	(0.1)
Savings	1.6	1.6	0.6	0.4	0.3

(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 Ml, M2 and M3, which generally are composed of the following:

- Ml: 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. For recent information on the Central Bank's international reserves, see "Recent Developments—Balance of Payments and Foreign Trade—Balance of Payments."

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,				
	2016	2017	2018	2019	2020
M1	11.0	12.2	6.6	20.7	28.9
M2	10.0	10.3	4.5	10.4	16.0
M3	9.8	9.7	6.6	11.7	21.8

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

From 2016 to 2019, the Republic's monetary base grew at an annual average rate of 4.9%. This increase was driven by the growth in net international reserves of the Central Bank, which increased from US$6,046.7 million in 2016 to US$8,781.4 million in 2019. M1, M2 and M3 increased sharply at an average annual rate of 12.6%, 8.8% and 9.4%, respectively, during the period from 2016 to 2019. 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. Between the months of June and August 2019, the Central Bank decreased the MPR by 100 basis points, from 5.50% to 4.50%. Consequently, in 2019, the monetary aggregates M1, M2 and M3 grew at 20.7%, 10.4% and 11.7%, respectively, in each case, compared to 2018.

During 2020, the monetary authorities reduced the MPR by 150 points between March and August, to mitigate the effects of the COVID-19 pandemic. As a result of the expansionary measures, at the end of 2020, the monetary base grew 21.0% compared to 2019. Likewise, M1, M2 and M3 reflected a year-over-year growth of 28.9%, 16.0% and 21.8%, respectively.

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,				
	2016	2017	2018	2019	2020
Monetary base (millions of DOP)	234,949.2	229,222.3	242,828.8	264,806.3	320,443.6
Currency in circulation and cash in vaults at banks (millions of DOP)	118,014.1	133,542.3	146,567.4	166,456.3	222,944.2
Commercial bank deposits at Central Bank (millions of DOP)	116,935.2	95,680.0	96,261.5	98,350.0	97,499.4
Broad monetary base (millions of DOP)	352,301.9	395,518.9	387,014.9	469,600.0	632,517.6
Gross international reserves (millions of US$)(1)	6,047.4	6,780.8	7,627.6	8,781.8	10,751.7
Net international reserves (millions of US$)(1)	6,046.7	6,780.4	7,627.1	8,781.4	10,751.6
Exchange rate (DOP/US$)	46.6	48.2	50.2	52.9	58.1

(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,				
	2016	**2017**	**2018**	**2019**	**2020**
Monetary aggregates(2)					
Currency in circulation	2,026.1	2,125.1	2,331.5	2,530.4	3,215.5
Ml	6,506.4	7,060.2	7,225.0	8,278.2	9,710.3
M2	19,860.3	21,195.3	21,267.3	22,279.9	23,530.1
M3	25,697.0	27,270.4	27,916.2	29,583.0	32,787.9
Credit by sector(2)					
Public sector	1,525.53	1,388.63	1,377.06	1,246.83	669.75
Private sector	19,081.97	20,298.20	21,712.97	23,041.58	22,111.99
Financial sector	347.04	306.43	417.28	407.06	299.29
Non-resident sector	0.06	0.15	0.09	2.14	2.87
Total credit aggregates	20,954.60	21,993.42	23,507.41	24,697.61	23,083.91
Deposits(2)					
Local currency	20,382.19	21,577.61	21,914.19	23,404.93	23,717.30
Foreign currency	6,943.96	7,349.43	8,101.44	8,415.91	10,236.73
Total deposits	**27,326.15**	**28,927.03**	**30,015.62**	**31,820.84**	**33,954.03**

(1) Based on the official period-end exchange rate.
(2) Includes information from credit unions.
Source: Central Bank.

Inflation

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 1.17%, 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.

As of December 31, 2019, the inflation rate was 3.66%, mainly due to the increase in food and oil prices. Core inflation remained below the lower limit of the target range, standing at 2.25% at the end of 2019.

As of December 31, 2020, the inflation rate was 5.55%, primarily due to the recovery in international oil prices starting in June 2020 and, soon afterwards, an increase in food prices. Core inflation remained within the target range, standing at 4.77% at the end of 2020.

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,		
2016	1.7	1.6
2017	4.2	3.3
2018	1.2	3.6
2019	3.7	1.8
2020	5.6	3.8

(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$l.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,				
	2016	**2017**	**2018**	**2019**	**2020**
End of period (spot market)[1]	46.62	48.19	50.20	52.90	58.11
End of period (financial intermediaries)[2]	46.60	48.20	50.33	52.92	58.15
Exchange rate differential (in % of the financial intermediaries' rate)	0.04%	(0.01)%	(0.25)%	(0.04)%	(0.07)%
Year average (spot market)[3]	45.99	47.44	49.43	51.20	56.47
Year average (financial intermediaries)[4]	45.98	47.44	49.44	51.23	56.48
Exchange rate differential (in % of the financial intermediaries' rate)	0.01%	(0.01)%	(0.02)%	(0.05)%	(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 2016 and 2019, 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. In 2020 the nominal depreciation of the DOP/US$ exchange rate increased rapidly between April and early July, due to the adverse effects of the COVID-19 pandemic, then stabilized from mid-July to the end of the year, as a result of the efforts of the monetary authorities and the greater accumulation of international reserves, reaching DOP58.11 per U.S. dollar on the last business day of 2020, which represented an annualized peso depreciation rate of 9.0% since the beginning of 2020.

International Reserves

The Central Bank's net international reserves increased to US$10,751.6 million as of December 31, 2020 from US$6,046.7 million as of December 31, 2016.

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,				
	2016	**2017**	**2018**	**2019**	**2020[1]**
Central Bank					
Assets (gross international reserves)	6,047.4	6,780.8	7,627.6	8,781.8	10,751.7
Liabilities	0.7	0.4	0.5	0.4	0.1
Total (assets less liabilities)	6,046.7	6,780.4	7,627.1	8,781.4	10,751.6
Banco de Reservas					
Assets	287.6	222.8	157.9	68.7	359.1
Liabilities	1,156.8	822.4	751.0	1,083.8	710.1
Total (assets less liabilities)	(869.2)	(599.7)	(593.1)	(1,015.1)	(351.0)
Other deposit institutions					
Assets	718.1	720.3	882.2	726.2	1,976.1
Liabilities	1,092.1	1,184.7	1,243.1	1,197.2	595.1
Total (assets less liabilities)	(374.0)	(464.4)	(360.9)	(470.9)	1,381.0
Net international reserves of the banking system	**4,803.5**	**5,716.4**	**6,673.2**	**7,295.4**	**11,781.6**
Memorandum items:					
Gross assets of the Central Bank	6,924.2	7,452.1	8,285.4	9,420.5	11,414.2
Gross reserves of commercial banks	1,005.7	943.1	1,040.2	795.0	2,335.2
Gross reserves of the banking system	**7,929.9**	**8,395.2**	**9,325.5**	**10,215.5**	**13,749.3**
Gross reserves of the Central Bank (in months of total imports)	4.2	4.0	4.4	6.4	7.0
Gross reserves of the banking system (in months of total imports)[2]	5.5	5.0	5.4	7.4	8.9

(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 2016 to 2020, 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 4.2 months at December 31, 2016 to 7.0 months at December 31, 2020. 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, BanReservas and other commercial banks) to monthly imports. This ratio was 8.9 to 1 times as of December 31, 2020.

Gold Reserves

At December 31, 2020, the total amount of gold reserves of the Central Bank was approximately US$34.5 million, reflecting a US$13.5 million increase as compared to US$21.0 million at December 31, 2016, 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* (the "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$5.3 billion at December 31, 2020.

PUBLIC SECTOR FINANCES

Budgetary Government

The Budgetary Government encompasses all entities within the central government of the Dominican Republic, which consists of the legislative, judicial and executive branches, and its authorized representatives. During the period from 2015 through 2019 (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 Budgetary Government has recorded deficits in its fiscal balance, which have been covered with internal and external financing.

The Budgetary Government derives its revenues primarily from tax collection, from indirect taxes on consumption of goods and services, 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 grants 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 2016, total revenues by the Budgetary Government (including grants) amounted to US$10.5 billion (13.9% of GDP), compared to US$11.8 billion total revenues collected in 2015. This decline in total revenues was mainly due to the effects of the liability management transaction with PDVSA relating to the PetroCaribe Agreement in 2015. Excluding the capital grants obtained in PetroCaribe liability management transaction, in 2016, fiscal revenues increased by US$0.7 billion (1.0% of GDP) as compared to 2015. As of December 31, 2016, 99.5% of 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 Budgetary Government were US$12.8 billion (16.9% of GDP). Capital expenditures reflected no significant variation compared to 2015, while primary expenditures increased by US$689.8 million from 2015 to 2016, mainly due to interest and grants.

As a result of the above, in 2016, the net borrowing (overall deficit) of the Budgetary Government increased to US$2.3 billion (3.1% of GDP).

In 2017, total revenues by the Budgetary Government (including grants) amounted to US$11.2 billion (14.0% of GDP), compared to the US$10.5 billion total revenues registered in 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.

In 2017, total expenditures by the Budgetary Government were US$13.9 billion (17.3% of GDP). Capital expenditures increased to US$2.7 billion (3.4% of GDP) in 2017 compared to US$2.3 billion (3.0% of GDP) in 2016, mainly due to the construction of the Punta Catalina power plant project, while primary expenditures increased to US$10.8 billion (14.3% of GDP), mainly due to an increase in wages and salaries, use of goods and services and other expenses, primarily infrastructure projects.

As a result of the above, in 2017, the net borrowing (overall deficit) of the Budgetary Government stood at US$2.3 billion (or 2.9% of GDP).

In 2018, total revenues by the Budgetary Government (including grants) amounted to US$12.1 billion (14.2% of GDP), compared to US$11.2 billion total revenues collected in 2017. This increase was mainly due to the continuation of the tax enforcement measures taken by both the Internal Revenue Agency and Customs Agency, the collection of US$261.8 million (0.3% of GDP) in extraordinary income derived from capital gains tax on the sale of shares of a local beer company, and the implementation of a tax on the differential for liquid petroleum gas pursuant to Paragraph I of Article 19 of the 2018 Budget Law.

In 2018, total expenditures by the Budgetary Government were US$14.1 billion (16.5% of GDP). Capital expenditures decreased to US$2.3 billion (2.6% of GDP) in 2018 compared to US$2.7 billion (3.4% of GDP) in 2017, mainly due to the construction of the Punta Catalina power plant project in 2017, while primary expenditures reflected no significant variation compared to 2017.

As a result of the above, in 2018, the net borrowing (overall deficit) of the Budgetary Government decreased to US$1.8 billion (2.1% of GDP).

In 2019, total revenues by the Budgetary Government (including grants) amounted to US$12.8 billion (14.4% of GDP), compared to US$12.1 billion total revenues registered in 2018. This increase was mainly a result of the continued implementation of measures to reduce tax avoidance and evasion, the collection of US$163.4 million (0.2% of GDP) in extraordinary income derived from dividends paid out by companies in the beverage industry, banking and telecommunications sector, and capital gains tax collected primarily from the sale of a financial institution. In 2019, the Internal Revenue Agency reached its highest revenue growth since the implementation of the 2012 Tax Reform, representing a 12.2% increase compared to 2018, excluding the extraordinary income of the sale of the local beer company in 2018.

In 2019, total expenditures by the Budgetary Government were US$14.9 billion (16.7% of GDP). Capital expenditures decreased to US$2.1 billion (2.3% of GDP) in 2018 compared to US$2.3 billion (2.6% of GDP) in 2018, while primary expenditures increased to US$12.4 billion (14.0% of GDP), mainly due to grants, subsidies and interest.

In 2020, total revenues by the Budgetary Government (including grants) amounted to US$11.2 billion (14.2% of GDP), compared to the US$12.8 billion total revenues collected in 2019. This decrease was mainly due to a decrease in economic activity driven by the COVID-19 pandemic and the related temporary closure of commercial activities, and the implementation of several transitory measures to alleviate companies' cash flow and maintain levels of tax compliance. As the gradual opening of commercial activities began in mid-2020, tax collection recovered, and, in the last quarter of the year, total revenues exceeded those collected in the same period of 2019, mainly due to the Government's efforts to improve tax collection and efficiency. In 2020, the Government received US$512.7 million (0.7% of GDP) in extraordinary revenues, of which 83.0% were transfers from other institutions (such as the Social Security Treasury and the Fund for the Economic, Social, Labor and Health Protection of Dominican Workers) due to the pandemic, and US$394.5 million from mining revenues driven by higher gold prices and a tax advancement agreement entered into with Pueblo Viejo Dominicana Corporation, a subsidiary of Barrick Gold Corporation, by which this company advanced US$47.0 million in royalties.

During 2020 the primary sources of tax revenues were:

- taxes on income, profits and capital gains (30.3% of total revenues, excluding grants);
- VAT (31.5% of total revenues, excluding grants);
- excise taxes (13.7% of total revenues, excluding grants); and
- taxes on international trade and transactions (5.3% of total revenues, excluding grants).

Government expenditures during 2020 consisted of:

- wages and salaries paid to public sector employees (19.2% of total spending);
- purchases of goods and services (10.0% of total spending);
- transfers to public sector entities (in particular CDEEE) and to the private sector (primarily social programs) (37.6% of total spending);
- capital expenditure (13.1% of total spending); and
- interest payments on debt (14.4% of total spending).

In 2020, total expenditures by the Budgetary Government amounted to US$17.7 billion (22.5% of GDP). Capital expenditures increased to US$2.3 billion (2.9% of GDP) in 2020 compared to US$2.1 billion (2.3% of GDP) in 2019, while primary expenditures increased to US$15.1 billion (19.2% of GDP) compared to US$12.4 billion (14.0% of GDP), mainly due to grants, compensation of employees and social benefits. As a result of the above, in 2020, the net borrowing (overall deficit) of the Budgetary Government increased to US$6.2 billion (8.7% of GDP).

Consolidated Public Sector

For purposes of the consolidated public sector debt information included herein, the Dominican public sector consists of the Budgetary Government, the local governments, non-financial public sector institutions, which include non-financial state-owned enterprises and government agencies such as the *Instituto Nacional de Recursos Hidráulicos* (National Institute of Hydraulic Resources or "INDRHI") or CDEEE, and financial public sector institutions, such as the Central Bank.

In general, these agencies receive financing from the Budgetary 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 2018 (0.2%) and 2019 (0.1%). During 2016 and 2017, the balance of the rest of the non-financial public sector resulted in a surplus of 0.3% and 0.2% of GDP, respectively, mainly due to an increase in these agencies' revenues. During 2020, the balance of the rest of the non-financial public sector resulted in a surplus of 0.3% of GDP

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,									
	2016[1]		2017[1]		2018[1]		2019[1]		2020[1]	
	US$	%	US$	%	US$	%	US$	%	US$	%
BUDGETARY GOVERNMENT										
Revenues:										
Taxes:										
Taxes on income, profits, and capital gains	2,918.7	3.9	3,217.3	4.0	3,400.7	4.0	3,735.4	4.2	3,305.2	4.2
Taxes on property	125.9	0.2	141.6	0.2	154.7	0.2	171.0	0.2	139.7	0.2
Taxes on goods and services:										
General taxes on goods and services	3,743.4	4.9	3,861.6	4.8	4,247.9	5.0	4,518.9	5.1	3,712.6	4.7
of which: VAT	*3,454.3*	*4.6*	*3,566.1*	*4.5*	*3,930.3*	*4.6*	*4,174.8*	*4.7*	*3,435.5*	*4.4*
Taxes on financial and capital transactions	*289.1*	*0.4*	*295.5*	*0.4*	*317.7*	*0.4*	*344.1*	*0.4*	277.1	0.4
Excise taxes	1,659.2	2.2	1,831.1	2.3	1,891.8	2.2	1,929.4	2.2	*1,490.2*	*1.9*
of which: Fuel tax	*991.5*	*1.3*	*1,115.8*	*1.4*	*1,151.5*	*1.3*	*1,184.9*	*1.3*	*845.6*	*1.1*
Taxes on specific services	294.3	0.4	312.9	0.4	339.4	0.4	330.5	0.4	298.4	0.4
Taxes on use of goods and on permission to use goods	268.4	0.4	267.3	0.3	271.1	0.3	327.2	0.4	205.7	0.3
Total taxes on goods and services	5,965.3	7.9	6,272.9	7.8	6,750.3	7.9	7,105.9	8.0	5,706.9	7.2
Taxes on international trade and transactions	722.3	1.0	738.6	0.9	792.6	0.9	778.7	0.9	576.8	0.7
of which: Import duties	*592.0*	*0.8*	*603.4*	*0.8*	*647.8*	*0.8*	*632.6*	*0.7*	*632.6*	*0.8*
Other taxes	1.3	—	1.1	—	1.5	—	1.1	—	1.4	—
Total taxes	9,733.5	13.0	10,371.4	12.9	11,099.9	13.0	11,792.1	13.3	9,730.0	12.3
Social contributions[2]	33.6	—	55.4	0.1	50.7	0.1	49.7	0.1	47.0	0.1
Other Revenues	703.8	0.9	704.6	0.9	962.7	1.1	931.3	1.0	1,124.4	1.4
Grants	24.3	—	42.0	0.1	19.5	—	20.2	—	271.4	0.3
Total revenues	**10,495.2**	**13.9**	**11,173.3**	**14.0**	**12,132.8**	**14.2**	**12,793.4**	**14.4**	**11,172.9**	**14.2**
Expenses:										
Compensation of employees	3,274.3	4.3	3,488.2	4.4	3,807.7	4.5	3,966.8	4.5	3,814.2	4.8
Use of goods and services	1,055.2	1.4	1,462.3	1.8	1,459.0	1.7	1,649.9	1.9	1,779.1	2.3
To non-residents	892.0	1.2	968.9	1.2	1,078.4	1.3	1290.8	1.5	1,372.9	1.7
To residents	1,024.4	1.4	1,066.8	1.3	1,134.7	1.3	1,148.9	1.3	1,178.7	1.5
of which: Central Bank recapitalization	*361.8*	*0.5*	*350.6*	*0.4*	*336.6*	*0.4*	*313.9*	*0.4*	*214.0*	*0.2*
Total interest	1,916.4	2.5	2,035.6	2.5	2,213.1	2.6	2,439.7	2.7	*2,551.6*	*3.2*
Subsidies	635.0	0.8	550.8	0.7	517.6	0.6	613.7	0.7	695.3	0.9
of which: CDEEE	*451.1*	*0.6*	*369.9*	*0.5*	*344.5*	*0.4*	*422.7*	*0.5*	*483.6*	*0.6*
Grants	2,300.8	3.0	2,158.4	2.7	2,264.6	2.7	2,416.5	2.7	2,656.5	3.4
of which: to other general government units	*2,290.5*	*3.0*	*2,148.6*	*2.7*	*2,250.4*	*2.6*	*2,402.6*	*2.7*	*2,636.8*	*3.3*
Social benefits	941.8	1.2	1,022.2	1.3	1,060.8	1.2	1,119.9	1.3	3,306.6	4.1
Other expenses	1,393.0	1.8	1,730.2	2.2	1,501.2	1.8	1,320.9	1.5	1,586.9	2.0
of which: Central Bank recapitalization	*131.8*	*0.2*	*182.2*	*0.2*	*209.9*	*0.3*	*275.0*	*0.3*	*0.0*	*0.0*
Infrastructure projects	*812.7*	*1.1*	*1,048.9*	*1.3*	*673.3*	*0.8*	*426.8*	*0.5*	*669.7*	*0.8*
Total expenses	**11,516.5**	**15.2**	**12,447.7**	**15.6**	**12,824.0**	**15.0**	**13,527.4**	**15.2**	**16,390.3**	***20.8***
Gross operating balance	**(1,021.3)**	**(1.3)**	**(1,274.4)**	**(1.6)**	**(691.2)**	**(0.8)**	**(734.2)**	**(0.8)**	**(5,217.5)**	**(6.6)**
Gross investment in nonfinancial assets	1,262.6	1.7	1,433.9	1.8	1,295.4	1.5	1,337.3	1.5	1,316.6	1.7
of which: Fixed assets	*1,221.2*	*1.6*	*1,367.2*	*1.7*	*1,253.8*	*1.5*	*1,296.7*	*1.5*	*1,279.9*	*1.6*
Expenditures	**12,779.1**	**16.9**	**13,881.6**	**17.3**	**14,119.4**	**16.5**	**14,864.7**	**16.7**	**17,707.0**	**22.5**
Capital expenditures	2,290.4	3.0	2,723.1	3.4	2,269.5	2.7	2,069.3	2.3	2,319.5	2.9
Primary expenditures	10,862.7	14.3	11,846.0	14.7	11,906.3	13.9	12,425.0	14.0	15,155.3	19.2
Total expenditures	**12,779.1**	**16.9**	**13,881.6**	**17.3**	**14,119.4**	**16.5**	**14,864.7**	**16.7**	**17,707.0**	**22.5**
Primary balance [3]	(431.6)	(0.6)	(432.6)	(0.5)	366.1	0.4	489.0	0.6	(3,674.1)	(4.6)
Net acquisition of financial assets	221.6	0.3	230.7	0.3	723.1	0.9	1,456.9	1.6	2,528.1	3.2
Net borrowing [3]	**(2,3478.0)**	**(3.1)**	**(2,468.3)**	**(3.1)**	**(1,847.0)**	**(2.2)**	**(1,950.8)**	**(2.2)**	**(6,225.7)**	**(7.9)**
Net incurrence of liabilities	2,569.5	3.4	2,698.9	3.4	2,570.2	3.0	3,407.7	3.8	8,753.8	11.1
Statistical discrepancy[4]	(64.0)	(0.1)	240.0	0.3	139.6	0.2	120.6	0.1	308.4	0.4
Net borrowing rest of NFPS [5]	318.7	0.4	243.3	0.3	(99.7)	(0.1)	(110.8)	(0.1)	250.3	0.3
Net borrowing NFPS	(2,029.2)	(2.7)	(2,224.9)	(2.7)	(1,946.8)	(2.3)	(2,061.6)	(2.3)	(5,975.4)	(7.5)
Quasi-fiscal balance of Central Bank	(953.4)	(1.3)	(933.3)	(1.2)	(946.6)	(1.1)	(884.9)	(1.0)	(1,074.2)	(1.3)
of which: Non-interest[6]	*395.7*	*0.5*	*524.1*	*0.7*	*503.0*	*0.6*	*(548.9)*	*0.6*	*305.7*	*0.3*
Consolidated public sector balance:										
Primary balance	(35.8)	0.0	91.5	0.1	869.1	1.0	1,037.9	1.2	(3.368.4)	(4.3)
Interest	567.3	0.7	578.3	0.7	763.4	0.9	1,005.9	1.1	1,171.8	1.5
Consolidated public sector balance	**(3,077.8)**	**(4.1)**	**(3,270.2)**	**(4.1)**	**(2,985.6)**	**(3.5)**	**(2,929.2)**	**(3.3)**		
GDP [7]	**75,759.4**		**80,024.5**		**85,536.9**		**88,906.1**		**78,829.0**	

(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) Includes "Statistical Discrepancy."
(4) Difference between financing below the line and the overall fiscal balance registered above the line.
(5) Includes electricity sector (CDEEE, EGEHID, ETED, EdeNorte, EdeSur and EdeEste).
(6) Central Bank financial reports.
(7) 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 revenues for the periods indicated.

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

	As of December 31,				
	2016	2017	2018	2019(1)	2020(1)
Taxes	92.96	93.17	91.63	92.32	89.25
Taxes on income, profits, and capital gains	27.87	28.90	28.07	29.24	30.32
Taxes on property	1.20	1.27	1.28	1.34	1.28
Taxes on goods and services	56.97	56.35	55.73	55.63	52.35
VAT	*32.99*	*32.04*	*32.45*	*32.68*	*31.51*
Taxes on financial and capital transactions	*2.76*	*2.65*	*2.62*	*2.69*	*2.54*
Excises	*15.85*	*16.45*	*15.62*	*15.10*	*13.67*
Taxes on international trade and transactions	6.90	6.63	6.54	6.10	5.29
Other taxes	0.01	0.01	0.01	0.01	0.01
Other revenues(2)	7.04	6.83	8.37	7.68	10.75

(1) Preliminary data.
(2) Includes social security contributions.
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 the 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). In addition, 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 on small retailers when their sales exceed DOP50,000 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, in 2012, 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 Budgetary Government, as per the Internal Revenue Agency's General Standard No. 01-12, No. 01-13 and No. 03-14;
- established Internal Revenue Agency's General Standard No. 02-12, which ascertains the requirements and procedures that Trusts and involved parties must meet before the Internal Revenue Agency;
- approved Internal Revenue Agency's 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 conditions. 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 following tax regime:

- *Royalties:* 3.2% applied on gross income;
- *Income tax:* 25% applied on net income;
- *Net profits tax (NPI):* 25% applied on net free cash flow; and
- *Annual minimum tax (IMA):* equivalent to 90% of the sum of the income tax and the projected NPI.

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;
- implementation of Article 19 of the 2012 Tax Reform with the enactment of Decree No. 275-16, which allowed for the establishment of the "Excise Tax Reimbursement Mechanism" on fuel and petroleum products used by electricity generation companies and isolated systems;
- 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.

Additionally, as Article 15 of the 2012 Tax Reform was not implemented, which required a change in the tax for vehicle circulation from a specific tax to an ad-valorem tax, the Internal Revenue Agency adjusted for inflation the values of the specific tax, which had not been updated since its establishment in 2007, so the tax increased by DOP300 to DOP1,520 for vehicles with more than five years of fabrication, and by DOP800 to DOP3,000 for vehicles with five years or less of fabrication.

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 the Excise Tax Reimbursement Mechanism and many other measures introduced in the last quarter of 2016.

In addition, on July 24, 2017, Congress enacted Law No. 184-17, which set forth the rates that the providers of telecommunications services licensed in the Dominican Republic have to pay to the Dominican Institute of Telecommunications (INDOTEL) to promote the development and sustainability of the system.

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 that the payment of the tourist card tax that the Republic charges its visitors shall be charged with the purchase of airplane tickets;

- 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.

In addition, the 2018 Budget Law also included several measures to increase revenue collection and reduce tax evasion and avoidance by:

- reestablishing the temporary collection by the Customs Agency of 50.0% of VAT on imports by companies under the Proindustria regime, extending it to include companies under Laws No. 56-07 for the promotion of the textile sector, and No. 28-01 for border development;
- suspending the inflation adjustment provided for in Article 296 Paragraph I of the Republic's Tax Code, relating to individuals' income tax brackets;
- allowing for the collection of the DOP2.0 per gallon tax on the consumption of gasoline and diesel, premium and regular when imported, prior to customs clearance;
- temporarily interrupting the tax exemptions established in Article 2 of Law No. 96-88, on the imports of slot machines, parts and pieces, as well as any other electronic device used for gambling and in casinos; and
- modifying Article 20, Paragraph I of the 2012 Tax Reform and Resolution No. 365 BIS whereby the benefit to the investment in liquefied petroleum gas import terminals is replaced by a contribution to the Special Solidarity Fund for Prevention and Reconstruction in the provinces impacted by the effects of climate change.

In 2019, the Government continued implementing policies to increase tax collection via administrative improvements and continuity of programs and measures that have been enforced since the end of 2016. During 2019, the Internal Revenue Agency initiated its multi-year plan to implement the "Electronic Invoicing System," beginning with a pilot program with the participation of 11 companies representing various sectors of the economy. The Customs Agency also modified certain measures that had been implemented by administrative resolutions and, among these, it increased tariffs on cellphones from 3% to 8%, and suspended the VAT exemption on certain nutritional supplements like proteins. In addition, certain laws and regulations were approved that impacted the tax system, including, among others:

- Law No. 17-19 for the eradication of illegal trade, smuggling and counterfeiting of regulated products, with administrative and technological changes and inter-institutional initiatives to combat tax non-compliance and smuggling of products such as alcohol, cigarettes and fuels.
- Decree No. 265-19, which establishes a Simplified Tax Regime (*Régimen Simplificado de Tributación* or "STR"), replacing the Simplified Tax Procedure (*Procedimiento Simplificado de Tributación*) implemented in 2008, as further described below.
- Internal Revenue Agency's General Standard No. 05-19, which regulates the use of special fiscal invoices, as per Article 5 of Decree No. 254-06, and creates new fiscal invoices including those relating to payments abroad, exports and electronic invoices.
- Internal Revenue Agency's General Standard No. 07-19, which establishes new withholding agents for the tax on interest applicable to both individuals and companies.

The 2019 Budget Law reinstated the temporary measures included in the 2018 Budget Law and removed the prohibition of the installation of new lottery banks provided for in Article 8 of Law No. 139-11 (2011 Tax Reform).

In 2020, the COVID-19 pandemic forced the Government to implement a different fiscal policy than the one envisioned in the 2020 Budget Law. Since mid-March 2020, the Internal Revenue Agency (*Dirección General de Impuestos Internos)* and the Customs Agency *(Dirección General de Aduanas*) implemented certain temporary measures to support the economy. See "The Economy—Measures to Mitigate the Impact of the COVID-19 Outbreak on the Economy—Tax Measures."

Moreover, on February 10, 2020, Congress enacted Law No. 46-20 on Transparency and Equity Revaluation ("Law No. 46-20"), establishing a temporary tax regime to promote the voluntary declaration to the Internal Revenue Agency of undisclosed assets or the reevaluation of previously-disclosed assets at market prices, with a reduced tax rate applicable to the value of the undeclared goods. Law No. 46-20 was amended in September 2020 to enhance the attractiveness of the amnesty process provided therein. For more information, see "—Tax Amnesty".

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 and updates on its international tax collection efforts.

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 DOP416,220.01
624,329.01– 867,123.00	DOP 31,216.00 plus 20.0% of the amount in excess of DOP624,329.01
> 867,123.01	DOP 79,776.00 plus 25.0% of the amount in excess of DOP867,123.01

(1) 2020-2021 values, effective as of January 1, 2020, according to the 2020 Budget Law.
Sources: Law No. 172-07 and the 2020 Budget Law.

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 2015, revenue from taxes on income, profits, and capital gains amounted to US$2.6 billion, representing a decrease of 7.5% 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 taxes on income, profits, and capital gains amounted to US$2.9 billion, representing an increase of 11.0% 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 taxes on income, profits, and capital gains amounted to US$3.2 billion, representing an increase of 10.2% 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, revenue from taxes on income, profits, and capital gains reached US$3.4 billion, representing a 5.7% increase compared to 2017. This increase was mainly due to capital gains revenue collected from the sale of shares of Ambev, S.A., a local beer company, which generated US$240.9 million (0.3% of GDP) in extraordinary revenue and an increase in audits of large and medium sized taxpayers, which led to payable amounts of US$379.4 million (0.4% of GDP). Additional revenue was derived from the suspension of the inflation adjustments of the personal income tax brackets as per the 2018 Budget Law.

In 2019, revenue from taxes on income, profits, and capital gains reached US$3.7 billion, representing a 9.8% increase compared to 2018. Similarly to revenue behavior in 2018, this increase was primarily due to capital gains revenue collected from the sale of a financial institution, which amounted to US$113.1 million (0.1% of GDP), an increase in audits, and the suspension of inflation adjustments to personal income tax brackets.

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) 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.

In 2020, revenue from taxes on income, profits, and capital gains reached US$3.3 billion, a 11.5% decrease when compared to 2019, as the Internal Revenue Agency implemented a series of tax exemptions to alleviate the tax burden at a time when many taxpayers were not operating due to the pandemic. These exemptions were mainly on advanced income tax and asset tax and focused on physical persons, businesses with one single owner, large taxpayers with an impediment to operate, taxpayers from the tourism sector, and micro- and small- enterprises. Additionally, the Internal Revenue Agency implemented a temporary suspension in the application of the Advanced Price Agreements (APA) with the tourism sector, which are used to determine income tax; and facilities were set in place to allow taxpayers to request the total or partial exemption of the advanced income tax. In 2020, extraordinary revenue relating to capitals gains tax and dividends tax amounted to US$78.3 million (0.1% of GDP).

Value-Added Tax

The Government imposes 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, a prerequisite set forth in the 2012 Tax Reform. 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 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 a 7.6% increase in taxable sales declared by the Internal Revenue Agency, the rise 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 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$111.8 million when compared to 2016. This increase was in part due to an 8.0% increase in 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 have been required to make advanced payments 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, 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 13.4% increase in taxable sales declared by the Internal Revenue Agency and the Customs Agency's efforts to combat illicit activity. In addition, the Government 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.

In 2019, VAT receipts amounted to US$4.2 billion, representing an increase of US$244.5 million compared to 2018. This increase was mainly due to the continued efforts of the Internal Revenue Agency and the Customs Agency and the implementation of the Internal Revenue Agency's General Standards Nos. 06-18, 07-18 and 05-19, which help regulate the use of tax receipts and properly determine payable VAT amounts on the importation or acquisition of taxed goods or services used in operations. Additionally, there was a 9.3% increase in taxable sales, compared to 2018, declared by the Internal Revenue Agency.

In 2020, VAT receipts amounted to US$3.4 billion, a US$739.3 million decrease compared to 2019, mainly due to a 16.1% decrease in taxable sales, driven by the international and local effect of the pandemic on economic activity.

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 on cigarettes and alcoholic beverages for the fiscal years 2015 to 2019.

	For the fiscal year ended December 31, (1)				
	2016	**2017(2)**	**2018**	**2019**	**2020**
Product					
Whiskey(3)	546.8	606.8	616.7	626.0	633.9
Rum(3)	546.8	606.8	616.7	626.0	633.9
Wine(3)	567.0	606.8	616.7	626.0	633.9
Beer(3)	567.0	606.8	616.7	626.0	633.9
Cigarettes (in DOP per 10 unit box)	25.1	25.7	26.1	26.5	26.8
Cigarettes (in DOP per 20 unit box)	50.2	51.3	52.2	53.0	53.6

(1) Values adjusted for inflation recorded during the previous year.
(2) Beginning in 2017, excise tax on alcohol is adjusted quarterly by inflation. Data from 2017-2020 corresponds to the last quarter of each 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 accordance with the 2012 Tax Reform, taxes applied on cigarettes increased to an effective tax rate of 70.0%, and the *ad valorem* excise tax on alcoholic beverages increased from 7.5% to 10.0%. Furthermore, an excise tax of 10.0% was applied on cable television services since December 2012.

In 2020, excise tax revenues amounted to US$1.5 billion, a 22.8% decrease when compared to 2019, with revenue from fuel tax and alcohol and tobacco representing 56.7% and 38.9%, respectively, of total excise tax revenues. In particular, revenues from alcohol and tobacco amounted to US$580.4 million, a 13.7% decrease when compared to 2018, driven by a reduction in declared amounts of tobacco and alcoholic beverages with the Customs Agency.

The fuel tax is the most important excise tax imposed by the Dominican Republic in terms of contribution to revenues and is mostly collected 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.

	Average for the month of December[(1)]				
	2016	2017	2018	2019	2020
	(in DOP per gallon, average)				
Product					
Premium gasoline	84.6	87.0	86.0	88.2	85.7
Regular gasoline	75.9	78.7	77.7	79.7	77.5
Optimum diesel	47.9	50.3	51.0	52.1	49.2
Regular diesel	40.4	42.9	43.8	44.8	42.1

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

Gasoline prices are adjusted by the Ministry of Industry, Commerce and SMEs 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 contemplated 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 consumed. The reduction of the tax on jet fuel since December 2012 meant revenue losses of US$3.0 million for 2012.

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, pursuant to Article 19 of the 2012 Tax Reform, by means of Decree No. 275-16, the Government established the Excise Tax Reimbursement Mechanism on fuel and petroleum products used by electricity generation companies and isolated systems. Under this mechanism, generating companies must pay the fuel tax upfront, or sign a promissory note, and are reimbursed as the fuel is consumed and the proper fiscal controls are met. Additionally, on October 13, 2016, the Ministry of Industry, Commerce and SMEs enacted Resolution No. 233-2016 eliminating the transport subsidy that had been granted since 2011 under Decree No. 183-11, when oil prices were extremely high. These measures not only led to the reduction in tax expenditures to the sector, but also allowed for the detection and control of the misuse of the benefits that were granted to generating companies, thus leading to higher revenues in subsequent years. Regarding the DOP2.0 per gallon tax on the consumption of gasoline and diesel, the Internal Revenue Agency collected US$27.7 million, a US$1.4 million increase when compared to 2015.

In 2017, fuel tax revenue amounted to US$1,115.8 million, 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). Regarding the DOP2.0 per gallon tax on the consumption of gasoline and diesel, the Internal Revenue Agency collected US$30.8 million, a US$3.1 million increase when compared to 2016.

In 2018, fuel tax revenues amounted to US$1,151.5 million, reflecting an increase of US$35.8 million compared to 2017. This slight increase was due to the implementation of the Excise Tax Reimbursement Mechanism, an increase of 2.7% in fuel consumption, and the establishment of a contribution in lieu of the company's benefit to investment in liquefied petroleum gas import terminals as per Article 19 of the 2018 Budget Law. This contribution generated additional revenue of US$162.7 million. The 2018 Budget Law also established that the Customs Agency collect the DOP2.0 per gallon tax on the consumption of gasoline and diesel on importation and prior to customs clearance. During the year collection of this tax reached US$30.6 million, reflecting no significant variation when compared to 2017.

In 2019, fuel tax revenues amounted to US$1,184.9 million, reflecting an increase of US$33.3 million compared to 2018, mainly due to a 10.9% increase in fuel consumption and the continued implementation of the measures being enforced since 2016. Liquefied petroleum gas contributions amounted to US$178.9 million, for an additional US$16.2 million compared to 2018; while the DOP2.0 per gallon tax reached US$33.6 million, an increase of US$3.0 million when compared to 2018.

In 2020, fuel tax revenues amounted to US$845.6 million, a US$339.2 million decrease compared to 2019, mainly due to the impact of the pandemic on the global and local economy. Globally, the oversupply of crude oil and low demand led to a decrease in international oil prices, affecting both the specific tax on fuels and the value of the ad-valorem tax. Domestically, the social distancing measures and decrease in commercial activity reduced fuel consumption by 16.4% compared to 2019, leading to a decrease in fuel tax collection. Liquefied petroleum gas contributions decreased US$22.8 million when compared to 2019, reaching US$156.1 million; while the DOP2.0 per gallon tax amounted to US$26.7 million, a US$7.0 million decrease when compared to 2019.

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 applied 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.

In February 2020, Congress enacted Law No. 46-20 on Transparency and Equity Revaluation ("Law No. 46-20"), establishing a temporary tax regime to promote the voluntary declaration of undisclosed assets or the reevaluation of previously-disclosed assets at market prices, with a reduced tax rate applicable to the value of the undeclared assets. The assets subject to declaration and revaluation include financial instruments, real estate properties and national or foreign currency, excluding those located in countries identified as high risk or non-cooperative by the Financial Action Task Force (FATF). Furthermore, Law No. 46-20 granted taxpayers with facilities to settle tax debt by paying the amount of the tax and up to one year of interest, as well as giving them 180 days to settle any taxes arising from undeclared assets. Taxpayers had the ability to access this benefit regardless of the type of tax or process that gave rise to the debt, with the only consideration being that taxpayers requesting this benefit have not used fiscal invoices in a fraudulent manner, or do not have any pending criminal judicial proceedings with tax authorities.

Law No. 46-20 was amended by in September 2020 by Law No. 222-20, which included the following measures:

- Taxpayers can choose to pay off any debt relating to income tax and VAT from fiscal periods 2017, 2018 or 2019, by paying a rate of 3.5% on the average amount of the net income declared in the periods, in addition to the 2.0% rate established in Law No. 46-20, if applicable.

- Tax debts that have been appealed either in administrative or contentious courts are reduced to a single payment of 70.0% of the originally determined amounts, eliminating surcharges and interest.

- The elimination of all surcharges for debts derived from ordinary declarations, self-assessments and/or voluntary rectifications. If payment is made in one installment, the taxpayer will be required to pay an amount equal to the total tax amount due and up to 12-months of interest. If payment is made in more than one installment, the amount due will equal all the taxes owed plus the applicable interest and the taxpayer will have to make such payment within a year of entering into the payment agreement.

These facilities are only available to taxpayers who have no pending criminal judicial processes with the Tax Administration.

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 monthly 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.
- With regard 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 "*Formalízate*" ("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

Anti-Money Laundering and GAFILAT Evaluation

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. Law No. 155-17 established that 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. 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.

On December 12, 2017, 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. Furthermore, Law No. 249-17 introduced changes to compliance for international taxation purposes, allowing the Internal Revenue Agency and the Customs Agency to request directly from financial institutions the financial information necessary for an investigation, or for the fulfillment of obligations arising from international agreements.

In January 2018, GAFILAT concluded an on-site visit to the Republic, with the goal of assessing the country's level of preparedness and commitment to combating money laundering, the financing of terrorism and the proliferation of weapons of mass destruction. The Mutual Evaluation Report was later presented to the country's representatives 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, as well as the country's level of compliance with the GAFILAT recommendations. 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 to strengthen its system. Based on these recommendations, the Government intends to prepare and present periodic progress reports.

As a result of the positive feedback from GAFILAT, the Republic was readmitted to the Egmont Group, which will benefit the country with permanent exchange of secure information with all the Financial Analysis Units in the world.

In August 2019, the Republic's First Enhanced Follow-up Report was issued, through which the classification of the country's internal controls improved from "Partially Compliant" to "Largely Compliant."

On September 2020, the Republic became Chair of The Inter-American Committee against Terrorism for the 2020-2021 period, a regional entity with the purpose of preventing and combating terrorism in the Americas.

Inclusive Framework on BEPS

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 project aims to combat tax avoidance practices used by multinational corporations that transfer their benefits to countries with little or no taxation. As a result of this accession, the Republic is being evaluated to ensure it complies with the minimum standard, in relation to its system of preferential tax regimes, its network of international treaties, implementation and documentation in transfer pricing matters, and its dispute resolution mechanisms.

By joining the BEPS project, the Republic committed to implementing a package of measures aimed at fighting tax avoidance, improving the consistency of international tax rules and ensuring a transparent tax environment. As of the date of this offering memorandum, the Republic has taken actions to comply with the minimum standards as established by the Inclusive Framework. In particular, the Government enacted Decree No. 256-21, amending the current transfer pricing regulations to include the obligation to present the country by country report, which in turn would allow the Internal Revenue Agency to exchange tax related information with other members.

Multilateral Convention on Mutual Administrative Assistance in Tax Matters

On June 28, 2016, the Republic signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (*Convención sobre Asistencia Administrativa Mutua en Materia Fiscal* or "MAC"), 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. On February 20, 2019, the convention entered into force in the Republic and information exchanges began in 2021.

FATCA

On September 16, 2016, the Republic signed the "Agreement between the Government of the Dominican Republic and the Government of the United States of America, to improve international tax compliance and to implement FATCA," through which both countries agreed to automatically exchange information regarding citizens or residents of the United States of America, which must be reported to the United States' Internal Revenue Service (IRS). This Agreement was ratified by Congress and later enacted through Resolution No. 191-19 dated June 21, 2019, and came into effect on July 17, 2019.

Global Forum

In November 2013, the country joined the Global Forum on Transparency and Exchange of Information for Tax Purposes, a multilateral framework for transparency and information sharing within which over 160 jurisdictions participate on an equal footing. The Republic's Phase 1 review, which assesses the quality of the country's legal and regulatory framework for the exchange of information on request ("EOIR"), was published on August 3, 2015, demonstrating the Republic's high level of commitment to the international standard and that the necessary legal and regulatory framework for the availability of information was in place. However, among other things, the review highlighted the need to ensure that an appropriate mechanism be put in place to ensure the ownership information for bearer shares is available in all cases.

On November 4, 2016, the Republic's Phase 2 review was published, assessing the practical implementation of the exchange of information framework. The review rated the country as "Partially Compliant" with international standards as there were delays in accessing information, compliance with ownership obligations was not sufficiently monitored and there were insufficient mechanisms in place to ensure that ownership information would be available in respect of bearer shares.

As a result, in 2017, the Republic requested a Fast-Track review, as a means to quickly demonstrate the progress made in implementing suggestions from the Phase 2 review. After the review, on November 12, 2019, the Global Forum rated the Republic as "Largely Compliant" with the international standard of transparency that EOIR handled over the period from April 1, 2015 to March 31, 2018. This rating is the result of efforts made by the Ministry of Finance and the Internal Revenue Agency in addressing the deficiencies identified in the 2016 report, mainly phasing out bearer shares, putting in place an effective oversight system for entities that failed to register with the Internal Revenue Agency, ensuring a new procedure to timely access banking information and strengthening the Republic's Anti-Money Laundering legal framework in order to ensure that beneficial ownership information is available, in line with the standard.

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 Budgetary 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 Dominican 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 Budgetary Government, local governments and 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,				
	2016	**2017**	**2018**	**2019**	**2020**
Local currency...............	30.7	32.2	28.8	32.8	28.2
Foreign currency	69.3	67.8	71.2	67.2	71.8

Source: 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, 2020, the Republic's public sector external debt totaled approximately US$31.0 billion, compared to US$23.7 billion as of December 31, 2019. This increase in public sector external debt was mainly the result of disbursements under financing arrangements obtained by the Government in 2020, as contemplated in the 2020 Budget, to implement sanitary and economic measures to mitigate the negative effects of COVID-19 on vulnerable populations and to continue with the orderly execution of the 2020 Budget. These disbursements include:

- US$250.0 million by the World Bank from a contingent line of credit for disasters and health-related events and budgetary support loan;
- SDR$477.4 million by the IMF for emergency financial assistance under a rapid financing instrument;
- US$500.0 million by the IDB for budgetary support; and
- US$3.8 billion in bond issuances in the international capital markets made during the second half of 2020.

As of December 31, 2020, 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$8.8 billion (as compared to US$7.2 billion as of December 31, 2019), which represented 28.5% of the Republic's total public external debt at that date;
- outstanding bonds in an aggregate principal amount of approximately US$22.2 billion, which represented 71.5% of the Republic's total public external debt at that date; and
- debt to other private creditors in an aggregate principal amount of US$9.6 million, which represented less than 0.1% of the Republic's total public external debt at that date.

As of December 31, 2020, approximately 89.3% 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,									
	2016		2017		2018		2019		2020	
	US$	%	US$	%	US$	%	US$	%	US$	%
Official creditors:										
Multilateral debt:										
IDB	2,984.0	17.0	2,970.2	15.5	3,175.3	14.5	3,496.2	14.8	4,104.4	14.9
World Bank	929.6	5.3	920.0	4.8	920.8	4.2	937.9	4.0	1,182.0	3.8
IMF	280.7	1.5	297.4	1.6	290.4	1.3	288.8	1.2	988.4	3.2
CAF	169.7	1.0	202.3	1.1	180.4	0.8	154.4	0.7	128.5	0.4
Other	348.8	1.9	359.0	1.9	424.6	1.9	454.9	1.9	484.5	1.6
Total multilateral debt	4,718.3	26.0	4,748.9	24.8	4,991.5	22.8	5,332.2	22.5	6,887.7	22.2
Bilateral debt:										
Brazil	575.4	3.2	489.6	2.6	385.0	1.8	279.9	1.2	203.0	0.7
United States	36.6	0.2	18.3	0.1	14.6	0.1	11.0	—	7.3	—
Spain	385.7	2.1	435.2	2.3	404.1	1.8	344.3	1.5	305.7	1.0
France	568.4	3.1	590.3	3.1	554.4	2.5	524.4	2.2	818.2	2.6
Japan	31.2	0.2	24.6	0.1	21.2	0.1	17.6	0.1	14.4	—
Venezuela	244.2	1.3	239.4	1.3	216.4	1.0	214.3	0.9	214.3	0.7
of which:										
PetroCaribe[(3)]	79.9	0.5	79.5	0.4	56.4	0.3	54.3	0.2	54.3	0.2
Other countries	652.2	3.7	620.5	3.3	498.6	2.3	427.3	1.8	382.6	1.2
Total bilateral debt	2,493.7	13.8	2,417.9	12.7	2,094.3	9.6	1,818.8	7.7	1,945.7	6.3
Total official debt	7,212.0	39.8	7,166.8	37.5	7,085.8	32.4	7,151.0	30.2	8,833.4	28.5
Private creditors:										
Banks	631.6	3.5	387.5	2.0	171.8	0.8	8.8	—	3.6	—
Bonds[(4)]	10,320.1	56.8	11,564.1	60.5	14,596.8	66.8	16,511.1	69.7	22,164.9	71.5
Suppliers	6.0	–	6.0	–	6.0	—	6.0	—	6.0	
Total private sector external debt	**10,957.7**	**60.3**	**11,957.5**	**62.5**	**14,774.6**	**67.6**	**16,525.9**	**69.8**	**22,174.5**	**71.5**
Total public sector external debt	**18,169.6**	**100.0**	**19,124.4**	**100.0**	**21,860.4**	**100.0**	**23,676.9**	**100.0**	**31,007.9**	**100.0**
Total public sector external debt as a percentage of:										
GDP[(5)]		24.0		23.9		25.6		26.6		39.3
Total exports		100.1		100.7		108.3		115.1		214.7

(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$7.4 million as of December 31, 2019).
(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, 2020	
Medium- and long-term	US$	30,406.4
Short-term[(1)]	US$	601.4
Short-term debt (as a % of total public sector external debt)		2.0%

(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, 2020[(1)]	%
U.S. dollar	27,678.9	89.3
Peso	1,858.8	6.0
Special drawing rights (SDRs)[(2)]	1,011.2	3.3
Euro	407.2	1.3
Korean won	36.8	0.1
Japanese yen	14.4	–
Canadian dollar	0.5	–
Swiss franc	–	–
Total	**31,007.9**	**100.0**

(1) In currencies converted as of December 31, 2020.
(2) Unit of account used by the IMF. As of December 31, 2020, each SDR was equal to US$1.440270.
Sources: Ministry of Finance and Central Bank.

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

	As of December 31,				
	2016	2017	2018	2019[(1)]	2020
Public sector external debt	18,169.6	19,124.4	21,860.4	23,676.9	31,007.9
Gross international reserves of the Central Bank	(6,047.4)	(6,780.8)	(7,627.6)	(8,781.8)	(10,751.7)
Public sector external debt, net of reserves	12,122.2	12,343.6	14,232.8	14,895.1	20,256.2

(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 2016 through 2020, 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 46.0%, from US$4.7 billion in 2016 to US$6.9 billion in 2020, representing 22.2% 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 2020, the Republic made payments to multilateral lenders (including the IMF, the IDB, the World Bank and other institutions) in an aggregate amount of US$420.4 million (including payments of principal, interest and commissions).

IDB

The IDB is the Republic's single largest multilateral creditor. As of December 31, 2020, the Republic had debt outstanding to the IDB in an aggregate principal amount of US$4.1 billion, representing 59.6% of the Republic's total multilateral debt and 13.2% 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 2020, net disbursements from the IDB (equal to disbursements minus principal amortizations) totaled US$608.3 million, while disbursements minus principal and interest amortizations resulted in net disbursements from the IDB of US$526.8 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, 2020, the Republic owed a total of US$1.2 billion to the World Bank, representing 17.2% of the Republic's total multilateral debt and 3.8% 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 2020, net disbursements from the World Bank (equal to disbursements minus principal amortizations) was equal to US$243.9 million. Taking into account interest payments, in 2020, the Republic made net payments to the World Bank totaling US$205.8 million.

IMF

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, 2020, total debt owed by the Republic to the IMF equaled US$988.4 million compared to US$288.8 million as of December 31, 2019. This increase was due to disbursements under a US$650.0 million rapid financing agreement entered into between the IMF and the Republic for emergency financial assistance given the COVID-19 pandemic. In 2020, net disbursements from the IMF (equal to disbursements minus principal amortizations) totaled US$647.9 million. Considering interest payments, in 2020, the Republic made net payments to the IMF totaling US$645.3 million. As of December 31, 200, total debt owed by the Republic to the IMF represented 14.3% of the Republic's total multilateral debt and 3.2% 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.

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.

Paris Club and Other Bilateral Lenders

As of December 31, 2020, the Republic owed a total of US$1.7 billion to members of the Paris Club and an additional US$216.5 million to other bilateral lenders. As of December 31, 2020, 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$150.00 per barrel or above. If the price of oil falls below US$40.00 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$40.00 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. Due to economic sanctions imposed by the United States on PDVSA, the servicing of the Petrocaribe Debt has been suspended.

Public External Bonds

As of December 31, 2020, the Republic's outstanding public external bonds totaled approximately US$22.2 billion, and were mainly comprised of:

- US$1,500.0 million outstanding principal amount 7.5% amortizing bonds due 2021, of which US$77.43 million principal amount remains outstanding (amortization payments for an aggregate principal amount of US$1,250.0 million were made in May 2019 and May 2020 and, pursuant to a liability management transaction conducted in 2020, the Republic repurchased US$172.6 million principal amount of these bonds);
- DOP40.0 billion (US$688.3 million) outstanding principal amount 8.9% amortizing bonds due 2023;

- US$1,000.0 million outstanding principal amount 5.875% amortizing bonds due 2024, of which US$611.5 million principal amount remains outstanding (pursuant to a liability management transaction conducted in 2020, the Republic repurchased US$388.5 million principal amount of these bonds);
- US$500.0 million outstanding principal amount 6.6% amortizing bonds due 2024, of which US$279.0 million principal amount remains outstanding (pursuant to a liability management transaction conducted in 2020, the Republic repurchased US$221.0 million principal amount of these bonds);
- US$1,500.0 million outstanding principal amount 5.5% amortizing bonds due 2025, of which US$1,272.2 million principal amount remains outstanding (pursuant to a liability management transaction conducted in 2020, the Republic repurchased US$227.8 million principal amount of these bonds);
- US$1,500.0 million outstanding principal amount 6.875% amortizing bonds due 2026;
- DOP68.0 billion (US$1,170.5 million) outstanding principal amount 9.75% 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$1,000.0 million outstanding principal amount 4.5% amortizing bonds due 2030;
- US$3,066.0 million outstanding principal amount 4.875% amortizing bonds due 2032;
- 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;
- US$1,000.0 million outstanding principal amount 6.5% amortizing bonds due 2048;
- US$1,500.0 million outstanding principal amount 6.4% amortizing bonds due 2049; and
- US$3,200.0 million outstanding principal amount 5.875% amortizing bonds due 2060.

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$3.6 million to commercial lenders and US$6.0 million to suppliers of goods and services as of December 31, 2020.

Public External Debt Service

Total public sector external debt increased from 4.2% of GDP in 2019 to 4.8% in 2020. Public sector external debt service measured as a percentage of total exports increased from 33.9% in 2019 to 36.5% in 2020.

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,				
	2016	**2017**	**2018**	**2019**	**2020[1]**
Interest payments	917.9	999.6	1,092.7	1,306.8	1,395.8
Amortizations	1,206.0	1,330.3	984.1	1,303.9	2,362.5
Total public sector external debt service[2]	**2,123.9**	**2,329.9**	**2,076.8**	**2,610.7**	**3,758.2**

(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,				
	2016	**2017**	**2018**	**2019**	**2020[2]**
As a percentage of total exports	39.6	40.6	35.6	33.9	36.5
As a percentage of GDP	5.1	5.2	4.4	4.2	4.8
As a percentage of total revenue	37.2	37.0	31.6	30.6	33.7
As a percentage of Central Bank's gross international reserves	64.2	60.7	49.7	43.2	34.9

(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 2025.

Estimated Public Sector Debt Service by Debtor[1]
2020-2024
(in millions of US$)

	2021			**2022**			**2023**			**2024**			**2025**		
	Principal	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
Central Bank:															
Reserve liabilities due to IMF	—	1.6	1.6	—	1.7	1.7	—	1.9	1.9	—	2.0	2.0	—	2.0	2.0
Non-reserve liabilities	0.1	—	0.1	—	—	—	—	—	—	—	—	—	—	—	—
Total Central Bank	**0.1**	**1.6**	**1.7**	—	**1.7**	**1.7**	—	**1.9**	**1.9**	—	**2.0**	**2.0**	—	**2.0**	**2.0**
Non-financial public sector:															
Budgetary Government	563.5	1,566.7	2,130.2	699.9	1,572.1	2,272.0	1,560.2	1,512.9	3,073.1	1,475.6	1,442.3	2,917.9	2,153.1	1,365.7	3,518.8
Privately publicly guaranteed	0.8	0.1	0.9	0.8	0.1	0.9	0.7	0.1	0.8	0.7	0.1	0.8	0.7	0.1	0.8
Total non-financial public sector	**564.3**	**1,566.8**	**2,131.1**	**700.7**	**1,572.2**	**2,272.9**	**1,560.9**	**1,513.0**	**3,073.9**	**1,476.3**	**1,442.4**	**2,918.7**	**2,153.8**	**1,365.8**	**3,519.6**
Total public sector debt[2]	**564.4**	**1,568.4**	**2,132.8**	**700.7**	**1,573.9**	**2,274.6**	**1,560.9**	**1,514.9**	**3,075.8**	**1,476.3**	**1,444.4**	**2,920.7**	**2,153.8**	**1,367.8**	**3,521.6**

1) Preliminary estimates based on disbursed debt as of December 31, 2020.
(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, 2020, the Republic's public sector domestic debt primarily consisted of:

- DOP480.5 billion (US$8.3 billion) outstanding principal amount of peso-denominated bonds and US$2.6 billion of U.S. dollar-denominated bonds issued by the Government in the local market;
- U.S. dollar-denominated loans totaling US$259.8 million from *Banco de Reservas and the Central Bank* to the Government;
- peso-denominated loans totaling DOP7.3 billion (US$124.8 million) and U.S. dollar-denominated loans totaling US$478.3 million from *Banco de Reservas* to other public sector institutions;
- peso-denominated certificates totaling DOP692.9 billion (US$11.9 billion) issued by the Central Bank; and
- peso-denominated bonds totaling DOP132.4 billion (US$2.3 billion) issued by the Budgetary Government for the Central Bank Recapitalization Plan.

As of December 31, 2020, approximately 86.4% 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,				
	2016	**2017**	**2018**	**2019**	**2020(2)**
BC Recap Bonds (Law 167-07)	2,839.7	2,746.7	2,636.6	2,502.0	2,277.7
Treasury Bonds issued the Ministry of Finance	5,078.6	6,543.8	6,544.5	8,164.6	10,352.1
Treasury Bonds (Law 175-12)	500.0	500.0	500.0	500.0	500.0
Central Bank Certificates	9,582.0	10,247.7	11,235.2	11,194.0	11,922.5
Budgetary Government other liabilities(3)	149.3	243.4	258.1	665.9	259.8
Other public sector institutions liabilities(3)	607.6	688.4	654.5	726.8	530.2
Other public sector liabilities(3)	—	—	—	—	—
Gross domestic debt total	18,772.7	20,970.0	21,828.9	23,753.3	25,842.3
Consolidated public sector domestic debt total(4)	15,933.0	18,090.5	19,115.2	21,251.3	23,461.4
Total public sector domestic debt as % of GDP(5)	**21.0%**	**22.6%**	**22.3%**	**23.9%**	**29.8%**

(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 Budgetary 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 Budgetary 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:

Year	Payments as a % of GDP
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 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.

In 2019, payments to the Central Bank of DOP30.2 billion were stipulated in the 2019 Budget, of which DOP16.1 billion were interest payments made to the Central Bank and DOP14.1 billion were current transfers from the Government.

In 2020, interest payments to the Central Bank totaled DOP12.1 billion and there were no current transfers form 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 Dominican 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 Budgetary 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 2016, the Budgetary 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 15-year bonds.

In 2017, the Budgetary 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.

In 2018, the Budgetary 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 2019, the Budgetary Government allocated a total of DOP87.4 billion through its public auction program of which DOP10.9 billion were in five-year bonds, DOP44.5 billion in ten-year bonds and DOP32.0 billion in 15-year bonds.

In 2020, the Budgetary Government allocated a total of DOP38.8 billion through its public auction program of which DOP30.0 billion were in ten-year bonds and DOP8.8 billion in 20-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 2020, the Government made payments of arrears in cash due to domestic suppliers of goods and services for an amount of DOP36.3 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, 2020, the outstanding debt owed by distribution companies and CDEEE to private generators was US$156.1 million, which was US$74.4 million less than the US$230.5 million due as of December 31, 2019.
- 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 66.4% in 2015 to 70.5% in 2019. 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

We will issue the 8.000% Bonos de Deuda Soberana due 2028 (the "2028 bonds") and 8.625% Bonos de Deuda Soberana due 2031 (the "2031 bonds" and, together with the 2028 bonds, the "bonds") pursuant to the Ley de Bonos No. 243-20, dated December 28, 2020 (the "Bond Law"), providing for the issuance and delivery of sovereign debt securities by the Republic, as published in the Gaceta Oficial on December 31, 2020 and pursuant to a Formulario de Solicitud de Inscripción *that the Republic delivered to the Dominican Securities Superintendency on or about June 10, 2021 (the "Formulario de Solicitud de Inscripción"). This section of this offering memorandum is intended to be an overview of the material provisions of the bonds. Because this section is only a summary, you should refer to the Bond Law and the Formulario de Solicitud de Inscripción for a complete description of the Republic's obligations and your rights as a holder of the bonds in making your investment decision.*

For the convenience of prospective investors, a copy in Spanish and an unofficial translation into English of the form of Formulario de Solicitud de Inscripción (Registration Application Form) *is set forth in "Annex A" to this offering memorandum. The Spanish version of the* Formulario de Solicitud de Inscripción *is the controlling document relating to the terms and conditions of the bonds. There will be no separate indenture or contract governing the bonds offered pursuant to this offering memorandum.*

General Terms of the Bonds

Terms of the 2028 bonds:

The 2028 bonds will:

- be initially issued in an aggregate principal amount of DOP35,314,500,000;
- be issued at 100.0000% plus accrued interest, if any, from June 11, 2021;
- have a final maturity date of June 11, 2028;
- pay principal on the final maturity date;
- pay all amounts due in respect of principal or interest under the bonds solely in Dominican pesos, with the Republic having no obligation to convert Dominican pesos into U.S. dollars or any other currency;
- be issued in dematerialized and uncertificated form, in minimum denominations of DOP1,000,000 and in integral multiples of DOP100,000 in excess thereof;
- credited to the accounts of investors through the book-entry system of CEVALDOM (see "Book-Entry Settlement and Clearance");
- not be subject to optional redemption prior to their scheduled maturity; and
- not have the benefit of any sinking fund.

Interest on the 2028 bonds will:

- accrue at the rate of 8.000% per annum;
- accrue from June 11, 2021 or the most recent interest payment date;
- be payable semi-annually in arrears on June 11 and December 11 of each year, commencing on December 11, 2021, to the holders of record at the close of business on the day prior to the relevant payment date; and
- be calculated on the basis of a 365- (or 366-) day year.

Terms of the 2031 bonds:

The 2031 bonds will:

- be initially issued in an aggregate principal amount of DOP81,441,800,000;
- be issued at 100.1694% plus accrued interest, if any, from June 11, 2021;

- have a final maturity date of June 11, 2031;
- pay principal on the final maturity date;
- pay all amounts due in respect of principal or interest under the bonds solely in Dominican pesos, with the Republic having no obligation to convert Dominican pesos into U.S. dollars or any other currency;
- be issued in dematerialized and uncertificated form, in minimum denominations of DOP1,000,000 and in integral multiples of DOP100,000 in excess thereof;
- credited to the accounts of investors through the book-entry system of CEVALDOM (see "Book-Entry Settlement and Clearance");
- not be subject to optional redemption prior to their scheduled maturity; and
- not have the benefit of any sinking fund.

Interest on the 2031 bonds will:

- accrue at the rate of 8.625% per annum;
- accrue from June 11, 2021 or the most recent interest payment date;
- be payable semi-annually in arrears on June 11 and December 11 of each year, commencing on December 11, 2021, to the holders of record at the close of business on the day prior to the relevant payment date; and
- be calculated on the basis of a 365- (or 366-) day year.

Payment of Principal and Interest

All amounts due in respect of principal or interest to holders of each series of bonds will be paid solely in Dominican pesos, with the Republic having no obligation to convert Dominican pesos into U.S. dollars or any other currency.

The Republic will arrange for payments to be made on the bonds by wire transfer to CEVALDOM for further credit to each CEVALDOM participant, which will receive the funds for distribution to the holders. Payments will be made to the persons in whose names the bonds are registered at the close of business on the day prior to the relevant payment date.

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. 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 Santo Domingo, Dominican Republic.

The laws and ancillary regulations applicable to CEVALDOM shall apply to all payments of interest and principal on the bonds.

Further Issues

The Republic may from time to time, without the consent of the holders of the bonds, create and issue additional debt securities of a series having substantially the same terms and conditions as the bonds of such series in all respects, except for the issue date, issue price and first payment of interest, which additional securities may be consolidated and form a single series with the bonds of such series being offered hereby; *provided, however*, that any such additional securities of a series subsequently issued that, for United States federal income tax purposes, are not issued pursuant to a "qualified reopening" of the bonds of such series, as part of the same "issue" as the bonds of such series, or with less than a *de minimis* amount of original issue discount, shall have a separate ISIN or other identifying number from the previously outstanding bonds of such series.

No Restrictive Covenants

The bonds are not subject to any additional covenants and will not restrict the ability of the Republic to incur additional debt or place liens on any of its assets. The Republic has no obligations under the bonds other than the payment of principal and interest and the other obligations described herein.

No Reporting Obligations

The Republic is not required to provide the holders of the bonds any financial, economic, accounting or other information and has no reporting obligations other than as may exist under Dominican law or in the United States as a result of its compliance with applicable U.S. securities laws.

Tender Offer

The Republic is issuing the bonds offered hereby contemporaneously with the Tender Offer to purchase a portion of its outstanding Existing Notes.

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 DOP116,641,941,129.

The Republic intends to use a portion of the net proceeds from the sale of the bonds to pay the consideration for the Existing Notes that are validly tendered and accepted in the Tender Offer, and the remainder for general purposes of the Government of the Republic, including the partial financing of the 2021 Budget.

Listing

The bonds will be listed upon their issuance on the Stock Exchange of the Dominican Republic (*Bolsa de Valores de la República Dominicana*).

Notices

All notices to holders of the bonds shall be effected by any means of communication that the Republic so determine, including the publication on the official website of the Ministry of Finance, currently at https://www.creditopublico.gob.do/emisiones/subastas?Length=9 (such website is not incorporated by reference into this offering memorandum).

No Agents or Trustee

All procedures relating to the issuance of the bonds will be undertaken by the Republic directly and no settlement agent, fiscal agent or indenture trustee will act on behalf of the Republic or any holder of the bonds at issuance or any time during which the bonds are outstanding.

Defeasance; Satisfaction and Discharge

The bonds are not subject to legal or covenant defeasance provisions, nor do the bonds provide for any mechanism for satisfaction and discharge.

Transfer Restrictions

See "*Transfer Restrictions*" for a description of the transfer restrictions applicable to secondary resales of the bonds by investors.

Governing Law and Jurisdiction

The bonds will be governed by, and construed in accordance with, the law of the Dominican Republic.

The Republic has not submitted to the jurisdiction of any U.S. or other courts outside of the Dominican Republic with respect to actions based upon the bonds. The Republic is a sovereign state. Consequently, it may be difficult for holders of the bonds to obtain or enforce judgments with respect to the bonds where the holder of the bonds is located or elsewhere. The Republic will not waive immunity from attachment prior to judgment and attachment in aid of execution under Dominican law with respect to its property, whether in the Republic or abroad. See "Enforceability of Civil Liabilities."

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 has not consented to service or waived sovereign immunity with respect to actions brought against it based on the bonds, 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. 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, as amended. See "Enforceability of Civil Liabilities."

Currency Indemnity

All payments of principal, interest and any other amounts on the bonds will be made in Dominican pesos. Individual investors in the bonds will be responsible for any arrangements required to effect the conversion of any such amounts from Dominican pesos into other currencies. The Republic has not provided, and the bonds are not subject to, any currency indemnity with respect to the payment obligations under the bonds or any currency conversions that any individual investor in the bonds may choose to effect in connection with such payments.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

General

The bonds will initially be issued through, and will clear and settle in the book-entry system maintained by CEVALDOM. Bonds will be credited to the respective book-entry accounts of CEVALDOM participants, through which investors or beneficial owners elect to make payments for the bonds.

Investors may hold book-entry interests in the bonds through any CEVALDOM participant, subject to complying with applicable tax reporting and other requirements imposed by the custodians. Owners of book-entry interests in the bonds, including owners of book-entry interests in the bonds held in CEVALDOM participant accounts, will receive payments relating to their bonds in pesos.

The bonds will not be eligible for clearance with DTC, and are not currently eligible for clearance with Euroclear or Clearstream.

CEVALDOM

CEVALDOM, Deposito Centralizado de Valores, S.A. is incorporated as a *sociedad anónima* under the laws of the Dominican Republic. CEVALDOM is a central securities depositary, duly authorized by the Dominican Securities Superintendency pursuant the *Ley del Mercado de Valores No. 249-17*.

CEVALDOM was created in 2003 to act as depositary of securities for its participants and to clear transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates, and any risk from lack of simultaneous transfers of securities and cash.

Distributions with respect to bonds held beneficially through CEVALDOM will be credited to the cash accounts of CEVALDOM participants in accordance with the standard procedures of CEVALDOM, to the extent received by CEVALDOM.

Clearance and Settlement Procedures

On or before the settlement date, the Republic will credit the bonds to a securities account of the Republic maintained at CEVALDOM. The distribution of the bonds will be carried out through CEVALDOM. Investors may hold book-entry interests in the bonds through organizations that participate, directly or indirectly, in CEVALDOM. Investors that are not CEVALDOM participants and do not have an account with a CEVALDOM participant will need to either become a CEVALDOM participant or create an account with a CEVALDOM participant prior to the settlement date.

Owners of book-entry interests in the bonds, including owners of book-entry interests in the bonds held in CEVALDOM participant accounts will receive payments in pesos by means of a credit in their CEVALDOM account. The Republic will have no obligation to convert pesos into U.S. dollars or any other currency.

CEVALDOM has established electronic securities transfer, processing, depositary and custodial links among CEVALDOM participants, either directly or through custodians and depositaries. These links allow securities to be issued, held and transferred among clearing system participants without the physical transfer of certificates.

Any investors outside of the Dominican Republic wishing to purchase the bonds in pesos and taking delivery of the bonds through CEVALDOM will do so according to customary local practices. Settlement practices through CEVALDOM require receipt of payments in pesos related to the bonds in order to deliver such bonds through the CEVALDOM system.

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the bonds held in CEVALDOM on business days in the Republic or in the jurisdiction where the relevant CEVALDOM participant is located. In addition, because of time zone differences, there may be impediments to completing transactions involving CEVALDOM participants on the same business day as in the Republic. Investors who wish to transfer their interests in the bonds, or to make or receive a payment or delivery of the bonds on a particular day, may find that the transactions will not be performed until the next business day in the Republic or in the jurisdiction where the relevant CEVALDOM participant is located.

Foreign Exchange and Regulation

Payment of interest and principal by the Republic will be made in pesos. The Republic has no obligation to convert pesos into U.S. dollars or any other currency.

Currently, the Central Bank does not impose any limit on the fluctuation of the free market exchange rate; however, the Republic cannot assure you that any exchange control regulations will not be instituted in the future.

Any restrictive exchange controls imposed in the future could impair the ability to exchange pesos for U.S. dollars or other foreign currency or the ability to transfer pesos or foreign currency outside the Republic as well as cause the value of the peso to depreciate against the U.S. dollar or other currencies.

If any such exchange controls become effective, holders of bonds may not be able to convert the peso proceeds of sales of bonds into foreign currencies for repatriation, which could have a material adverse effect on their investment and the value of the bonds, as well as in their use of peso distributions in respect of the bonds.

TRANSFER RESTRICTIONS

The bonds have not been registered and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction, may not be offered or sold within the United States except to QIBs in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A. Outside the United States, the bonds may be offered or sold in reliance on Regulation S.

Each purchaser of bonds will be deemed, by accepting delivery of the bonds, to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

- the offering and sale of the bonds have not been registered under the Securities Act and are intended to be exempt from registration under the Securities Act pursuant to Section 4 thereof;
- the purchaser is acquiring the bonds for its own account (or, if it is acquiring the bonds as a fiduciary or agent for one or more investor accounts, the purchaser has the full power and authority to make the representations, warranties and agreements herein on behalf of each such account);
- the purchaser is not acquiring the bonds with a view to any distribution of the bonds within the meaning of the Securities Act;
- the purchaser is (or, if it is acquiring the bonds as a fiduciary or agent for one or more investor accounts, each such account is) (i) a QIB, or (ii) is purchasing the bonds in an offshore transaction pursuant to Regulation S;
- the purchaser has sufficient knowledge and experience in financial and business matters so as to be capable of independently evaluating the merits and risks of an investment in the bonds, and the purchaser is able to bear the economic risk of the investment. The purchaser has made its own investment decision regarding the bonds based on its own knowledge;
- the purchaser understands and agrees that the bonds may not be re-offered, resold, pledged or otherwise transferred except (1) (A) in the United States to a person who it reasonably believes is a QIB in a transaction exempt from registration under U.S. securities laws or (B) outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S and, in either case, (2) in accordance with all applicable securities laws of the states of the United States;
- the purchaser has had the opportunity to ask questions of, and receive answers from, the Republic concerning the Republic, the Republic's business and financial condition and the bonds to be acquired by the purchaser and other related matters. The purchaser further represents and warrants that the Republic has made available to the purchaser or its agents all documents and information requested by the purchaser or on its behalf relating to an investment in the bonds, including this offering memorandum. In evaluating the suitability of an investment in the bonds, the purchaser has not relied and will not rely on any other representations or other information (whether oral or written) made by or on behalf of the Republic (or any of the Republic's agents, including, without limitation, the initial purchasers and the placement agents) other than as contemplated by the two preceding sentences;
- the purchaser acknowledges that the Republic, the initial purchasers and the placement agents and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements; and
  - the purchaser acknowledges that the foregoing restrictions apply to holders of beneficial interests in the bonds, as well as holders of the bonds

NOTWITHSTANDING THE FACT THAT THE BONDS MAY IN THE FUTURE BE TRANSFERABLE PURSUANT TO ANOTHER EXEMPTION FROM THE SECURITIES ACT, THESE TRANSFER RESTRICTIONS WILL CONTINUE TO APPLY TO THE RESALE OF BONDS IN THE UNITED STATES UNLESS AND UNTIL THE REPUBLIC PROVIDES NOTICE TO ALL HOLDERS OF BONDS THAT THE BONDS ARE FREELY TRANSFERRABLE IN THE UNITED STATES (A "FREE TRANSFERABILITY NOTICE"). ACCORDINGLY, UNLESS AND UNTIL A FREE TRANSFERABILITY NOTICE HAS BEEN ISSUED, BONDS ARE NOT TO BE RE-OFFERED, RESOLD, PLEDGED OR

OTHERWISE TRANSFERRED IN THE UNITED STATES EXCEPT TO A PERSON WHO THE PURCHASER REASONABLY BELIEVES IS A QIB IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER U.S. SECURITIES LAWS.

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. 243-20, dated December 28, 2020 ("Law No. 243-20"). 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 8 of Law No. 243-20, 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.

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 8 of Law No. 243-20.

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 (the "Code"), 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 or foreign tax laws, the Medicare tax on net investment income or under special timing rules prescribed under section 451(b) of the Code. In addition, this summary does not address any tax consequences to persons that tender Existing Notes pursuant to the Tender Offer. 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.

Payments of Interest and Sale, Exchange or other Disposition of the Bonds

If you are a United States person, the interest you receive on the 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 U.S. federal income tax purposes. Such income will generally constitute foreign source passive category income for purposes of the U.S. foreign tax credit rules. It is expected, and this discussion assumes, that the bonds will be issued without original issue discount for U.S. federal income tax purposes.

A United States person that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of interest will be required to include in ordinary income the U.S. dollar value of the Dominican peso ("foreign currency") interest payment determined on the date such payment is received, regardless of whether the payment is in fact converted to U.S. dollars. A United States person that uses the accrual method of accounting for U.S. federal income tax purposes will accrue interest income on a bond in foreign currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within such person's taxable year), or, at such person's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A United States person that makes such election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the U.S. Internal Revenue Service (the "IRS").

A United States person that uses the accrual method will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a bond (including, upon the sale, exchange or other disposition of a bond, the receipt of proceeds which include amounts attributable to accrued interest previously included in income) if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will generally be treated as U.S. source ordinary income or loss, and will not be treated as an adjustment to interest income received on the bond.

If you are a United States person that purchases a 2031 bond at a price greater than its stated principal amount, you will be considered to have purchased the 2031 bond at a premium equal to such excess, and may elect to amortize such premium as an offset to interest income, using a constant-yield method, over the remaining term of the 2031 bond. If you elect to amortize premium with respect to a 2031 bond, you must reduce your tax basis in the 2031 bond by the amount of the premium amortized during your holding period. Such election, once made, generally applies to all taxable debt instruments that you hold or subsequently acquire on or after the beginning of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS. A United States person should calculate the amortization of the premium with respect to a 2031 bond in pesos. Amortization deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the United States person for such interest payments. Exchange gain or loss will be realized with respect to amortized premium on a 2031 bond based on the difference between the exchange rate on the date or dates the premium is recovered through interest payments on the 2031 bond and the exchange rate on the date on which the United States person acquired the 2031 bond. This exchange gain or loss will generally be treated as U.S. source ordinary income or loss, and will not be treated as an adjustment to interest income received on the 2031 bond.

If you are a United States person, you generally will recognize gain or loss on the sale, exchange or other taxable disposition of the bonds in an amount 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 be the U.S. dollar value of the peso-denominated purchase price of that bond on the date of purchase, reduced by any amortized premium (with respect to a 2031 bond), as described above. If a United States person sells or otherwise disposes of a bond (including upon retirement) for pesos or any other non-U.S. currency, the amount realized will generally be the U.S. dollar value of the proceeds based on the spot rate of exchange on the date of the sale or other disposition. If, however, the bonds are traded on an established securities market for U.S. federal income tax purposes, a United States person that uses the cash method of accounting for tax purposes or, if it elects, an accrual basis United States person, will determine the U.S. dollar value of such proceeds based on the spot rate of exchange on the settlement date of the disposition. If an accrual basis United States person makes this settlement date election, such election must be applied consistently from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to foreign currency gain or loss, gain or loss realized by a United States person on a sale, exchange or other taxable disposition of the bonds generally will be U.S. source capital gain or loss, and generally will be long-term capital gain or loss if, at the time of the disposition, the bonds have been held for more than one year. The net amount of long-term capital gain realized by certain non-corporate United States persons (including individuals) may be subject to taxation at a preferential rate. The deduction of capital losses is subject to limitations.

Upon the sale, exchange or other taxable disposition of the bonds (including upon retirement), a United States person will recognize net foreign currency gain or loss, as the case may be, with respect to the principal amount of the bonds to the extent that the gain or loss is attributable to changes in currency exchange rates during the period in which the United States person held the bonds. Such foreign currency gain or loss generally will be treated as U.S. source ordinary income or loss, and will not be treated as an adjustment to interest income received on the bonds. The amount of foreign currency gain or loss recognized (with respect to both principal and accrued interest) will, however, be limited to the amount of overall gain or loss realized on the disposition.

Reportable Transactions

A United States person that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A United States person may be required to treat a foreign currency exchange loss relating to a bond as a reportable transaction if the loss exceeds US$50,000 in a single taxable year if the United States person is an individual or trust, or higher amounts for other United States persons. In the event the ownership or disposition of a bond constitutes participation in a "reportable transaction" for purposes of these rules, a United States person will be required to disclose its investment to the IRS, currently on Form 8886. Prospective purchasers should consult their tax advisors regarding the application of these rules.

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 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.

PLAN OF DISTRIBUTION

General

The Republic is offering DOP35,314,500,000 aggregate principal amount of the 2028 bonds in a global offering that consists of an offering in the Dominican Republic of DOP32,832,500,000 aggregate principal amount of the 2028 bonds and an offering of DOP2,482,000,000 aggregate principal amount of 2028 bonds to investors outside of the Dominican Republic. The Republic is offering DOP81,441,800,000 aggregate principal amount of the 2031 bonds in a global offering that consists of an offering in the Dominican Republic of DOP77,092,100,000 aggregate principal amount of the 2031 bonds and an offering of DOP4,349,700,000 aggregate principal amount of 2031 bonds to investors outside of the Dominican Republic. Citigroup Global Markets Inc. and J.P. Morgan Securities plc are acting as placement agents of the local offering and as initial purchasers of the international offering.

In the Dominican Republic, the bonds will be offered in accordance with Dominican law and practices. Certain of the bonds may be offered and sold outside of the Republic by the initial purchasers under Rule 144A and Regulation S.

Subject to the terms and conditions stated in the purchase and placement agency agreement dated June 8, 2021, each initial purchaser named below, directly or through its affiliates, has agreed to purchase, severally and not jointly, and the Republic has agreed to sell severally to such initial purchaser, the principal amount of the bonds in the international offering set forth below.

Initial Purchasers	Principal Amount of the 2028 Bonds	Principal Amount of the 2031 Bonds
Citigroup Global Markets Inc.	DOP1,241,000,000	DOP2,174,900,000
J.P. Morgan Securities plc	DOP1,241,000,000	DOP2,174,800,000
Total	**DOP2,482,000,000**	**DOP4,349,700,000**

In addition, the placement agents will receive a structuring and placement fee on the settlement date.

The purchase and placement agency 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 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 Section 4(a)(3) of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The bonds will constitute a new class of securities with no established trading market. 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 Republic and the placement agents 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.

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 June 11, 2021, which will be the third business day following the date of this offering memorandum (such settlement being referred to as "T+3"). Bonds will be delivered to the extent that payment therefor has been received at or prior to settlement of the bonds. The settlement of the bonds will be made in book-entry form through the facilities of CEVALDOM. See "Book-Entry Settlement and Clearance" for a description of CEVALDOM clearance and settlement process.

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 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.

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

Offers

The Republic has provided a notice to the Dominican public of its intention to carry out a public offering of the bonds in the Republic. Such notice has been published on the official website of the Ministry of Finance, currently at https://www.creditopublico.gob.do/emisiones/subastas?Length=9 (such website is not incorporated by reference into this offering memorandum) and may also be made available through other means previously authorized by the Republic. The notice contains specific details regarding the offering of the bonds, such as the date of the offering, the tenor of the bonds, the coupon of the bonds, the offering size and offering mechanics.

Prospective purchasers of bonds offered in the local offering will be required to submit orders in the Bloomberg auction system through which the Republic will receive indications of interest on the date the offering of the bonds is priced, specifying an amount (in Dominican pesos) of bonds proposed to be acquired. Prospective purchasers that have received a priority allocation code when tendering Existing Notes pursuant to the Tender Offer should include such priority allocation code when subscribing for the bonds in the Bloomberg auction system.

Prospective purchasers of bonds offered in the international offering will be required to submit orders to an initial purchaser on the date the offering of the bonds is priced, specifying an amount (in Dominican pesos) of bonds proposed to be acquired. Prospective purchasers that have received a priority allocation code when tendering Existing Notes pursuant to the Tender Offer should indicate such priority allocation code to the initial purchasers when submitting their orders. The initial purchasers will submit orders to the Republic on behalf of the prospective international purchasers. Immediately prior to the pricing of the bonds, the initial purchasers will notify the prospective purchasers of the amount of bonds that have been allocated to them, following which the bonds will be priced.

Prospective purchasers that are not CEVALDOM participants and do not have an account with a CEVALDOM participant will need to either become a CEVALDOM participant or create an account with a CEVALDOM participant prior to investing in the bonds. Any investors wishing to purchase the bonds in pesos and taking delivery of the bonds through CEVALDOM will do so according to customary local practices. Settlement practices through CEVALDOM require receipt of payments in pesos related to the bonds in order to deliver such bonds through the CEVALDOM system.

The Republic will determine the aggregate principal amount and pricing of the bonds in its sole discretion. If the total number of orders exceeds the total amount of bonds offered in the global offering, the allocated orders in the Republic and outside of the Republic will be subject to reduction, which reductions may not be implemented on a *pro rata* basis. Consequently, a prospective purchaser may receive only a portion of the amount of its order.

The offer and sale of the bonds by the Republic is subject to the Republic's right to reject any order in whole or in part.

All offers are made at face value, in pesos, and in in minimum denominations of DOP1,000,000 and in integral multiples of DOP100,000 in excess thereof. The Republic may declare an offer void if it does not comply with the rules set forth by it in the notice or if an offer is not legible or is amended or incomplete. Furthermore, the Republic may declare an offer void if it may result in adverse effects on the Republic's financing requirements, the ordinary course operations of the Republic's securities market, or the Republic's financial markets as a whole. Additionally, the Republic may declare the offering void at any time, in which case no offers will be considered for allocation.

Prohibition of Sales to European Economic Area Retail Investors

The bonds are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the EEA. 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 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 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.

Prohibition of Sales to United Kingdom Retail Investors

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 UK. For these purposes, a retail investor means any a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Other Matters

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.

Each of the placement agents and 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 "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 Republic; 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 June 8, 2021 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.

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 placement agents and the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding placement agents' 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 the *Consultor Jurídico del Poder Ejecutivo* (Legal Counsel to the Executive Branch) of the Republic and for the placement agents and initial purchasers by Pellerano Nadal, Dominican counsel to the placement agents. Certain legal matters governed U.S. law will be passed upon by Cleary Gottlieb Steen & Hamilton LLP, special New York counsel for the Republic, and by Simpson Thacher & Bartlett LLP, special New York counsel for the placement agents and initial purchasers.

GENERAL INFORMATION

Clearing

The bonds have been accepted into CEVALDOM's book-entry settlement system. The ISINs for the bonds are set forth below:

Bonds

	ISIN
2028 bonds	DO1005208728
2031 bonds	DO1005208629

Where You Can Find More Information

The Republic has provided a notice to the Dominican public of its intention to carry out a public offering of the bonds in the Republic. Such notice has been published on the official website of the Ministry of Finance, currently at https://www.creditopublico.gob.do/emisiones/subastas?Length=9 (such website is not incorporated by reference into this offering memorandum) and may also be made available through other means previously authorized by the Republic. The notice contains specific details regarding the offering of the bonds, such as the date of the offering, the tenor of the bonds, the coupon of the bonds, the offering size and offering mechanics.

The Republic

The creation and issuance of the bonds were authorized pursuant to Law No. 243-20, dated December 28, 2020.

Except as disclosed in this offering memorandum, since December 31, 2020, 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, 2020
(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, 2020
MULTILATERAL INSTITUTIONS INTERNATIONAL DEVELOPMENT ASSOCIATION					
International Development Association	Government	21-Apr-1973	0.75 as commission	15-Nov-2022	0.8
Total International Development Association					**0.8**
INTER-AMERICAN DEVELOPMENT BANK					
Inter-American Development Bank	Government	17-Jun-1972	0.00	6-Mar-2022	0.2
Inter-American Development Bank	Government	15-Jul-1978	0.00	18-Apr-2028	0.3
Inter-American Development Bank	Government	15-Sep-1981	2.00	16-Mar-2021	0.4
Inter-American Development Bank	Government	15-Jan-1982	2.00	24-Jan-2021	0.2
Inter-American Development Bank	Government	13-Jun-1982	2.00	13-May-2021	0.1
Inter-American Development Bank	Government	14-Jun-1982	2.00	24-Sep-2021	0.0
Inter-American Development Bank	Government	14-Jun-1982	2.00	24-Sep-2021	0.2
Inter-American Development Bank	Government	18-Jun-1982	2.00	6-Mar-2022	1.0
Inter-American Development Bank	Government	16-Nov-1982	2.00	23-Sep-2022	3.0
Inter-American Development Bank	Government	31-May-1984	2.00	14-Feb-2024	0.2
Inter-American Development Bank	Government	30-Apr-1990	2.00	13-Feb-2030	12.9
Inter-American Development Bank	Government	20-Feb-1992	2.00	12-Dec-2031	10.7
Inter-American Development Bank	Government	15-Jul-1993	2.00	8-Jan-2033	14.5
Inter-American Development Bank	Government	15-Nov-1994	2.00	1-Jun-2034	22.3
Inter-American Development Bank	Government	25-Jan-1995	2.00	20-Nov-2034	6.3
Inter-American Development Bank	Government	15-Jul-1997	Variable (IDB)	30-Sep-2021	3.1
Inter-American Development Bank	Government	25-Jul-1997	Variable (IDB)	13-Oct-2026	13.6
Inter-American Development Bank	Government	29-Aug-1998	Variable (IDB)	20-Feb-2023	8.5
Inter-American Development Bank	Government	31-Aug-1998	Variable (IDB)	20-Feb-2023	2.8
Inter-American Development Bank	Government	31-Aug-1998	Variable (IDB)	20-Feb-2023	1.6
Inter-American Development Bank	Government	22-May-1999	Variable (IDB)	3-Oct-2023	1.3
Inter-American Development Bank	Government	24-Jun-1999	Variable (IDB)	2-Dec-2023	11.9
Inter-American Development Bank	Government	24-Jun-1999	Variable (IDB)	2-Dec-2023	3.5
Inter-American Development Bank	Government	11-Aug-1999	5.29	3-Oct-2023	7.9
Inter-American Development Bank	Government	26-Sep-2000	Variable (IDB)	18-Jul-2023	1.6
Inter-American Development Bank	Government	13-Oct-2000	5.34	5-Sep-2024	3.7
Inter-American Development Bank	Government	28-Mar-2001	Variable (IDB)	10-Nov-2025	4.9
Inter-American Development Bank	Government	21-Nov-2001	Variable (IDB)	2-Aug-2021	11.2
Inter-American Development Bank	Government	21-Nov-2001	Variable (IDB)	2-Aug-2021	2.2
Inter-American Development Bank	Government	27-Nov-2001	Variable (IDB)	14-Feb-2026	12.1
Inter-American Development Bank	Government	27-Nov-2001	Variable (IDB)	14-Feb-2026	2.3
Inter-American Development Bank	Government	26-Feb-2003	Variable (IDB)	29-Apr-2027	18.5
Inter-American Development Bank	Government	30-Jan-2004	Variable (IDB)	30-Jul-2027	3.6
Inter-American Development Bank	Government	30-Jan-2004	Variable (IDB)	30-Jul-2027	26.8
Inter-American Development Bank	Government	23-Mar-2004	Variable (IDB)	24-Mar-2028	1.9
Inter-American Development Bank	Government	23-Mar-2004	Variable (IDB)	23-Sep-2023	18.2
Inter-American Development Bank	Government	06-Aug-2004	Variable (IDB)	8-Aug-2023	1.8
Inter-American Development Bank	Government	24-Aug-2005	Variable (IDB)	24-Aug-2023	0.1

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2020

(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, 2020
Inter-American Development Bank	Government	24-Aug-2005	Variable (IDB)	24-Aug-2023	1.2
Inter-American Development Bank	Government	02-Nov-2005	Variable (IDB)	4-Nov-2028	0.2
Inter-American Development Bank	Government	02-Nov-2005	Variable (IDB)	4-Nov-2028	1.8
Inter-American Development Bank	Government	13-Jan-2007	Variable (IDB)	15-Jan-2031	1.1
Inter-American Development Bank	Government	13-Jan-2007	Variable (IDB)	15-Jan-2031	4.0
Inter-American Development Bank	Government	03-Aug-2007	9.33	5-Aug-2026	64.3
Inter-American Development Bank	Government	14-Aug-2007	Variable (IDB)	16-Feb-2032	1.7
Inter-American Development Bank	Government	14-Aug-2007	Variable (IDB)	16-Feb-2032	3.7
Inter-American Development Bank	Government	04-Jul-2008	Variable (IDB)	6-Jan-2031	5.6
Inter-American Development Bank	Government	04-Jul-2008	Variable (IDB)	6-Jul-2032	33.0
Inter-American Development Bank	Government	04-Jul-2008	Variable (IDB)	6-Jul-2032	12.6
Inter-American Development Bank	Government	07-Jul-2008	Variable (IDB)	9-Jan-2031	2.8
Inter-American Development Bank	Government	31-Dec-2008	Variable (IDB)	2-Jan-2028	5.3
Inter-American Development Bank	Government	04-Jun-2009	Variable (IDB)	6-Dec-2028	33.1
Inter-American Development Bank	Government	04-Jun-2009	Variable (IDB)	6-Dec-2033	25.5
Inter-American Development Bank	Government	09-Jun-2009	Variable (IDB)	11-Dec-2031	13.2
Inter-American Development Bank	Government	18-Dec-2009	Variable (IDB)	15-Jun-2034	41.0
Inter-American Development Bank	Government	18-Aug-2010	Variable (IDB)	20-Feb-2035	36.3
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	72.1
Inter-American Development Bank	Government	16-Dec-2010	Variable (IDB)	15-Jun-2025	4.7
Inter-American Development Bank	Government	16-Dec-2010	Variable (IDB)	15-Jun-2035	64.9
Inter-American Development Bank	Government	06-May-2011	Variable (IDB)	8-Nov-2035	5.3
Inter-American Development Bank	Government	06-May-2011	Variable (IDB)	8-Nov-2035	25.2
Inter-American Development Bank	Government	19-Dec-2011	5.61	15-Jun-2031	144.8
Inter-American Development Bank	Government	22-Dec-2011	Variable (IDB)	15-Jun-2036	24.0
Inter-American Development Bank	Government	27-Jan-2012	Variable (IDB)	30-Jul-2036	4.0
Inter-American Development Bank	Government	23-Jul-2012	Variable (IDB)	25-Jul-2036	8.3
Inter-American Development Bank	Government	27-Jul-2012	Variable (IDB)	29-Jul-2036	58.6
Inter-American Development Bank	Government	16-Jan-2013	Variable (IDB)	15-May-2037	118.8
Inter-American Development Bank	Government	23-Dec-2013	Variable (IDB)	15-Nov-2031	99.7
Inter-American Development Bank	Government	23-Dec-2013	Variable (IDB)	15-Nov-2031	143.6
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	47.4
Inter-American Development Bank	Government	06-Oct-2014	Variable (IDB)	15-Sep-2038	23.7
Inter-American Development Bank	Government	19-Jan-2015	Variable (IDB)	15-May-2032	230.0
Inter-American Development Bank	Government	19-Jan-2015	Variable (IDB)	15-Jul-2032	33.7
Inter-American Development Bank	Government	19-Jan-2015	Variable (IDB)	15-Jul-2039	72.3
Inter-American Development Bank	Government	26-Jun-2015	Variable (IDB)	15-Mar-2032	138.0
Inter-American Development Bank	Government	20-Nov-2015	Variable (IDB)	15-Apr-2031	87.2
Inter-American Development Bank	Government	24-Dec-2015	Variable (IDB)	15-May-2031	300.0
Inter-American Development Bank	Government	02-Jul-2018	Variable (IDB)	15-Oct-2041	14.0
Inter-American Development Bank	Government	19-Oct-2018	Variable (IDB)	15-Nov-2037	300.0
Inter-American Development Bank	Government	30-Nov-2018	Variable (IDB)	15-Mar-2039	41.0
Inter-American Development Bank	Government	11-Dec-2018	Variable (IDB)	15-Sep-2035	0.1
Inter-American Development Bank	Government	02-Dec-2019	Variable (IDB)	15-Nov-2042	0.5

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2020

(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, 2020
Inter-American Development Bank	Government	26-Dec-2019	Variable (IDB)	15-Sep-2038	400.0
Inter-American Development Bank	Government	03-Nov-2020	Variable (IDB)	15-Jul-2040	250.0
Inter-American Development Bank	Government	03-Nov-2020	Variable (IDB)	15-Apr-2027	250.0
Inter-American Development Bank	Government	17-Dec-2020	Variable (IDB)	15-May-2039	250.0
Inter-American Development Bank	Central Bank	31-Dec-1980	2.00	6-Jan-2021	0.1
Inter-American Development Bank(2)	Central Bank	N/A	0.00	19-Dec-1978	4.4
Total Inter-American Development Bank					4,104.4
WORLD BANK					
World Bank	Government	10-Dec-2005	LIBOR 6m + 0.50	15-Apr-2022	12.4
World Bank	Government	14-Sep-2007	LIBOR 6m + 0.50	15-Oct-2022	4.0
World Bank	Government	15-Nov-2008	LIBOR 6m + 0.91	15-May-2024	6.1
World Bank	Government	7-Apr-2009	LIBOR 6m + 0.05	15-Nov-2037	56.1
World Bank	Government	7-Apr-2009	LIBOR 6m + 0.05	15-Nov-2037	28.9
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	21.0
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	63.5
World Bank	Government	20-Jul-2012	4.29	15-Sep-2041	18.1
World Bank	Government	20-Aug-2015	LIBOR 6m + 0.85	15-Sep-2048	57.7
World Bank	Government	24-Dec-2015	LIBOR 6m + 1.30	1-Aug-2038	60.0
World Bank	Government	27-Oct-2016	LIBOR 6m + 1.00	15-Feb-2040	36.1
World Bank	Government	27-Oct-2016	LIBOR 6m + 0.91	15-Mar-2040	77.0
World Bank	Government	17-Jul-2018	LIBOR 6m + 1.40	15-Jul-2039	150.0
World Bank	Government	4-Dec-2020	LIBOR 6m + 0.28	15-Jan-2040	100.0
Total World Bank					1,182.0
EUROPEAN INVESTMENT BANK					
European Investment Bank	Government	5-Dec-2011	3.37	30-Mar-2032	34.0
European Investment Bank	Government	19-Feb-2018	1.46	15-Jul-2039	22.4
Total European Development Bank					56.4
CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION					
Central American Bank for Economic Integration	Government	2-Jun-2009	Variable (CABEI)	2-Jun-2024	37.9
Central American Bank for Economic Integration	Government	22-Dec-2011	Variable (CABEI)	22-Dec-2026	35.0
Central American Bank for Economic Integration	Government	3-Sep-2013	Variable (CABEI)	3-Sep-2028	53.5
Central American Bank for Economic Integration	Government	2-Jul-2018	LIBOR 6m + 2.20	15-Oct-2031	180.7
Total Central American Bank for Economic Integration					307.1

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2020

(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, 2020
INTERNATIONAL AGRICULTURAL DEVELOPMENT FUND					
International Agricultural Development Fund	Government	23-Mar-2010	Variable (IADF)	12-Jun-2028	6.6
International Agricultural Development Fund	Government	23-Jul-2012	Variable (IADF)	13-Dec-2032	11.2
International Agricultural Development Fund	Government	23-Jul-2012	Variable (IADF)	12-Dec-2032	9.8
Total International Agricultural Development Fund					27.7
NORDIC DEVELOPMENT FUND					
Nordic Development Fund	Government	23-Aug-1998	0.00	15-Jun-2033	3.7
Nordic Development Fund	Government	23-Aug-1998	0.75	15-Jun-2038	2.7
Total Nordic Development Fund					6.4
ANDEAN DEVELOPMENT CORPORATION					
Andean Development Corporation	Government	18-Aug-2010	LIBOR 6m + 2.35	18-Aug-2025	33.3
Andean Development Corporation	Government	29-Jul-2014	LIBOR 6m + 2.60	29-Jul-2029	23.2
Andean Development Corporation	Government	19-Jan-2015	LIBOR 6m + 2.05	19-Jan-2027	29.5
Andean Development Corporation	Government	19-Dec-2016	LIBOR 6m + 2.00	21-Dec-2031	42.3
Total Andean Development Corporation					128.4
OPEC FUND FOR INTERNATIONAL DEVELOPMENT					
OPEC Fund for International Development	Government	9-Jun-2009	3.75	15-Jan-2028	15.1
OPEC Fund for International Development	Government	16-Dec-2010	3.30	15-Jan-2029	17.0
OPEC Fund for International Development	Government	19-Jan-2015	3.00	15-Dec-2033	52.0
OPEC Fund for International Development	Government	30-Dec-2019	3.00	15-Jul-2038	2.0
Total OPEC Fund for International Development					86.1
INTERNATIONAL MONETARY FUND					
International Monetary Fund	Government	2-Jul-2020	LIBOR 6m	1-May-2025	687.6
International Monetary Fund (Cumulative Allocations)	Central Bank	N/A	Variable FMI	N/A	300.8
Total International Monetary Fund					988.4
TOTAL MULTILATERAL INSTITUTIONS					**6,887.7**
FOREIGN GOVERMENTS(3)					
French Development Agency	Government	15-Dec-2000	2.25	30-Apr-2025	1.0
French Development Agency	Government	15-Jun-2009	0.25	31-Jul-2026	7.3
French Development Agency	Government	5-Dec-2011	7.37	31-May-2031	161.0
French Development Agency	Government	16-May-2014	4.07	31-Jan-2023	0.9
French Development Agency	Government	16-May-2014	LIBOR 6m + 1.55	31-Jan-2023	1.5
French Development Agency	Government	19-Jan-2015	4.07	31-Oct-2034	196.0
French Development Agency	Government	27-Oct-2016	3.69	30-Apr-2035	48.7
French Development Agency	Government	30-Dec-2019	1.27	15-Dec-2043	69.7
French Development Agency	Government	17-Dec-2020	2.88	30-Sep-2039	250.0

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2020

(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, 2020
AKA Ausfunhrkredit -Gesellschaft	Government	20-Feb-2004	4.66	1-Aug-2022	6.0
Banco Central de Venezuela	Government	20-Jun-2017	1.03	17-Dec-2040	131.2
Banco Central de Venezuela	Government	20-Jun-2017	1.50	7-Feb-2041	4.3
BNDES	Government	15-Nov-2008	6.53	4-Jun-2023	9.2
BNDES	Government	24-Oct-2009	5.16	24-Nov-2021	4.6
BNDES	Government	10-Aug-2010	4.69	29-Sep-2022	8.7
BNDES	Government	5-Oct-2011	4.04	23-Feb-2024	15.9
BNDES	Government	5-Oct-2011	4.02	23-Feb-2022	8.3
BNDES	Government	10-Oct-2011	4.04	23-Feb-2024	66.8
BNDES	Government	30-Apr-2014	5.39	31-Jul-2026	16.9
BNDES	Government	7-Nov-2014	5.91	25-Nov-2026	39.9
BNDES	Government	7-Nov-2014	5.95	25-Nov-2026	32.6
BNP FORTIS, BELGICA	Government	29-Jun-2011	3.79	28-Sep-2023	38.2
BNP FORTIS, BELGICA	Government	30-Sep-2014	EURIBOR 6m + 1.50	27-Feb-2025	11.5
BNP PARIBAS, Paris	Government	29-Jun-2011	3.45	1-Apr-2023	21.9
Deutsche Bank, S.A.E	Government	20-Feb-2004	5.23	8-Jun-2021	1.4
Deutsche Bank, S.A.E	Government	26-Nov-2009	4.51	23-Feb-2023	30.5
Deutsche Bank, S.A.E	Government	26-Nov-2009	4.510	23-Feb-2023	21.9
Deutsche Bank, S.A.E	Government	29-Jun-2011	4.050	1-Oct-2023	15.3
Deutsche Bank, S.A.E	Government	26-Jun-2015	EURIBOR 6m + 4.50	27-Nov-2027	46.3
Deutsche, London	Government	21-Jun-2010	LIBOR 6m + 2.25	26-May-2024	5.4
Deutsche, Milan	Government	13-Jul-2015	LIBOR 6m + 2.40	7-Oct-2029	17.8
Deutsche, Milan	Government	13-Jul-2015	5.04	7-Oct-2029	232.5
Export-Import Bank of the United States	Government	27-Jul-2012	Variable (OPECFID)	20-Nov-2022	7.3
International Cooperation and Development Fund-CHINA	Government	15-Jun-2001	3.50	15-May-2026	1.1
Official Credit Institute	Government	10-Jul-1995	1.50	8-Aug-2025	1.4
Official Credit Institute	Government	22-Feb-1996	1.50	11-Mar-2026	1.7
Official Credit Institute	Government	2-Feb-1998	1.00	4-Feb-2028	1.9
Official Credit Institute	Government	2-Feb-1998	1.00	4-Feb-2028	2.0
Official Credit Institute	Government	17-Aug-1998	1.00	31-Aug-2028	1.3
Official Credit Institute	Government	10-Dec-1998	1.00	14-Dec-2028	1.5
Official Credit Institute	Government	10-Dec-1998	4.75	14-Dec-2028	1.1
Official Credit Institute	Government	10-Dec-1998	1.00	14-Dec-2028	0.9
Official Credit Institute	Government	1-Mar-1999	1.00	20-May-2029	4.5
Official Credit Institute	Government	10-Dec-2000	3.70	24-Aug-2030	1.0
Official Credit Institute	Government	28-Feb-2001	0.00	4-Jul-2030	13.1
Official Credit Institute	Government	11-Jun-2001	1.00	15-Jan-2032	2.1
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	7.4
Official Credit Institute	Government	29-Jul-2014	0.01	26-May-2053	1.0
Official Credit Institute	Government	6-Oct-2014	0.01	27-Apr-2053	1.3
Japan International Cooperation Agency (a JBIC-OECF)	Government	15-Nov-1994	3.00	20-Mar-2024	14.4
Export-Import Bank of Korea	Government	9-May-2007	1.70	20-Aug-2031	11.5

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2020
(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, 2020
Export-Import Bank of Korea	Government	30-Sep-2013	0.00	20-Aug-2052	1.1
Export-Import Bank of Korea	Government	30-Sep-2013	0.25	20-Aug-2052	24.1
Kredit Für Wiederaufbau	Government	25-Jun-1997	2.00	30-Dec-2026	2.7
Kredit Für Wiederaufbau	Government	20-Jun-1998	2.00	30-Dec-2026	2.8
Kredit Für Wiederaufbau	Government	14-Oct-2003	3.67	30-Dec-2032	1.1
Kredit Für Wiederaufbau	Government	29-Jun-2011	4.08	1-Apr-2023	8.0
Kredit Für Wiederaufbau	Government	3-Apr-2017	3.25	30-Dec-2045	17.7
Land Bank of Taiwan	Government	24-Aug-2005	LIBOR 6m + 1.00	4-Aug-2021	1.1
NATIXIS	Government	22-Dec-2011	1.00	31-Dec-2038	60.3
Petróleos de Venezuela, S.A.	Government	31-Dec-2004	1.00	12-Oct-2039	3.9
Petróleos de Venezuela, S.A.	Government	31-Dec-2004	1.00	18-Sep-2041	11.9
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	21-Jul-2033	6.4
Petróleos de Venezuela, S.A.	Government	31-Dec-2004	1.00	21-Dec-2039	30.9
Santander(4)	Government	27-Aug-2010	6.02	24-Feb-2025	20.5
Santander(4)	Government	20-Dec-2016	EURIBOR 6m + 0.95	24-Mar-2032	3.8
Santander(4)	Government	20-Dec-2016	1.34	24-Mar-2032	36.8
Santander(4)	Government	20-Dec-2016	1.15	6-Nov-2032	34.2
TOTAL FOREIGN GOVERNMENTS					**1,945.7**
COMMERCIAL BANKS					
BNP Paribas, Paris	Government	17-Nov-2014	LIBOR 6m + 5.15	31-Dec-2021	3.6
Bank of NY Mellon(5)	Government	27-Jan-2015	6.85	27-Jan-2045	2,000.0
Bank of NY Mellon(5)	Government	29-Jan-2016	6.88	29-Jan-2026	1,500.0
Bank of NY Mellon(5)	Government	18-Jan-2017	5.95	25-Jan-2027	1,700.0
Bank of NY Mellon(5)	Government	8-Feb-2018	6.50	15-Feb-2048	1,000.0
Bank of NY Mellon(5)	Government	8-Feb-2018	8.90	15-Feb-2023	688.3
Bank of NY Mellon(5)	Government	17-Jul-2018	6.00	19-Jul-2028	1,300.0
Bank of NY Mellon(5)	Government	20-Mar-2006	9.75	5-Jun-2026	1,170.5
Bank of NY Mellon(5)	Government	6-May-2010	4.50	30-Jan-2030	1,000.0
Bank of NY Mellon(5)	Government	18-Apr-2013	8.63	20-Apr-2027	300.0
Bank of NY Mellon(5)	Government	21-Oct-2013	7.50	6-May-2021	77.4
Bank of NY Mellon(5)	Government	30-Apr-2014	5.88	18-Apr-2024	611.5
Bank of NY Mellon(5)	Government	18-Dec-2014	6.60	28-Jan-2024	279.0
Bank of NY Mellon(5)	Government	29-May-2019	7.45	30-Apr-2044	1,500.0
Bank of NY Mellon(5)	Government	29-May-2019	5.50	27-Jan-2025	1,272.2
Bank of NY Mellon(5)	Government	26-Dec-2018	6.40	5-Jun-2049	1,500.0
Bank of NY Mellon(5)	Government	30-Dec-2019	5.88	30-Jan-2060	3,200.0
Bank of NY Mellon(5)	Government	30-Dec-2019	4.88	23-Sep-2032	3,066.0
TOTAL COMMERCIAL BANKS					**22,168.5**

APPENDIX

Dominican Republic: Global Public Sector External Debt as of December 31, 2020
(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, 2020
SUPPLIERS					
ASEA B.B. (5)	CDEEE	30-Nov-1980	EURIBOR 6m + 0.2	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(5)					**6.0**
TOTAL					**31,007.9**

(1) Currencies other than U.S. dollars are converted to U.S. dollars at the rate published by the IMF on December 31, 2019.
(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 intermediary agent for France's and Spain's export credit agencies.
(5) Entity acts as trustee.
(6) Constitutes arrears of the Republic with its suppliers. See "Public Sector Debt—External Debt—External Debt Owed to Commercial Lenders and Suppliers."

BNDES = *Banco Nacional de Desenvolvimento Econômico e Social*
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.

ANNEX A

FORMULARIO DE SOLICITUD DE INSCRIPCIÓN
SUPERINTENDENCIA DE VALORES DE LA REPUBLICA DOMINICANA
REGISTRO DEL MERCADO DE VALORES Y PRODUCTOS

Formulario de Solicitud de Inscripción de Oferta Pública de Valores

EMISOR CON TRATAMIENTO DIFERENCIADO –
BANCO CENTRAL DE LA REP. DOM. & MINISTERIO DE HACIENDA

1. *Nombre de la Institución: Ministerio de Hacienda*

2. *Dirección: Avenida Mexico No.45, Santo Domingo, República Dominicana, Postal 1478*

3. *Teléfono: 809-687-5137, ext. 2328* *Fax: 809-682-0498*

4. *Correo Electrónico: mmartinez@creditopublico.gov.do* *Página Web: www.creditopublico.gov.do*

5. *Del representante Legal:*
   Nombre: Jose Manuel Vicente *Nacionalidad: Dominicano*
   Cédula de Identidad y Electoral: 001-0169031-1
   Profesión: Licenciado en Economía
   Puesto en la Institución: Ministro, Titular de Hacienda
   Domicilio: Avenida Mexico No. 45, Santo Domingo , Republica Dominicana

6. *Tipo de Emisión: __Valores Domésticos de Deuda Pública del Ministerio de Hacienda______*

7. *Garantías que respaldan la emisión, así como los datos principales de las mismas incluyendo su vigencia:______Garantía Soberana_____*

8. *Base Legal: Ley No. 494-06; Ley 243-20, Ley 237-20*
9. *Resumen sobre las características de los valores:*

CARACTERISTICAS GENERALES DE LOS VALORES

Denominación Títulos	*Bonos*
Monto Autorizado de la Emisión	*RD$291,528,487,153.00 o equivalente en USD*
Monto a ser colocado de la Emisión	*RD$116,756,300,000.00*
Moneda	*Pesos de la República Dominicana (DOP)*
Público al que se dirige	*Público en General*

	CARACTERISTICAS ESPECIFICAS	Emisión 1	Emisión 2
1.	*Valor Nominal*	*RD$100,000.00*	*RD$100,000.00*
2.	*Cantidad de Títulos Valores*	*353,145*	*814,418*
3.	*Monto Mínimo de inversión*	*RD$1,000,000.00*	*RD$1,000,000.00*
4.	*Fecha de Inicio de Colocación*	*08-junio-2021*	*08-junio-2021*
5.	*Fecha de vencimiento de los valores*	*11-junio-2028*	*11-junio-2031*
6.	*Fecha de Emisión*	*11-junio-2021*	*11-junio-2021*
7.	*Tasa de Interés de Cupón*	*8.0000%*	*8.6250%*
8.	*Base de Cálculo de Interés*	*Actual/Actual*	
9	*Periodicidad del pago*	*Semestral*	
10.	*Forma de pago de interés y capital*	*Crédito a cuenta*	
11.	*Agente de pago de los intereses y del capital*	*CEVALDOM*	
12.	*Opción de redención anticipada*	*N/A*	
13.	*Representación de la emisión: física o inmaterial mediante anotaciones en cuenta*	*Desmaterializada mediante anotación en cuenta*	
14.	*Código Identificación de los Títulos Valores*	*DO1005208728*	*DO1005208629*
15.	*Tipo de Colocación*	*Subasta o cualquier otro método aprobado por el Ministerio de Hacienda*	
16.	*Mecanismos de negociación mercado secundario*	*Bursátil y/o extrabursátil*	
17.	*Entidad encargada de la anotación en cuenta de los valores*	*CEVALDOM*	
18.	*Otras características principales relevantes para los inversionistas y el público en general, si existieran.*	*N/A*	

_________________________________ _______________

Firma Representante Legal y Sello del Organismo *Fecha*

ANEXO: *Copia o Extracto de Ley, Resolución y/o Acta que autoriza la emisión.*

UNOFFICIAL TRANSLATION

REGISTRATION APPLICATION FORM
SUPERINTENDENCY OF SECURITIES OF THE DOMINICAN REPUBLIC
SECURITIES AND PRODUCTS MARKET REGISTRATION

Application Form for Registration of Public Offering of Securities
ISSUER WITH DIFFERENTIAL TREATMENT - CENTRAL BANK OF THE DOM. REP. & MINISTRY OF FINANCE

1. Name of the Institution: Ministry of Finance

2. Address: Avenida Mexico No. 45, Santo Domingo, Dominican Republic, P.O. Box 1478

3. Phone: 809-687-5137, ext. 2328 Fax: 809-682-0498

4. E-mail: mmartinez@creditopublico.gov.do Website: www.creditopublico.gov.do

5. By Legal Representative:
   Name: Jose Manuel Vicente Nationality: Dominican
   ID Card: 001-0169031-1
   Profession: BA in Economics
   Position held at the Institution: Minister, Head of Finance
   Address: Avenida Mexico No. 45, Santo Domingo, Dominican Republic

6. Type of Issue: __Domestic Public Debt Securities from the Ministry of Finance______

7. Guarantees supporting the issuance, as well as main data thereof, including its validity: Sovereign Guarantee

8. Legal Basis: Law No. 494-06; Law 243-20, Law 237-20
9. Summary on the characteristics of the securities:

GENERAL CHARACTERISTICS OF THE SECURITIES

Denomination Titles	Bonds
Authorized Amount of the Issue	DOP$291,528,487,153.00 or equivalent in USD
Amount to be placed through the Issuance	DOP116,756,300,000.00
Currency	Dominican Pesos (DOP)
Target Investors	General Public

SPECIFIC CHARACTERISTICS		Issue 1	Issue 2
1.	Nominal Value	DOP100,000.00	DOP100,000.00
2.	Amount of Securities	353,145	814,418
3.	Minimum Investment Amount	DOP1,000,000.00	DOP1,000,000.00
4.	Placement Start Date	08-June-2021	08-June-2021
5.	Maturity Date of the Securities	11-June-2028	11-June-2031
6.	Date of Issue	11-June-2021	11-June-2021
7.	Coupon Interest Rate	8.0000%	8.6250%
8.	Interest Calculation Basis	Actual / Actual	
9	Payment Periodicity	Semi-annually	
10.	Interest and Principal Payment Method	Credit on account	
11.	Interest and Principal Payment Agent	CEVALDOM	
12.	Optional Early Redemption	N/A	
13.	Representation of the Issue: Physical or Intangible through Book Entries	Book-Entry Dematerialized Securities	
14.	Securities Identification Code	DO1005208728	DO1005208629
15.	Type of Placement	Auction or any other method approved by the Ministry of Finance	
16.	Secondary Market Negotiation Mechanisms	Stock and/or OTC	
17.	Entity in charge of the Book-Entry of the Securities	CEVALDOM	
18.	Other Main Characteristics Relevant to Investors and to the General Public, if any.	N/A	

Signature of Legal Representative and Seal of the Agency Date

ANNEX: Copy or Extract of the Law, Resolution and/or Act authorizing the issuance.

ISSUER

The Dominican Republic
Ministerio de Hacienda
Ave. México No. 45
Santo Domingo
República Dominicana

INITIAL PURCHASERS AND PLACEMENT AGENTS

Citigroup Global Markets Inc.
388 Greenwich Street
New York, New York 10013
United States of America

J.P. Morgan Securities plc
c/o 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 2do Piso,
Palacio Nacional
Santo Domingo
República Dominicana

LEGAL ADVISORS TO THE PLACEMENT AGENTS AND 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 2do Piso,
La Esperilla
Santo Domingo, 10108
República Dominicana

DIOS PATRIA LIBERTAD

REPUBLICA DOMINICANA