



2020 National Budget Modification

**Ministry of Finance
Dominican Republic**

July 2020



RE-ESTIMATED REVENUES FOR 2020



COVID-19: TRIBUTARY MEASURES

A state of emergency was declared in the country due to the **COVID-19 pandemic**, leading to the temporary closure of important economic sectors. In addition, with the objective of easing the flow of taxpayers and ensuring compliance with tax obligations, several transitional measures have been taken:

- **Administrative measures** to guarantee the validity of DGII and DGA authorizations, digitize processes, facilitate procedures, etc.
- **Suspension of APA** implementation with the hotel sector.
- **Exemption of the advances payments** for natural and legal persons and from **the tax on assets** of MSMEs with commercial operations.
- **Facilities** to request **payment agreements** on tax obligations and total or partial **exemptions** from ISR.
- **Postponement of payment** of taxes such as ISR, ISC and ITBIS.
- Payment of taxes starting in July in **installments of up to 4 months**, without compensatory interest.
- **Exemptions for the acquisition of high-need products** to combat COVID-19 (medical equipment, denatured alcohol, etc.)



MACROECONOMIC FRAMEWORK



Variable	2017	2018	2019	Budget 2020	Revised 2020
Real GDP Growth (%)	4.7	7.0	5.1	5.0	Range (-1 to 1)
Nominal GDP Growth (%)	9.0	11.4	7.7	7.9	1.5
Inflation (% average)	3.28	3.56	1.81	4.00	2.00
Inflation (% 12 months)	4.20	1.17	3.66	4.00	2.50
Exchange Rate (average, RD\$/US\$)	47.57	49.54	51.33	53.56	57.05
Oil WTI (US\$ per barril)	50.9	64.8	57.0	59.1	30.1
Gold (US\$/oz, average PM)	1,258.8	1,269.0	1,393.1	1,390.8	1,600.0
US Growth (%)	2.4	2.9	2.3	2.1	(5.4)

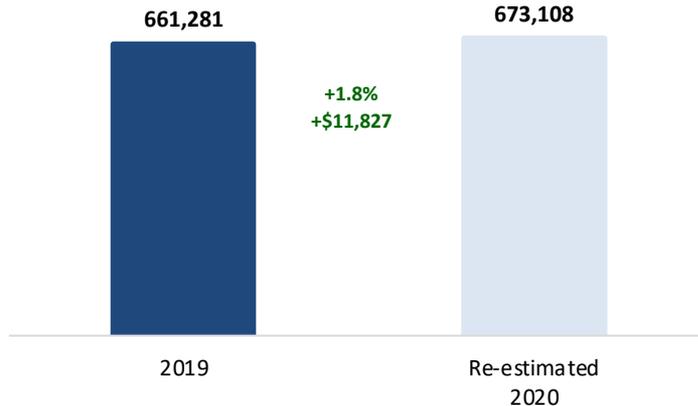


REVENUES

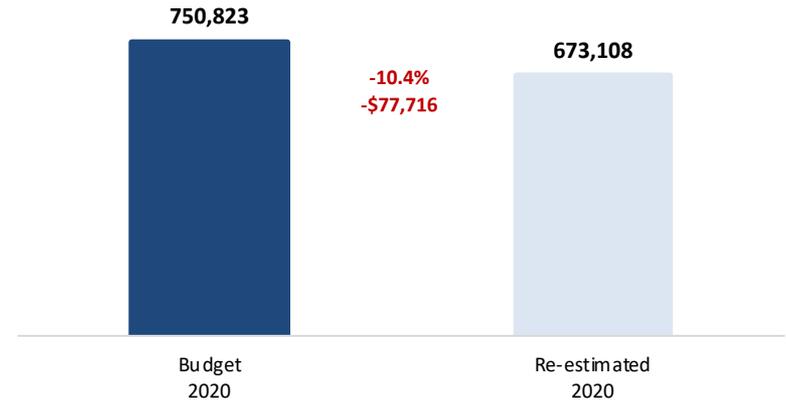
Due to the current situation the Government expects revenues of RD\$673,108 millions, including grants for RD\$2,994.3 millions, which are higher than the amount collected in 2019, but a decrease respecting the budgeted amount for 2020.

Fiscal pressure is estimated at 14.5%, similar of the value for 2019 and 0.7 pp lower than the original budget (15.3%).

Collected 2019 vs Re-estimated 2020
Millions RD\$



Re-estimated vs Budget 2020
Millions RD\$

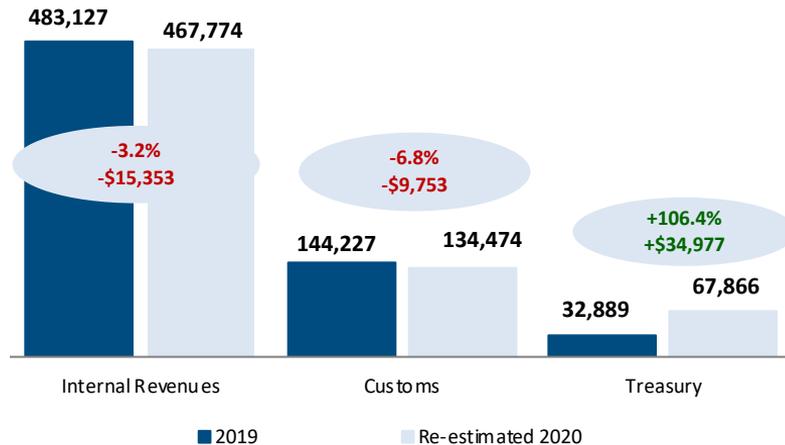


Source: DGPLT, Finance Ministry. Based on the 2014 Budgetary Classifier Manual.

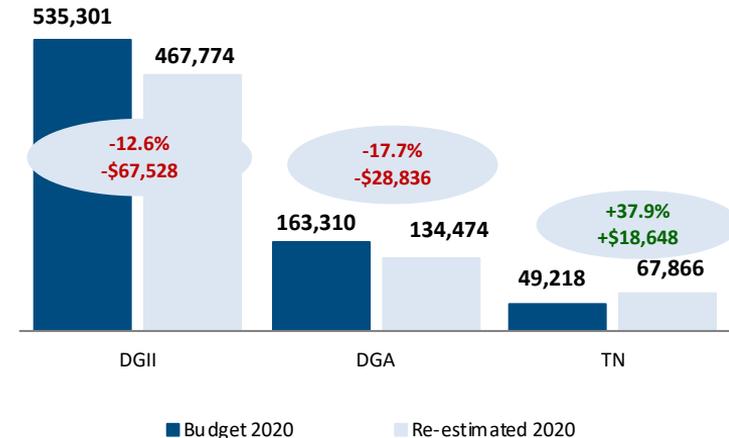
Note: Preliminary figures, subject to rectification. Includes donations.

Likewise, the current economic situation, together with the transitional tax measures, would lead to a reduction in the income of the collectors (DGII and DGA) compared to 2019 and what was initially budgeted. Instead, the TN would be receiving higher income.

Collected 2019 vs Re-estimated 2020
Millions RD\$



Re-estimated vs Budgeted 2020
Millions RD\$





ADDITIONAL REVENUES 2020

The **higher revenues of the National Treasury** correspond to **extraordinary revenues** of RD\$29,220.4 millions.

Additional Revenues 2020

Millions RD\$

Details	
Patrimonial Fund of Reformed Enterprises (FONPER)	6,000.0
Dominican Electric Transmission Company (ETED)	500.0
Superintendence of Banks	4,000.0
Social Security Treasury (TSS)	1,508.0
Social Security Treasury (TSS) - Refund Contingency Fund for Social Security	1,462.4
Dominican Institute for Prevention and Protection of Occupational Risks (IDOPPRIL)	13,250.0
Road Development Fund	2,500.0
Total	29,220.4



EXPENDITURES



DOMINICAN REPUBLIC'S EMERGENCY ECONOMIC PLAN

In response to the COVID-19 pandemic, the Government designed and implemented a plan with specific interventions and programs aimed at supporting the most vulnerable groups in society, guaranteeing the proper functioning of the economy and being able to face health and safety needs, generating pressures on public spending of RD\$64.3 billion:

1. **Income protection of vulnerable households and informal workers:** Stay at Home (Quédate en casa) and “Pa’Ti” Program.
2. **Jobs and Income of Formal Workers Protection:** “Phase” Program (Programa Fase)
3. **Additional requirements** of the Ministry of Health, development of the National Food Plan through the Social Plan of the Presidency of the Republic and Economic Eaters, among others.
4. **Salary incentive measures** for the main actors at the forefront of the pandemic.



ADDITIONAL REQUIREMENTS

Likewise, other factors generated pressures in the Expenditure for **RD\$35,532 million**, some linked to the effects of the **pandemic**:

1. The depreciation of the Exchange Rate due to the contraction of the entry of foreign currency into the country and the global crisis caused by COVID-19, generated increases in interest paid in foreign currency for **RD\$12,837 million**.
2. Additional municipal elections to the one initially budgeted, and the additional requirements of the political parties, generated pressures for **RD\$6,457 million**.
3. Additional requirements by OISOE and Ministry of Public Works (MOPC) for **RD\$4,827 million**.
4. Increase in pensions of the National Police, requests from the Ministry of Defense, among others for **RD\$3,525 million**.
5. Additional request by the Ministry of the Environment for **RD\$1,486 million**.

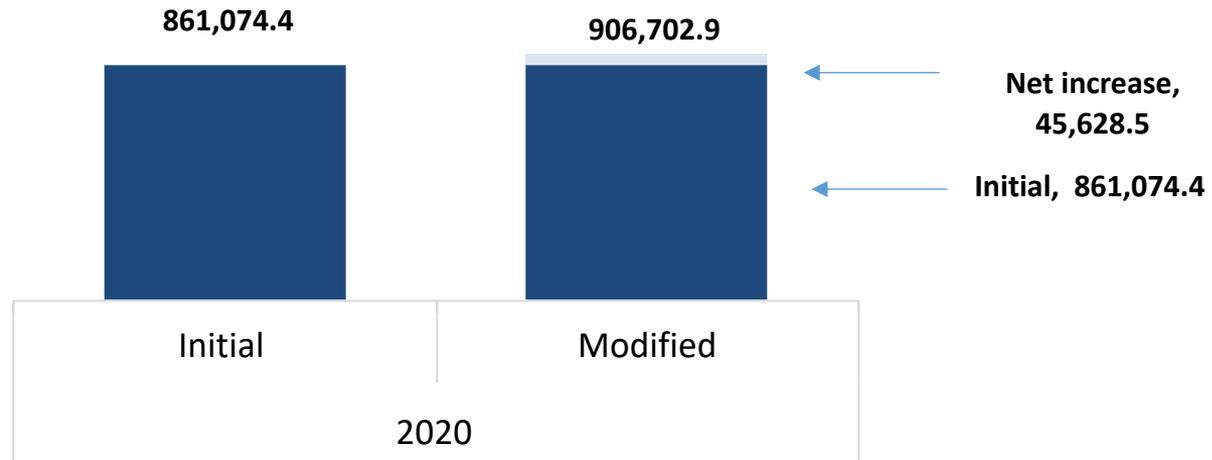


TOTAL EXPENDITURE 2020

Due to **extraordinary revenues, recompositions between chapters and expenses cuts**, resulted in a **net increase of RD\$45,628.5 millions**, generating a total of **RD\$906,702.9 million**.

Initial Budget vs Re-estimated by the Central Administration 2020

(In millions RD\$)



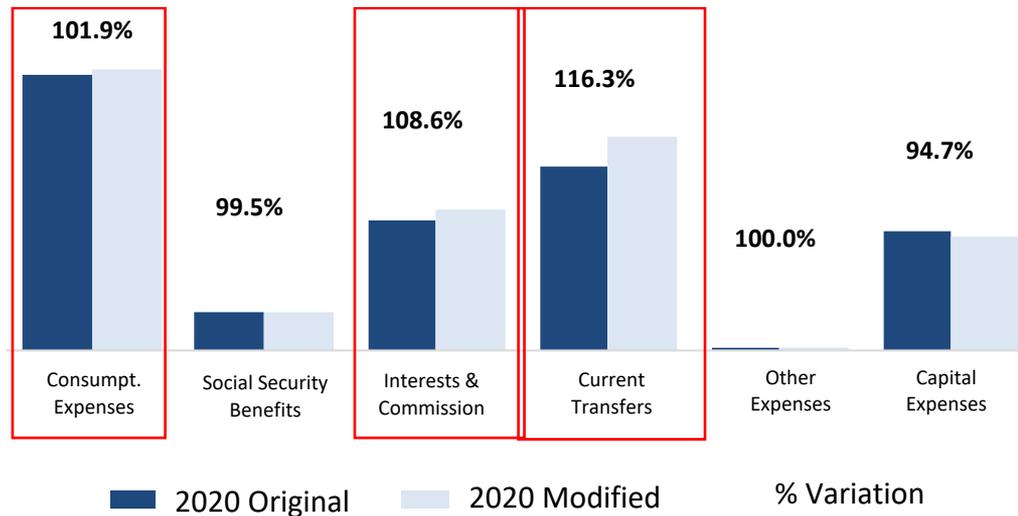


TOTAL EXPENDITURE 2020: ECONOMIC CLASSIFICATION

This increase of RD\$45,628.5 million can be seen, fundamentally, in **current transfers increases, which reflect the social assistance programs, interests and comisiones and consumptions expenses (salary payments and goods and services)**

Initial budget vs Approved by the Central Administration (2020)

(In RD\$ Millions | % Variation)





TOTAL EXPENDITURE 2020: ECONOMIC CLASSIFICATION

Initial Budget vs Approved by the Central Administration (2020)

Detail	Millions RD\$		% of GDP	
	Original Budget	Preliminary Estimates End of 2020	Original Budget	Preliminary Estimates End of 2020
Total Revenues	750,823.4	673,107.8	15.3%	14.5%
Expenses	861,074.4	906,702.9	17.5%	19.6%
Current Expense	723,274.4	776,154.4	14.7%	16.8%
<i>Consumption Expense</i>	318,384.2	324,322.5	6.5%	7.0%
<i>Social Security Benefits</i>	43,349.4	43,148.1	0.9%	0.9%
<i>Interests</i>	149,993.5	162,830.9	3.0%	3.5%
<i>Current Transfers</i>	211,443.1	245,748.9	4.3%	5.3%
<i>Other Current Expenses</i>	104.2	104.2	0.0%	0.0%
Capital Expense	137,800.0	130,548.4	2.8%	2.8%
Primary Balance	39,742.5	(70,764.2)	0.8%	-1.5%
Global Balance	(110,251.0)	(233,595.1)	-2.2%	-5.0%



FINANCING



FINANCING SOURCES 2020

Initial vs Modified 2020 Budget

	Current 2020 General State Budget (GSB)			Modified 2020 GSB		
FINANCING SOURCES	246,295.8	4,598.5	5.0%	397,204.5	7,145.6	8.8%
External Financing	159,983.7	2,987.0	3.3%	296,492.6	5,380.3	6.6%
<i>Multilaterals, Bilaterals, Commercial Banks (Investment Projects)</i>	24,102.0	450.0	0.5%	14,858.6	262.4	0.3%
<i>Global Bonds</i>	107,120.0	2,000.0	2.2%	132,837.3	2,500.0	3.1%
<i>Budget Support</i>	28,761.7	537.0	0.6%	148,796.8	2,617.9	3.2%
Bilaterals*	10,712.0	200.0	0.2%	27,205.9	477.9	0.6%
Multilaterals**	18,049.7	337.0	0.4%	121,590.8	2,140.0	2.6%
Local Financing	86,312.1	1,611.5	1.8%	100,711.9	1,765.3	2.2%
<i>Local Bonds</i>	86,312.1	1,611.5	1.8%	89,611.9	1,570.8	1.9%
<i>Banking Facilities</i>	-	-	0.0%	11,100.0	194.6	0.2%
<i>Emergency Tripartite</i>	-	-	0.0%	9,600.0	168.3	0.2%
<i>CEIZTUR</i>	-	-	0.0%	1,500.0	26.3	0.0%
Exchange Rate (Average)	53.56			57.05		

* Includes US\$450.0 million pending signature and approval. This constitutes an indicative distribution based on financing identified at the present time, and could change given the time of negotiation, signature and approval of each.

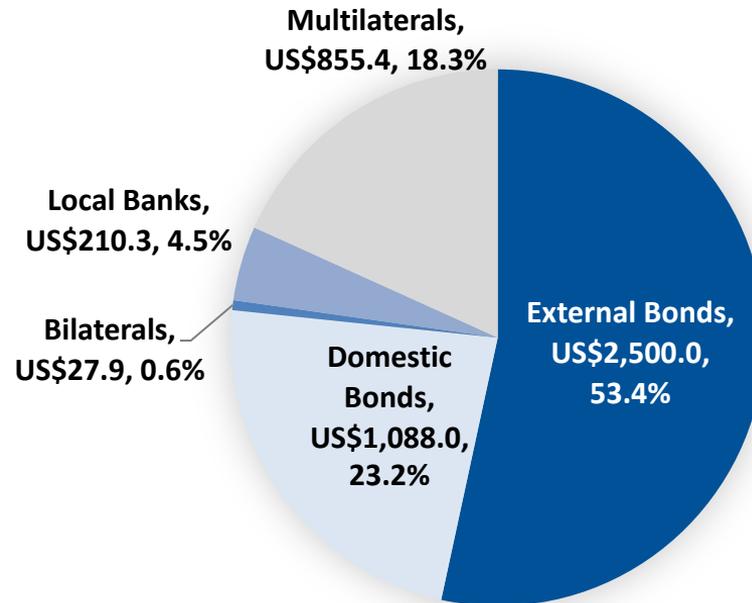
** Includes US\$1,250.0 million pending signature and approval. This constitutes an indicative distribution based on financing identified at the present time, and could change given the time of negotiation, signature and approval of each.



FINANCING EXECUTION 2020

As of June 2020, the Government as received financing for a total of **US\$4,681.6 millions**, corresponding to the **66% of the financing contemplated in the Modified Budget**, local and international capital markets were the main financing sources.

Financing Execution 2020





FINANCING STRATEGY FOR COVID-19 MEASURES

The Government has identified additional financing sources to attend to the emergency and to cover the economic measures announced in order to tackle the COVID-19 pandemic.

Disbursed:

- Loan from the World Bank (BIRF): US\$150.0 million
- Emergency loan from the Central Bank (BCRD): RD\$12,000.0 million
- Excess technical reserves from IDOPPRIL: RD\$14,000.0 million
- Rapid Financing Instrument from the IMF: US\$650.0 million (already disbursed to BCRD)

Pending Disbursement

- Natural Disaster Line from the IADB, which now includes Pandemics: US\$90.0 millions

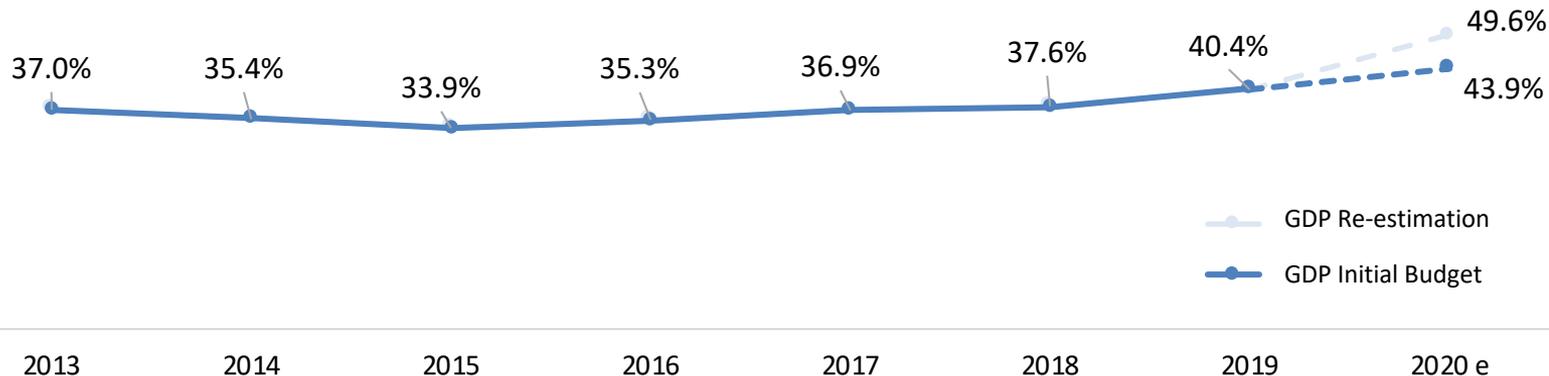
Other potential financing sources from bilaterals and multilaterals have been identified, for over US\$1.7 billions, which are currently undergoing negotiations, to be contracted and disbursed base on financing needs and according to what is approved in the Modified Budget for 2020.



EVOLUTION OF NON-FINANCIAL PUBLIC SECTOR (NFPS) DEBT

- Given the implementation of the Financing Plan stipulated in the Modified Budget, it is estimated that NFPS Debt will close the year 2020 at 49.6% of GDP.
- In addition to the additional financing sources stipulated in the Modified 2020 Budget stemming from the pandemic, it should be noted that the rise in Debt-to-GDP ratio is also due to a lower expected economic increase for the year.

NFPS Debt (% of GDP)



Source: Preliminary estimates from the Public Credit Office.

Note: GDP originally formulated in the 2020 Budget: US\$91,836.3 million. GDP re-estimation for the Modified 2020 Budget: US\$81,168.6 million.



2020 National Budget Modification

**Ministry of Finance
Dominican Republic**

July 2020