



# DOMINICAN REPUBLIC

Roadshow presentation

September 2020

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# Presenters



## Jose Manuel Vicente

### *Minister of Finance*

Jochi Vicente has been Minister of Finance since August 2020. He has extensive experience as an economist, corporate finance specialist and corporate advisor. Mr. Vicente graduated Summa Cum Laude with a degree in Economics from Pontificia Universidad Católica Madre y Maestra and has an MBA from the Anderson Graduate School of Management at UCLA.

Mr. Vicente was a professor of Financial Management in the Masters degree program at Pontificia Universidad Católica Madre y Maestra and in Economics in the MBA program of Barna Business School.

As a representative of the private sector, Mr Vicente has served as President of the Chamber of Commerce and Production of Santo Domingo and the National Association of Entrepreneurs, as Treasurer of FINJUS, member of the Board of Directors of CONEP and advisor to the National Directorate of the Industrial Association of the Dominican Republic.



## María José Martínez


### *Public Credit Vice Minister*

María José Martínez has been Vice Minister of Public Credit since August 2020. She is an economist with a concentration in Business Administration and Finance. Ms. Martínez graduated from New York University with a degree in Economics and Political Science, and earned an MBA from Columbia University.

Ms. Martínez has extensive experience in the financial sector, having served as the Director of Institutional Banking at Citibank in the Dominican Republic and as Vice President in the Latin America Public Sector group at Citibank in New York

She also has ample experience in the public sector, having served as Program Official for the Economic Commission for Latin America and the Caribbean in Santiago, Chile, and as Program Manager in the Ministry of Economy, Planning and Development.

# Term sheet

<b>Issuer:</b>	The Dominican Republic
<b>Issuer Rating:</b>	Ba3 / BB- / BB- (Moody's / S&P / Fitch)
<b>Format:</b>	144A / Reg S
<b>Size</b>	Benchmark
<b>Currency:</b>	US Dollar and [Dominican Peso]
<b>Tenor:</b>	To be determined
<b>Use of Proceeds:</b>	General budgetary purposes
<b>Minimum Denominations:</b>	US\$150,000
<b>Expected Listing:</b>	Luxembourg Stock Exchange
<b>Governing Law:</b>	State of New York
<b>Joint Book-Running Managers:</b>	 <b>J.P.Morgan</b>



# **Dominican Republic overview**

# Investment highlights

1

## **New administration with robust strategy to address the COVID-19 crisis and reactive economic growth and fiscal consolidation**

- ✓ Well-developed plan to drive recovery, encourage economic activity and diversification, enhance fiscal sustainability, and improve governance and transparency

2

## **Economic leader among regional peers**

- ✓ DR's GDP growth has historically outpaced that of regional peers, with 6.1% average GDP growth from 2015-2019
- ✓ Nominal 2019 GDP was US\$89.0bn, representing approximately 24% of Central America & Caribbean's GDP
- ✓ Third most populous country in Central America and the Caribbean, with an estimated population of 10.4 million

3

## **Resilient economy with sustained GDP growth, supported by public and private investment**

- ✓ Average annual real GDP growth rate of 6.1% from 2015 to 2019, the highest for Latin American peers during that period
- ✓ Well-diversified economy, supported by the construction, manufacturing, retail and tourism sectors

4

## **Proven monetary policy and healthy financial system**

- ✓ Consistent track record of inflation at or below the target range for each year with increasing international reserves and stable FX which has proven resilient during the COVID-19 crisis
- ✓ Sizable and well-capitalized banking system

5

## **Consistent fiscal discipline and prudent debt management**

- ✓ Commitment to fiscal discipline has led to an improvement in the Public Sector Deficit (as a percentage of GDP) over the years
- ✓ This will help drive economic recovery and post-COVID sustainability

# The Abinader Presidency: highlights of the new administration's strategic initiatives

## Prudent crisis response

### Economic recovery measures and focus on mitigating the health impact

- Measures to mitigate COVID-19 infections and health impact
- New initiatives to support key economic sectors such as tourism, healthcare, construction, agriculture and mining
- Safeguard students' health and education through distance learning
- Continuation of key social assistance and employment programs through December 2020

## Reinforce key economic strengths

### Economic diversification facilitating the post-COVID economic rebound

- Utilize PPPs to facilitate infrastructure construction and upgrades, including dams, waterworks, ports and roads
- Promote growth in exports, mining projects (including Barrick Gold), and modernize the free trade zone framework

## Path to sustainability and competitiveness

### Responsibility in public spending

- Streamlining of Public Administration to better control costs
- Electricity sector reform in the short to medium-term
  - Dissolution of CDEEE, with oversight of electricity sector in the Ministry of Energy and Mines
  - Potential for private investment or operation of electricity assets

### Fiscal sustainability as key policy priority

- Fiscal deficit reduction and proactive debt management to achieve a sustainable debt structure
- Public spending efficiency & rationalization
- Reform & simplification of the tax system

### Building institutional capacity

- Comprehensive reform of institutions with a commitment to transparency, reducing corruption, and improving public services
- Strengthen the independence of the judiciary and enhance controls in public bidding & contracting procedures, with some reforms already under implementation

## New government's current measures

**Dissolution of CDEEE** as a first step in the electricity reform scheme

**Consolidation of government institutions** under execution to improve efficiency in public spending

Appointment of an **independent Attorney General** to enhance Independence in the judiciary

Establishment of a plan to **guarantee the 2020-2021 school year** through distance learning

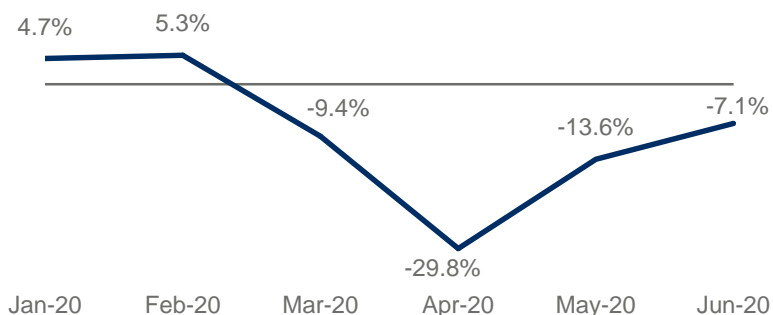
**Provision of technological resources** for students and teachers

**Robust health measures** to increase COVID-19 testing and treatment

# The Abinader administration has a strong tool set at its disposal to address the current crisis

## Economic impact of COVID-19

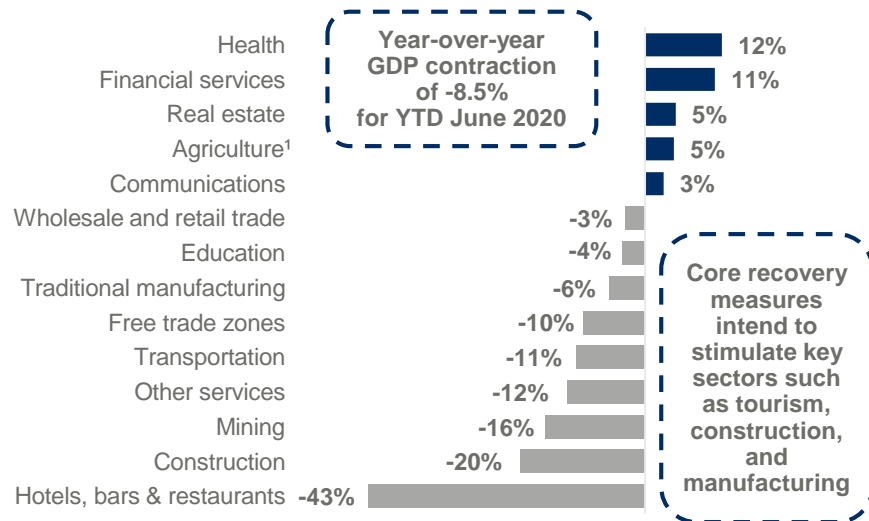
### Annualized monthly change in GDP



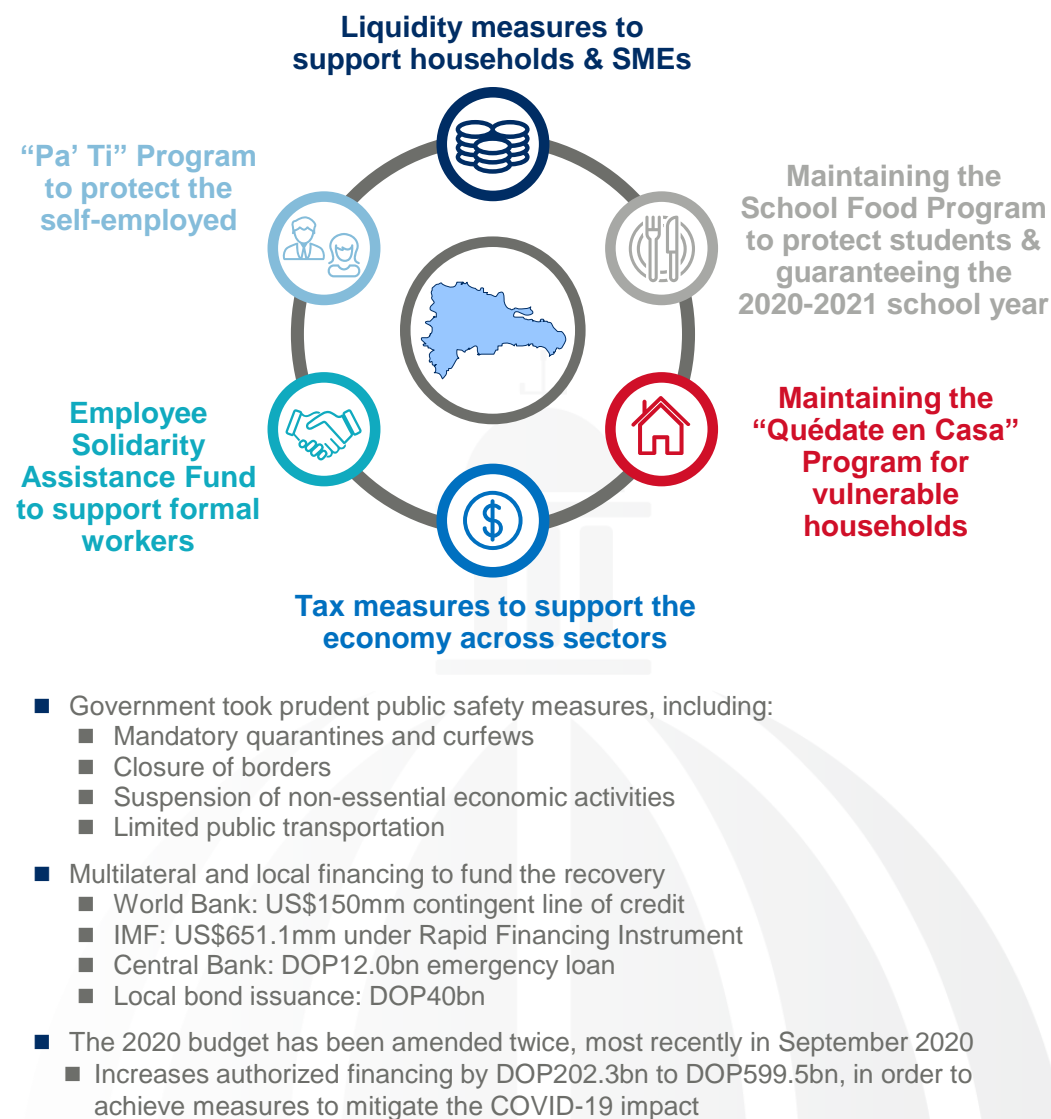
**Economic reopening, monetary policy, and tax measures have driven improved economic activity since May 2020**

### Economic Activity Monthly Indicator

6 months to June 30, 2020, vs. 6 months to June 30, 2019



## Response strategy for economic recovery

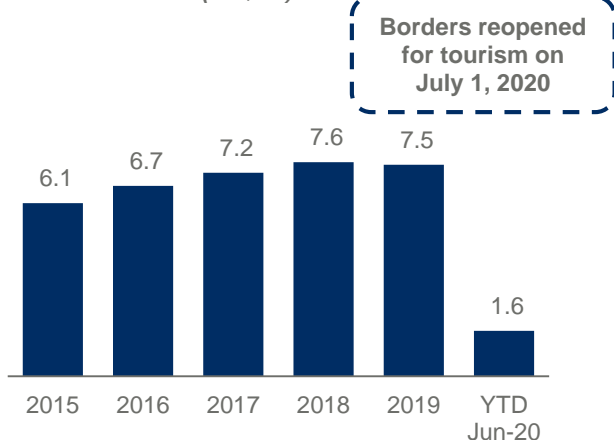




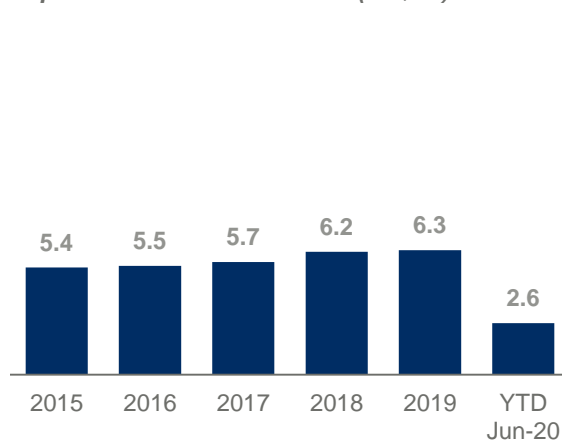
# Dominican Republic's strong economic foundation sets the stage for post-COVID recovery

## The crisis presents significant challenges...

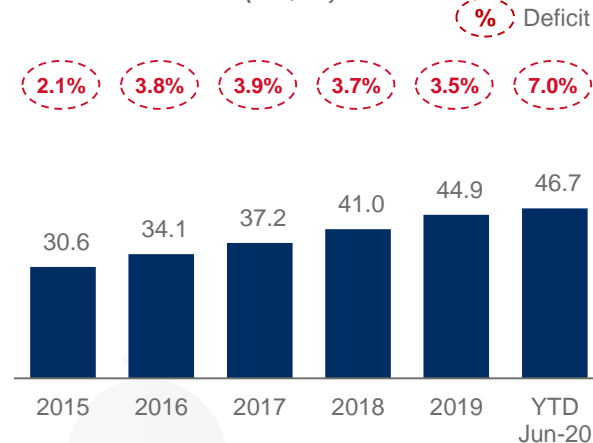
Tourism income (US\$bn)



Exports from free trade zones (US\$bn)

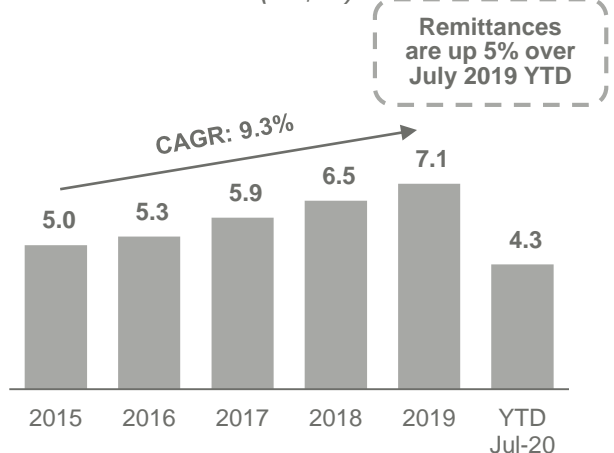


Public sector debt (US\$bn) & deficit

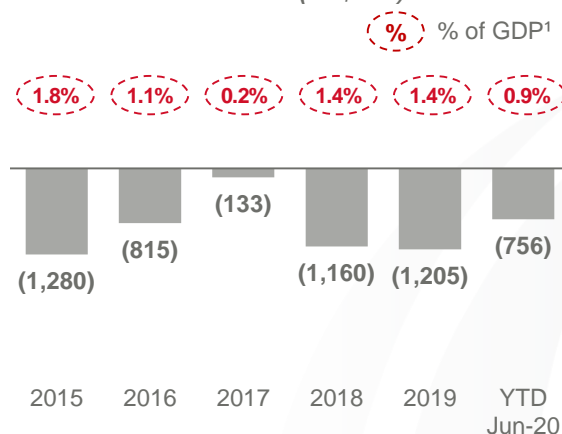


## ... but the economy's resilience will drive its recovery

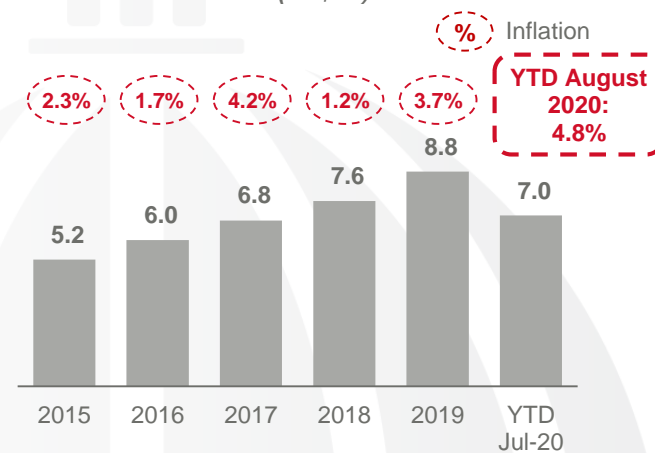
Workers' remittances (US\$bn)



Current account balance (US\$mm)



Central Bank reserves (US\$bn) & inflation



# Supporting the health of the Dominican people and economy with targeted initiatives to reactivate the country

## Monetary & financial measures



### Liquidity measures

- **Support households and SMEs with expansionary measures**
- Policy rate decreased 150bps since March
- Liquidity measures in local and foreign currency (DOP80bn & US\$600mm)
- Banks allowed to restructure loans without additional provisioning requirements
- Repos guaranteed by government
- Support measures for SMEs, including reduction of legal lending reserve requirements and contemplated creation of a guarantee fund



### Tax measures

- **Support companies across economic sectors**
- Aims to improve companies' cash flows and tax compliance
- Allows for exemptions, temporary suspensions, and postponements of tax payments, and ability to pay in installments

## Social & education measures



### Education & School Food Programs

- Continuation of the “Programa de Alimentación Escolar” to ensure food security, providing meals to >1.6mm students
- **2020-2021 distance learning program** and provision of tablets & laptops for students and technological equipment to ~50% of the country's teachers



### “Quédate en Casa” Program

- **“Quédate en Casa” program to protect low income households and informal workers**
- Cash transfers to >1.5mm households receiving monthly financial assistance to purchase food and >450k additional vulnerable households
- Benefits 46.9% of Dominican families with a cost of DOP17.0bn
- Extended until Dec. 2020



### “FASE” Employee Solidarity Assistance Fund

- **Support formal workers suspended from employment**
- Cash transfers of up to DOP8,500 per month
- Benefits >750k employees
- Approximate cost of DOP15.0bn
- Extended until Dec. 2020



### “Pa' Ti” Program

- **“Pa' Ti” program to support self-employed individuals**
- Cash transfers of up to DOP5,000 per month
- Extended until Dec. 2020

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## Economic leader among regional peers

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## Proven monetary policy and healthy financial system

- ✓ Consistent track record of inflation at or below the target range for each year with increasing international reserves and stable FX which has proven resilient during the COVID-19 crisis
- ✓ Sizable and well-capitalized banking system

5

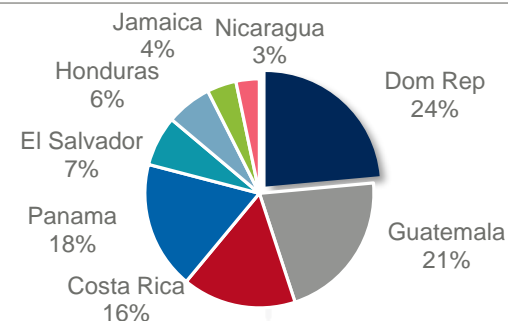
## Consistent fiscal discipline and prudent debt management

- ✓ Commitment to fiscal discipline has led to an improvement in the Public Sector Deficit (as a percentage of GDP) over the years
- ✓ This will help drive economic recovery and post-COVID sustainability

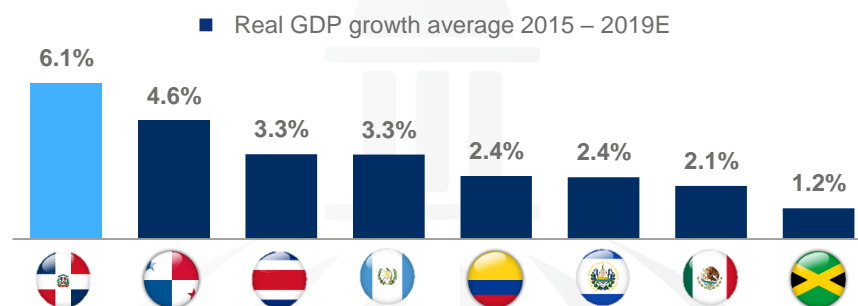
# Dominican Republic: an economic standout in the Caribbean & Central America

Country	Nominal GDP '19 (US\$bn)	GDP per capita '19 (US\$000) <sup>1</sup>	GDP growth '19 <sup>1</sup>	Pop. '19 (mm) <sup>1</sup>	Ratings (Moody's/S&P/ Fitch)
Dom. Rep.	88.9	8.6	5.1%	10.4	Ba3 / BB- / BB-
Mexico	1,274.2	10.1	0.4%	125.9	Baa1 / BBB / BBB-
Colombia	327.9	6.5	3.4%	50.4	Baa2 / BBB- / BBB-
Guatemala	81.3	4.6	3.4%	17.6	Ba1 / BB- / BB-
Costa Rica	61.0	12.0	2.0%	5.1	B2 / B / B
Panama	68.5	16.2	4.3%	4.2	Baa1 / BBB+ / BBB
El Salvador	26.9	4.0	2.5%	6.7	B3 / B- / B-
Jamaica	15.7	5.5	1.1%	2.9	B2 / B+ / B+

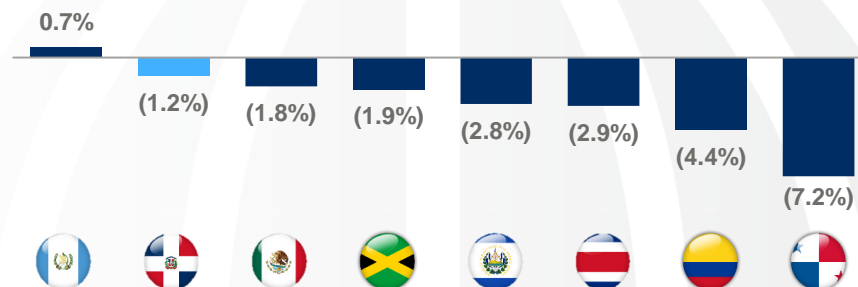
GDP participation in Central America & Caribbean<sup>2</sup>



Region-leading GDP growth<sup>1</sup>



Current account deficit (% of GDP, 2015 – 2019E)<sup>1</sup>



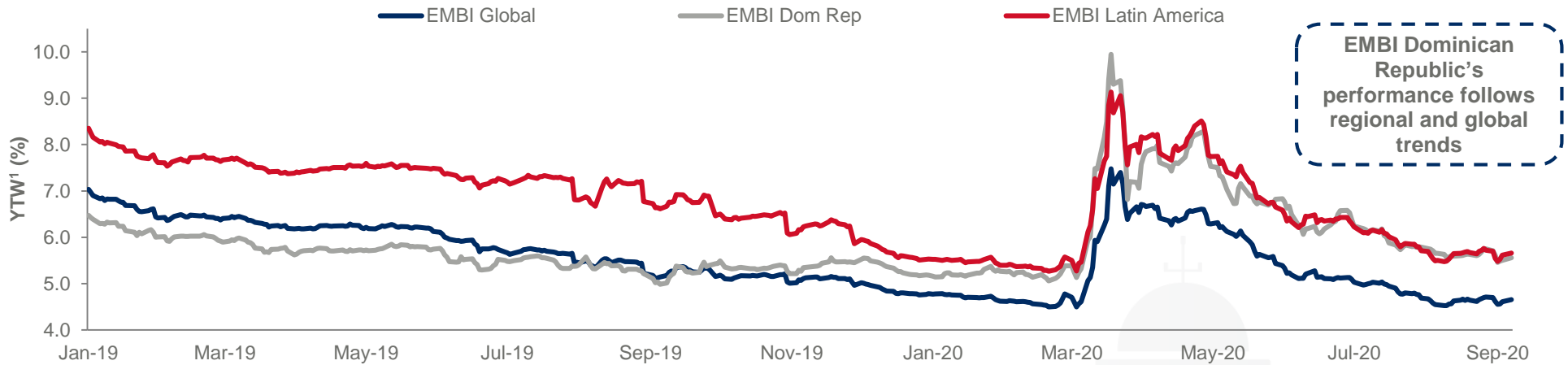
Sources: Central Bank, International Monetary Fund World Economic Outlook (April 2020), Moody's, S&P, and Fitch.

(1) 2019 data is estimated as of the IMF's April 2020 World Economic Outlook publication, except for Dominican Republic for which 2019 data is from the Central Bank

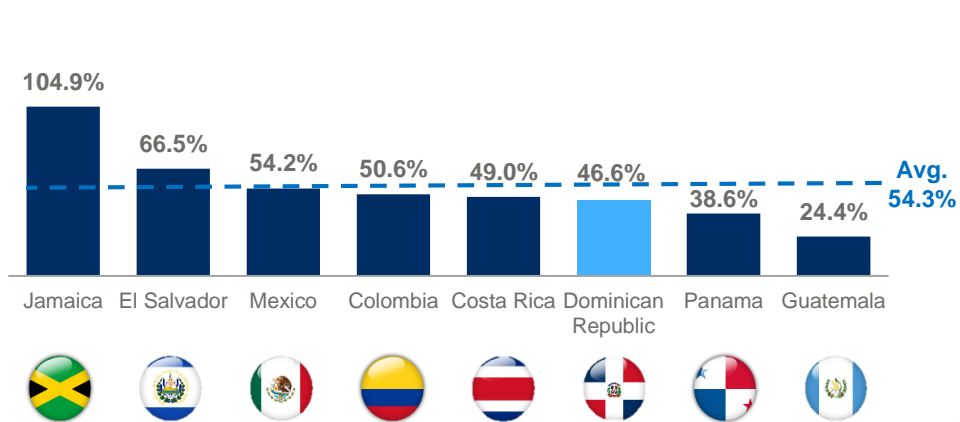
(2) Represents selected Central American and Caribbean countries for 2019E.

# Strong credit metrics vs. comparable sovereigns

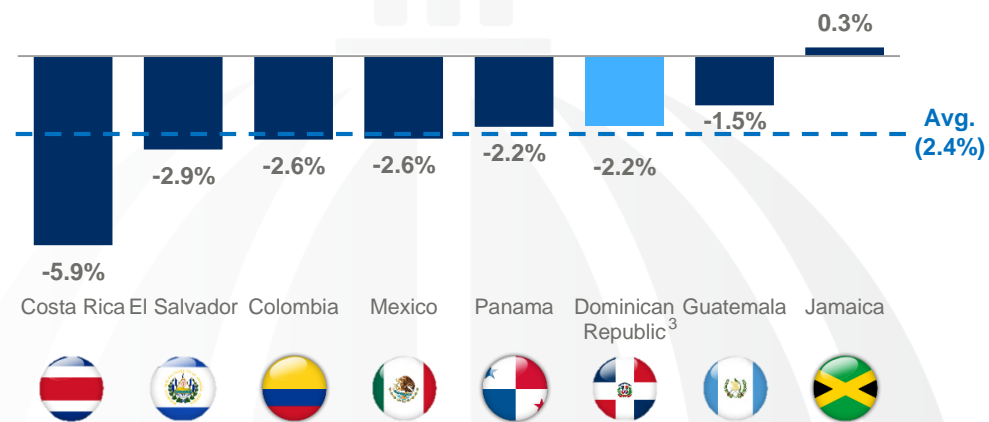
## Country risk in line with Latin America's



## Public sector debt (% of GDP, 2015 – 2019E<sup>2</sup>)



## Fiscal deficit (% of GDP, 2015 – 2019E<sup>2</sup>)



Sources: Central Bank, International Monetary Fund World Economic Outlook (October 2019) and J.P. Morgan.

(1) Yield to worst.

(2) 2019 data is estimated as of the IMF's October 2019 World Economic Outlook publication, except for Dominican Republic for which 2019 data is from the Central Bank

(3) Dominican Republic data corresponds to Non-Financial Public Sector deficit.

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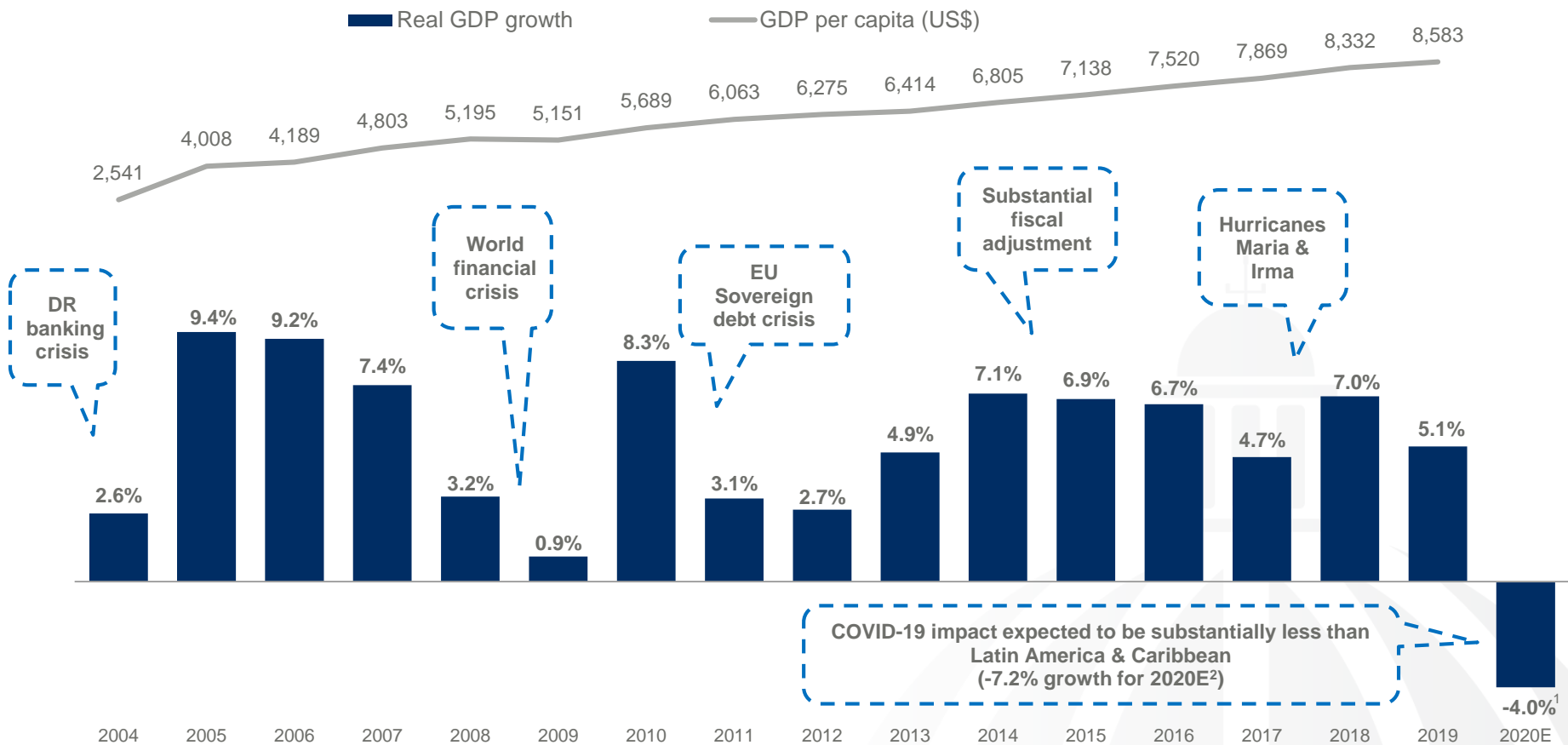
5

## Consistent fiscal discipline and prudent debt management

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# Resiliency during periods of global and regional economic turmoil

Resilient GDP performance despite domestic and external shocks



*Track record of economic dynamism and resilience driven by high levels of remittances, robust performance of free trade zone exports bolstered by high gold prices, and reduced dependency on imported oil*

Sources: Central Bank, Ministry of Finance, IMF and World Bank Global Economic Prospects publication from June 2020. Dominican Republic Real GDP growth figures are calculated using constant prices as of 2007

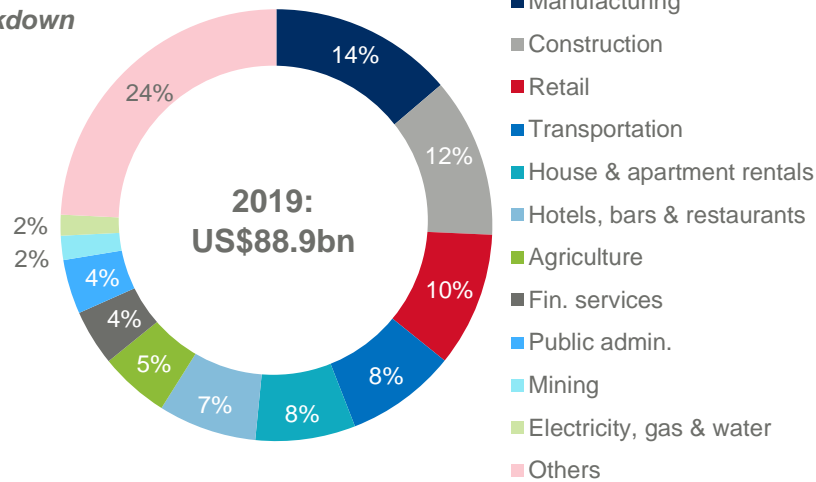
(1) 2020 assumption as per revised September 2020 budget

(2) Real GDP growth for Latin America and Caribbean According to the World Bank Global Economic Prospects publication from June 2020

# Capitalizing on economic diversification and the dynamic growth profile

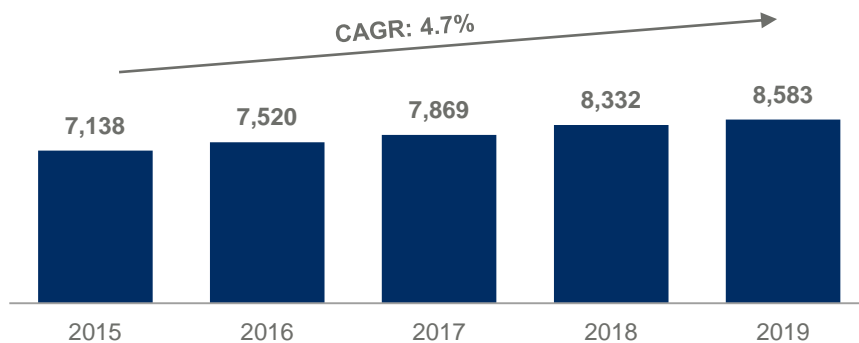
## Diversified & resilient economy

Nominal GDP breakdown

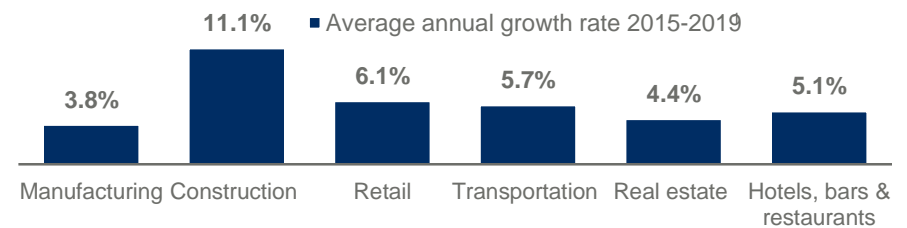


## Track record of solid growth in GDP per capita

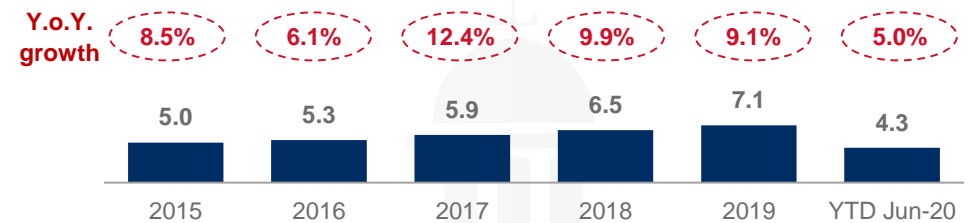
(US\$)



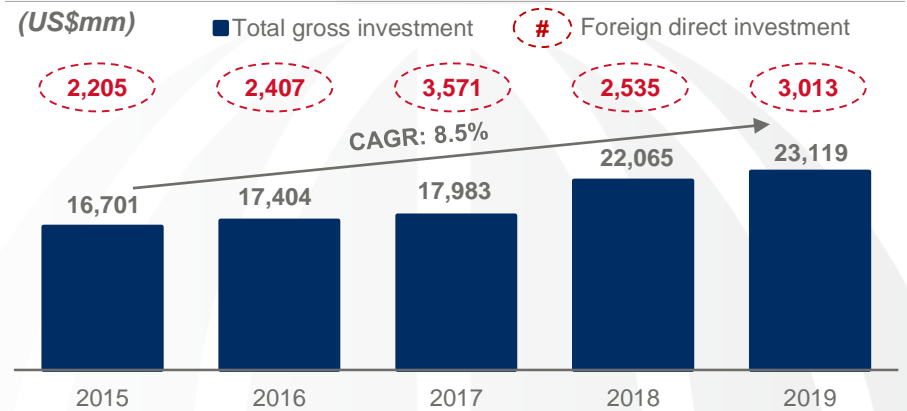
## Historically strong performance across economic sectors



## Robust remittances drive consumption dynamism (US\$bn)



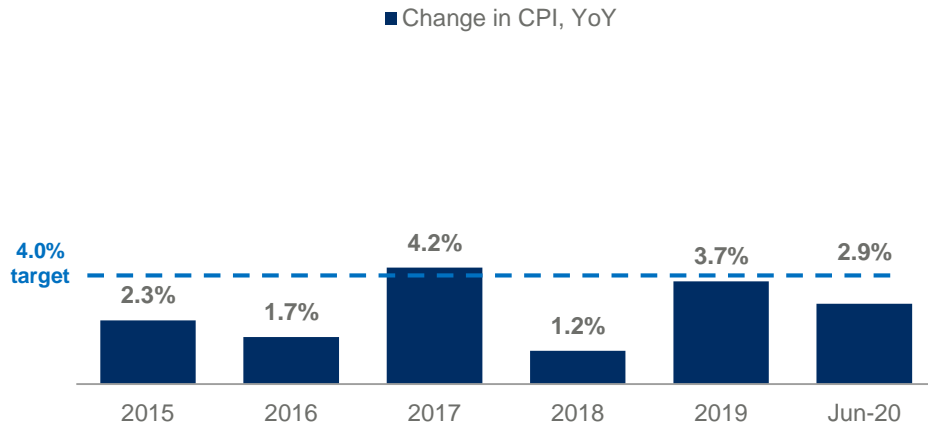
## Robust investment levels have driven economic dynamism



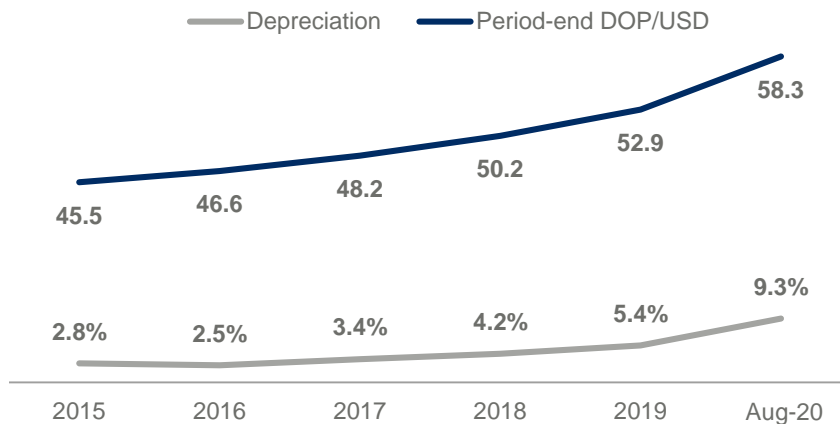


# Attractive local rates driven by stable FX and healthy inflation

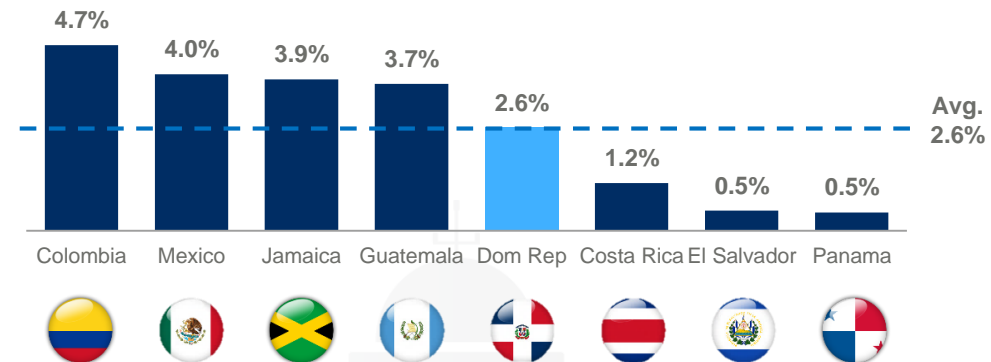
## History of price stability with low inflation levels



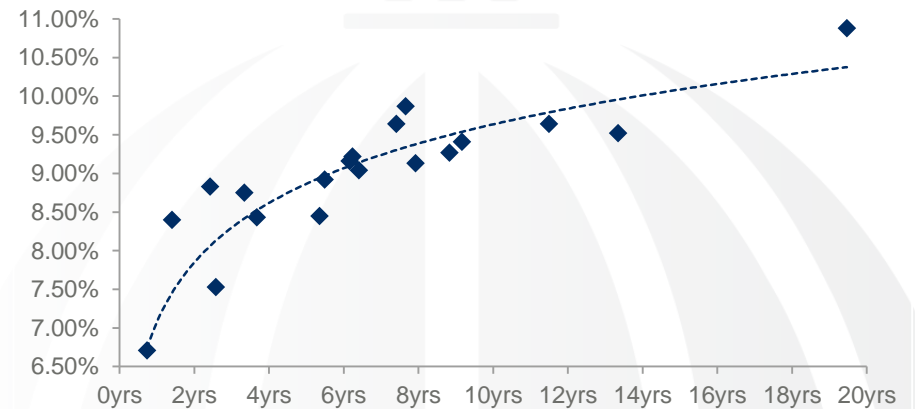
## Track record of moderate currency depreciation<sup>2</sup>



## Average rate of inflation vs. regional peers (2015-2019)<sup>1</sup>



## Local DOP Bonds (YTW, %)

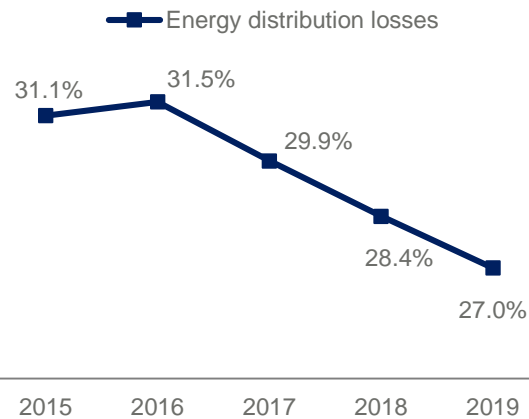


Sources: Central Bank, Ministry of Finance, IMF World Economic Outlook Database (October 2019) and Bloomberg as of September 9, 2020.

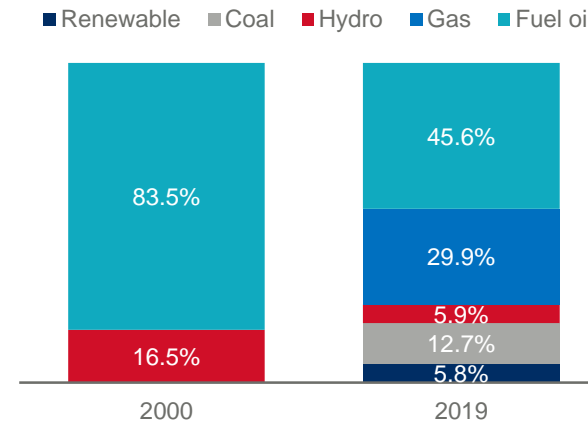
(1) Refers to end of period consumer prices. 2019 data as of the IMF's April 2020 World Economic Outlook publication, except for Dominican Republic for which 2019 data is from the Central Bank (2) Depreciation for August 2020 is compared to December 31, 2019

# Energy sector continues to improve, driving increased economic resilience

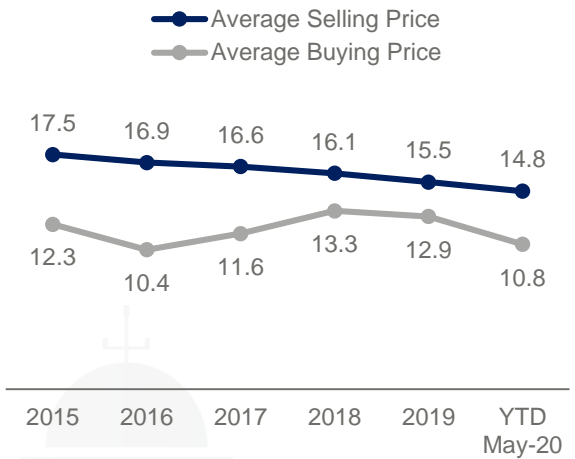
## Energy losses have been declining...



## ... while energy generation matrix is diversifying



## Evolution of energy prices (US cents/kWh)



## Demonstrated success in diversifying the energy matrix

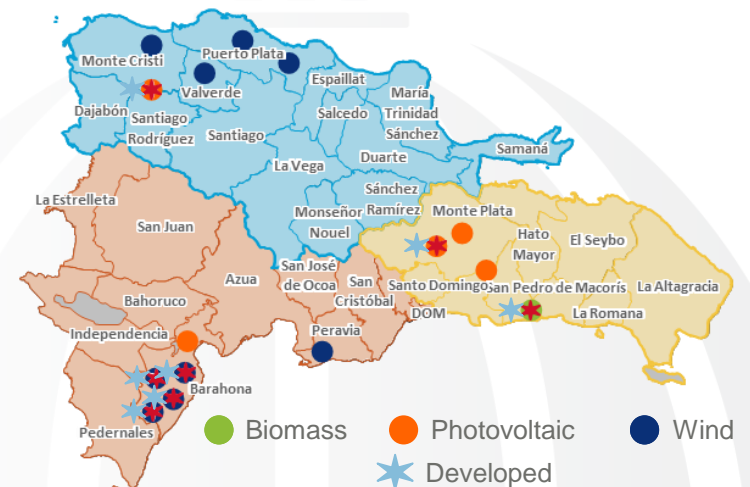
### Coal – Punta Catalina

- Two thermal coal units with nominal net power of 356MW per unit
- Both generation units began operating in 2019, driving a reduction in spot energy prices
- New administration is assessing strategy for private investment or operation
  - Process for potential sale put on hold during the 1st half of 2020 due to the focus on the COVID-19 response

### Natural gas

- AES: Combined cycle DPP-Los Mina (114 MW) began operations in 2017

### Renewables



Sources: CDEEE

# The future of the Dominican electricity sector

## Significant improvement of the electricity sector in recent years...

- Reduction of energy losses in the distribution network from 31.1% in 2015 to 27.0% in 2019
- US\$433mm in financing from multilateral institutions to reduce distribution companies' losses and improve usage of metering systems
- Increasing capacity of the hydroelectric power system
- Improvements to the transmission network
- Diversification of the energy matrix

## ... with room for further improvement to address challenges

### *Key goals of measures to address challenges in the electricity sector*

- Reduce theft by investing in distribution assets and enforce antitheft provisions
- Reduce government transfers to the electricity sector, which manages state-owned electricity companies
- Reduction of generation costs through adoption of coal, natural gas, and renewables and eliminating inefficiencies in the spot market
- Improvement of transmission system to support growing demand and connect new power plants
- Improvement in the management of Dominican electricity companies

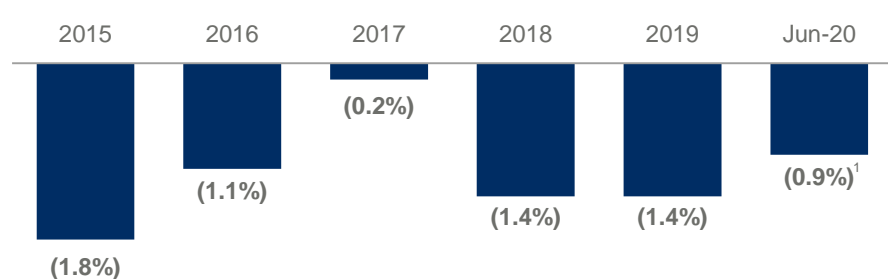
## The Abinader administration's plans for the electricity sector

- ✓ **Dissolution of the CDEEE**
- ✓ **Reorganize management of state-owned distribution & generation companies** under a Board of Directors for each activity
- ✓ Concentrate the energy sector's **regulatory oversight in the Ministry of Energy and Mines**
- ✓ Open state-owned assets to **private sector investment & operation**
- ✓ Promote the **development of renewable energy**

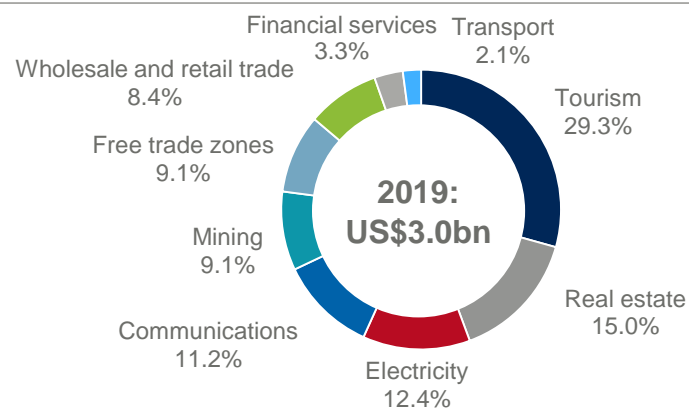
*New administration is spearheading ambitious electricity sector reform in effort to enhance efficiency in public spending*

# External Sector: adequate current account management with diversified foreign investment and growing remittances

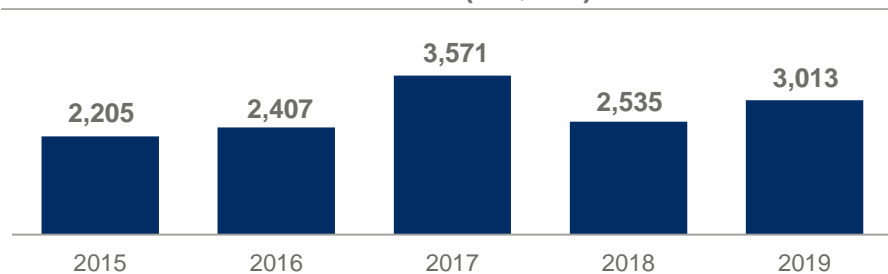
## Current account deficit (% of GDP)



## FDI flows by sector (2019)



## Track record of solid FDI inflows (US\$mm)



## External sector key metrics

US\$bn	2015	2016	2017	2018	2019	YTD Jun-2020
<b>Current account</b>	(1.3)	(0.8)	(0.1)	(1.2)	(1.2)	(0.8)
(%) GDP	(1.8)%	(1.1)%	(0.2)%	(1.4)%	(1.4)%	(0.9)% <sup>1</sup>
<b>Total exports</b>	9.4	9.8	10.1	10.9	11.2	4.8
Change, YoY (%)	(4.6)%	4.2%	3.0%	7.6%	2.9%	(12.5)%
<b>Free trade zone exports</b>	5.4	5.5	5.7	6.2	6.3	2.6
Change, YoY (%)	3.1%	1.5%	3.7%	9.1%	0.5%	(13.6)%
<b>Total imports</b>	16.9	17.4	17.7	20.2	20.3	8.1
Change, YoY (%)	(2.1)%	2.9%	1.9%	14.0%	0.4%	(18.3)%
<b>Remittances</b>	5.0	5.3	5.9	6.5	7.1	4.3 <sup>2</sup>
Change, YoY (%)	8.5%	6.1%	12.4%	9.9%	9.1%	5.0%
<b>Income from tourism</b>	6.1	6.7	7.2	7.6	7.4	1.6
Change, YoY (%)	8.6%	9.9%	6.9%	5.2%	(1.2)%	(59.9)%
<b>Financial Account</b>	(1.5)	(2.5)	(2.1)	(2.7)	(2.5)	(7.0)
(%) GDP	(2.1)%	(3.2)%	(2.7)%	(3.2)%	(2.8)%	(8.6)%
<b>Net int. reserves</b>	5.2	6.0	6.8	7.6	8.8	7.1
NIR/Imports month	3.7	4.2	4.6	4.5	5.2	5.3

Remittances and tourism receipts have historically more than covered the trade deficit

# Investment highlights

1

## New administration with robust strategy to address the COVID-19 crisis and reactive economic growth and fiscal consolidation

- ✓ Well-developed plan to drive recovery, encourage economic activity and diversification, enhance fiscal sustainability, and improve governance and transparency

2

## Economic leader among regional peers

- ✓ DR's GDP growth has historically outpaced that of regional peers, with 6.1% average GDP growth from 2015-2019
- ✓ Nominal 2019 GDP was US\$89.0bn, representing approximately 24% of Central America & Caribbean's GDP
- ✓ Third most populous country in Central America and the Caribbean, with an estimated population of 10.4 million

3

## Resilient economy with sustained GDP growth, supported by public and private investment

- ✓ Average annual real GDP growth rate of 6.1% from 2015 to 2019, the highest for Latin American peers during that period
- ✓ Well-diversified economy, supported by the construction, manufacturing, retail and tourism sectors

4

## Proven monetary policy and healthy financial system

- ✓ Consistent track record of inflation at or below the target range for each year, with increasing international reserves and stable FX, which has proven resilient during the COVID-19 crisis
- ✓ Sizable and well-capitalized banking system

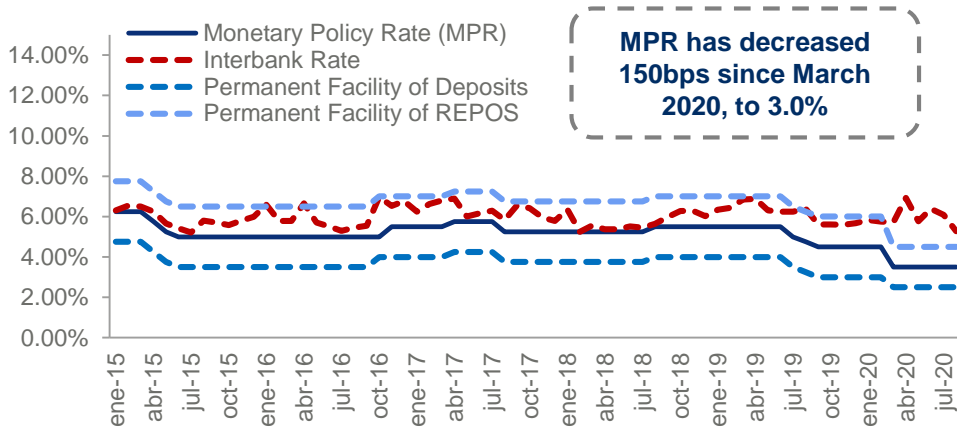
5

## Consistent fiscal discipline and prudent debt management

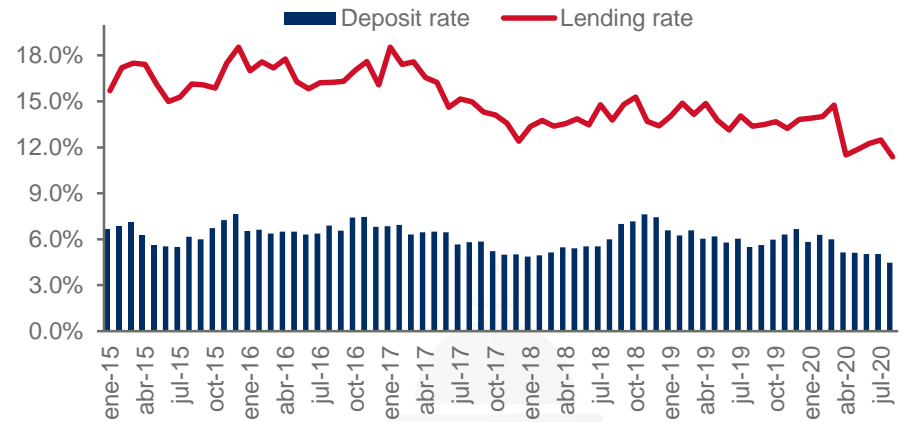
- ✓ Commitment to fiscal discipline has led to an improvement in the Public Sector Deficit (as a percentage of GDP) over the years
- ✓ This will help drive economic recovery and post-COVID sustainability

# Impact of monetary policy

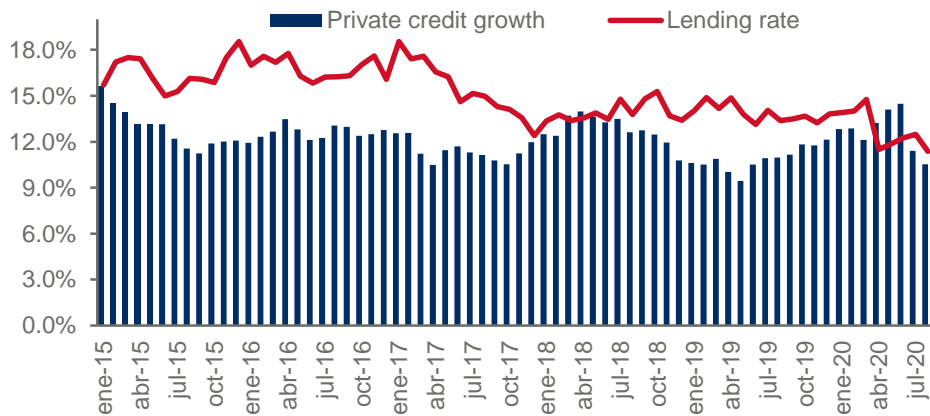
Interest rate corridor (annual %)



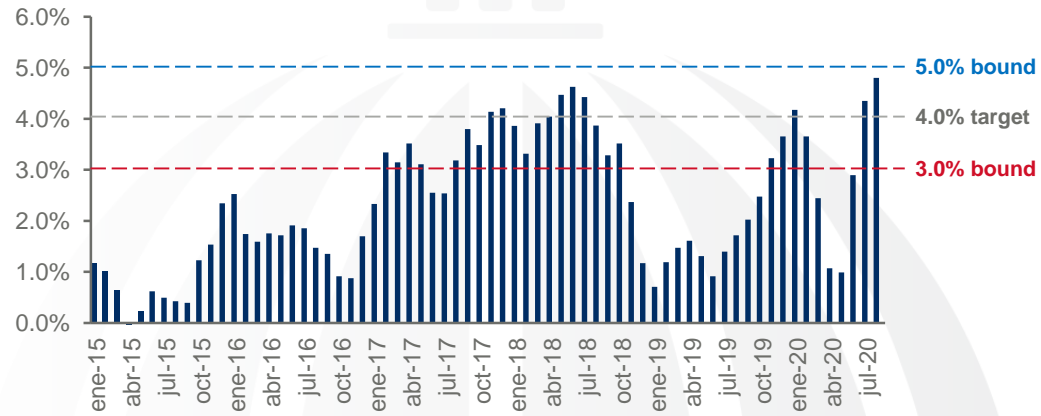
Deposit and lending rates<sup>1</sup>



Private credit in local currency



CPI Inflation (year-over-year)

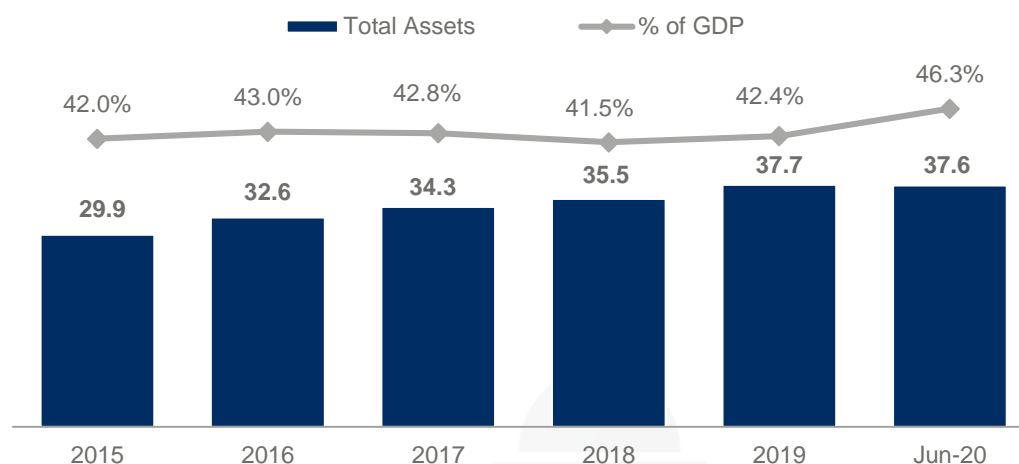


# Diversified and sizeable financial system...

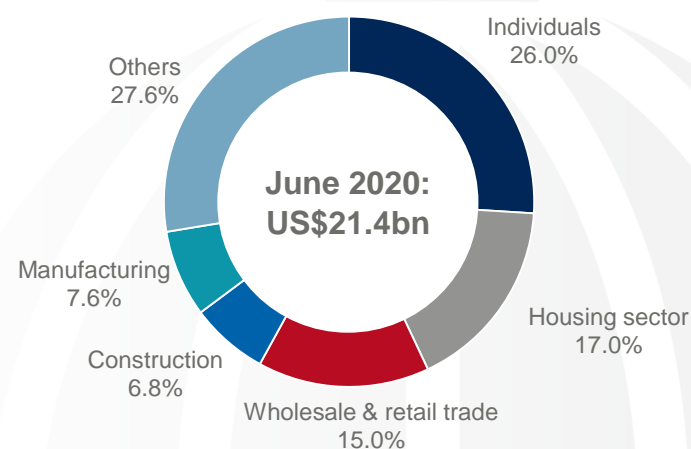
## Highlights

- As of December 31, 2019, the Republic's financial system was comprised of 50 operating financial institutions:
  - 18 commercial banks (including BanReservas)
  - 14 savings and credit banks
  - 10 savings and loan associations
  - 6 credit corporations
  - 2 government-owned financial institutions (Banco Nacional de las Exportaciones and Banco Agrícola de la República Dominicana)
- Total assets of the financial system reached US\$37.6bn in June 2020, equivalent to 46.3% of GDP
- BanReservas, a state-owned commercial bank, was the largest commercial bank in terms of assets as of December 31, 2019
  - Operates as a commercial bank, offering retail services and subject to the same regulation as private commercial banks
  - Receives all deposits of public sector entities and pays all checks issued by the government
- As of December 31, 2019:
  - Private sector has received on average 93.3% of the total loans issued by the financial system
  - Public sector received 5.0%
  - Intra-financial sector loans accounted for the remaining 1.6%

## Growing financial system (US\$bn)

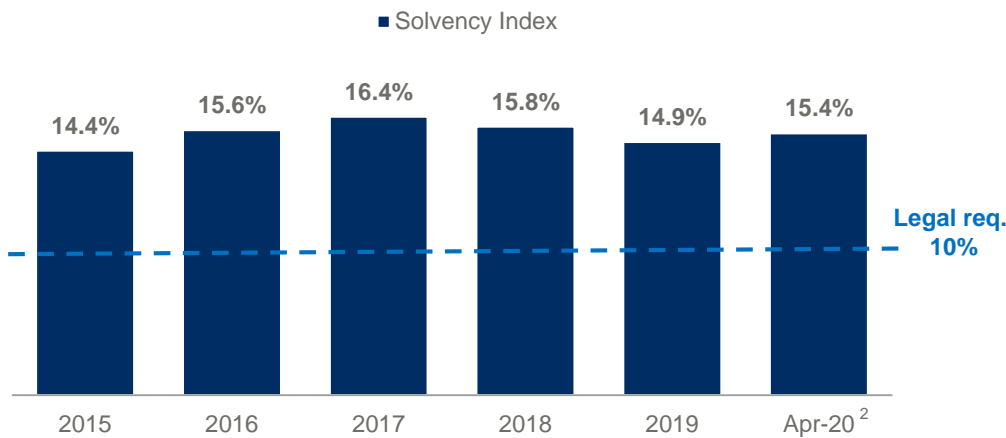


## Diversification of the loan portfolio

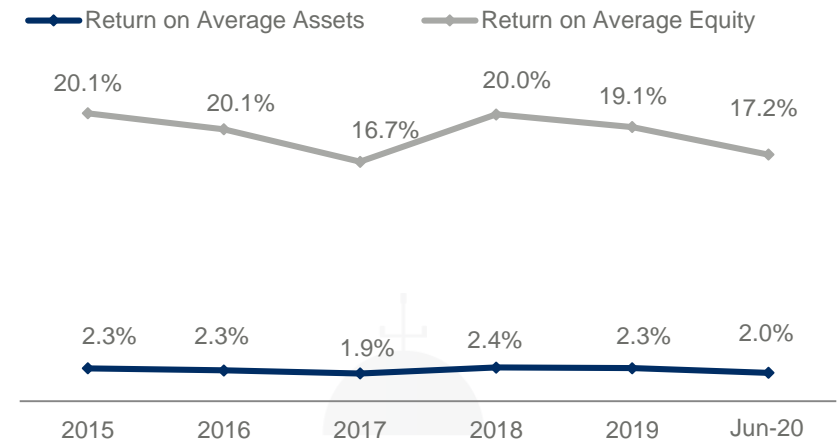


# ... with strong capitalization, robust asset quality, and consistent profitability

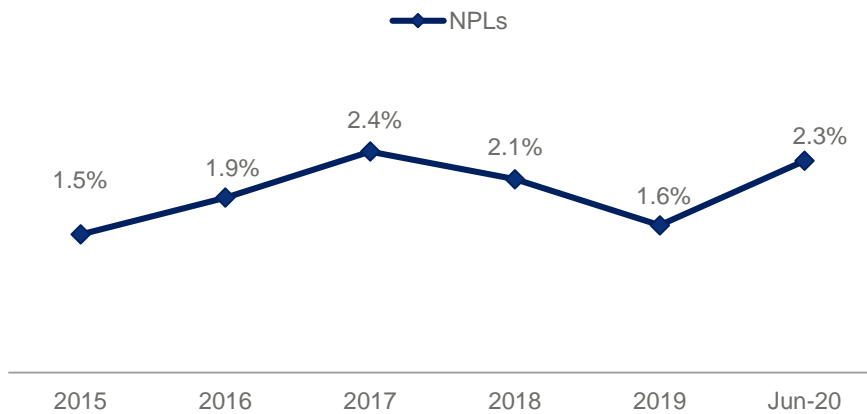
## Solvency ratios remain strong in the current crisis<sup>1</sup>



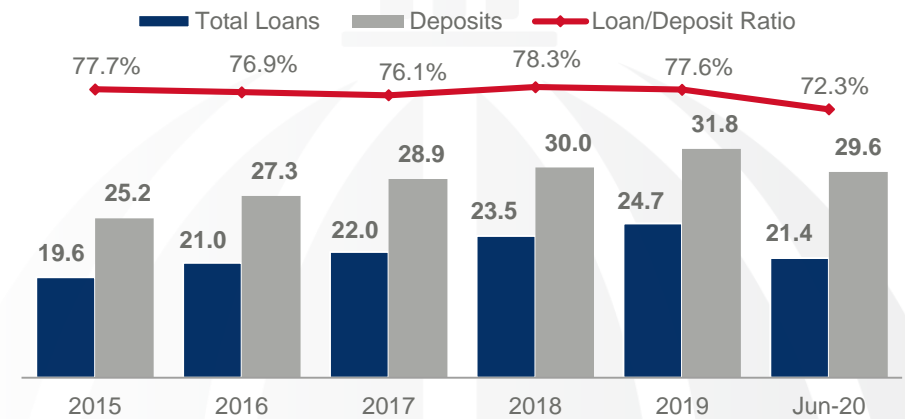
## Profitability<sup>3</sup>



## Ratio of non-performing loans<sup>3</sup>



## Total loans and deposits (US\$bn)<sup>3</sup>



Sources: Banking Superintendency and Central Bank

(1) Solvency ratio for Commercial Banks "Bancos Múltiples" as defined by the Banking Superintendency

(2) Latest available information

(3) Includes entire financial system



# Investment highlights

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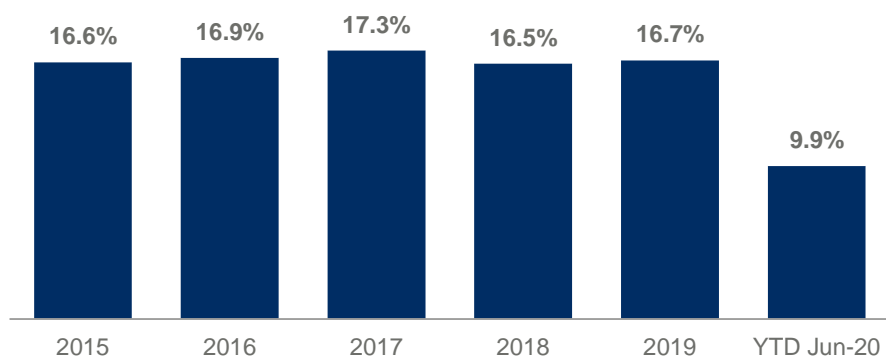
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## Consistent fiscal discipline and prudent debt management

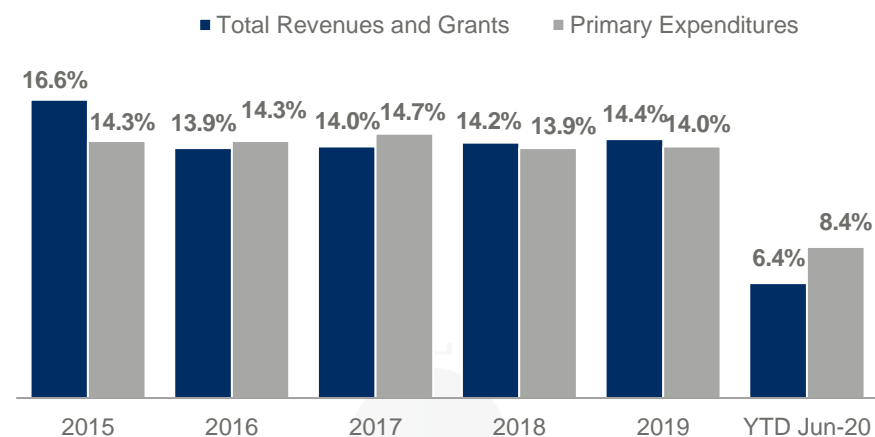
- ✓ Commitment to fiscal discipline has led to an improvement in the Public Sector Deficit (as a percentage of GDP) over the years
- ✓ This will help drive economic recovery and post-COVID sustainability

# Demonstrated results of the deficit reduction strategy

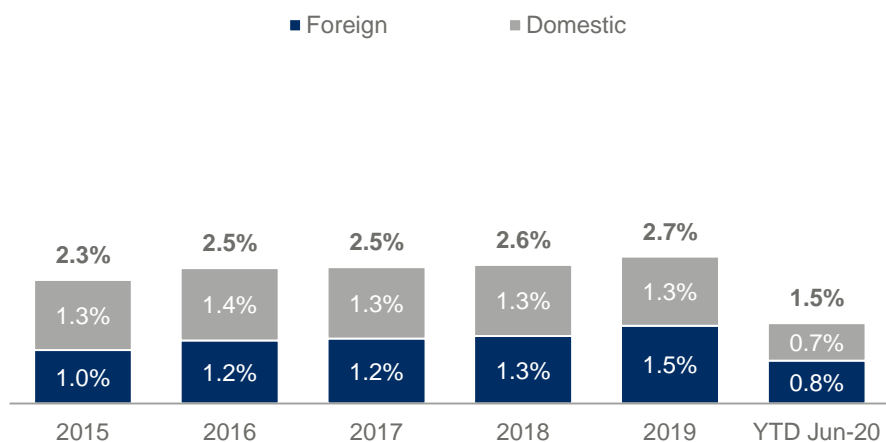
## Central government total expenditure (% of GDP)<sup>1</sup>



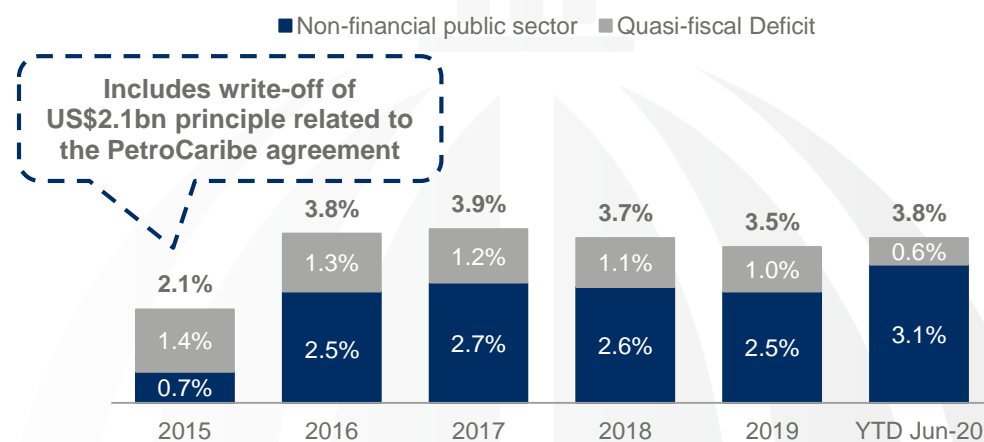
## Central Government Primary Balance (% of GDP)<sup>1</sup>



## Central Government Interest Burden (% of GDP)<sup>1</sup>

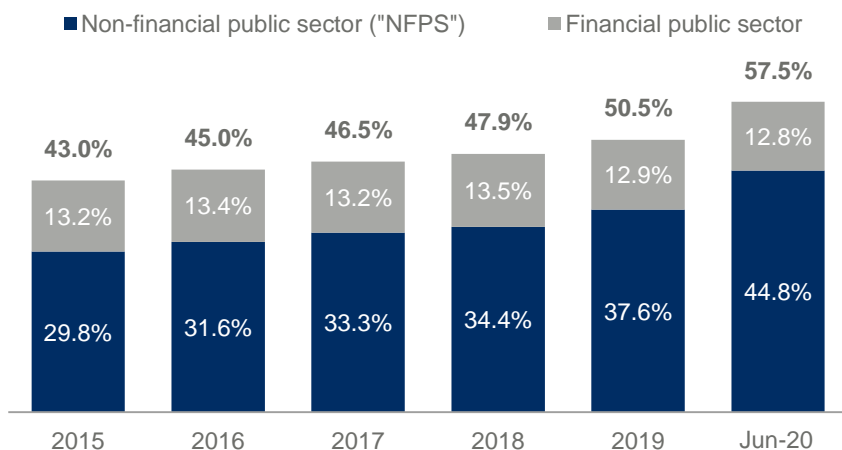


## Public Sector Deficit (% of GDP)<sup>1</sup>

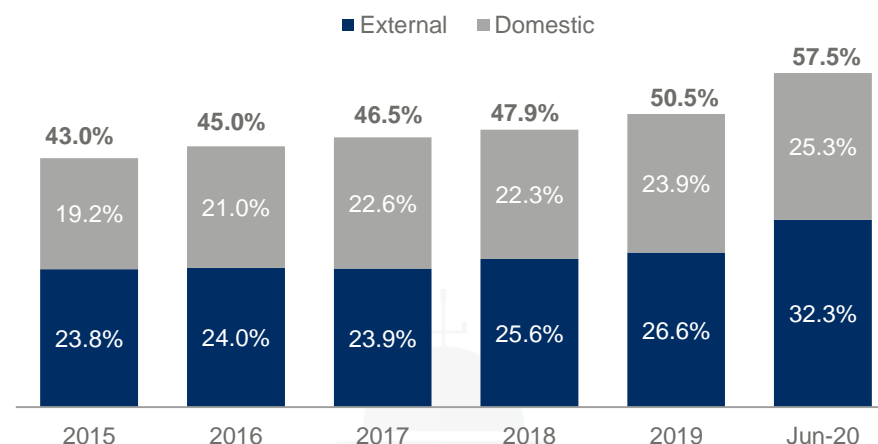


# Improving debt profile with room for further fiscal consolidation

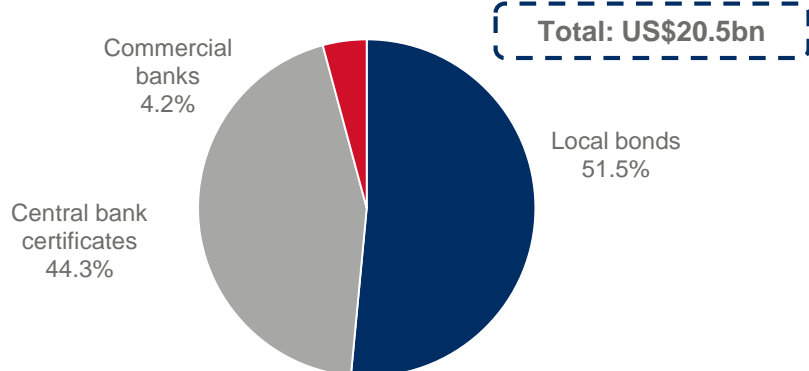
Consolidated public sector debt (% of GDP)<sup>1,2,3</sup>



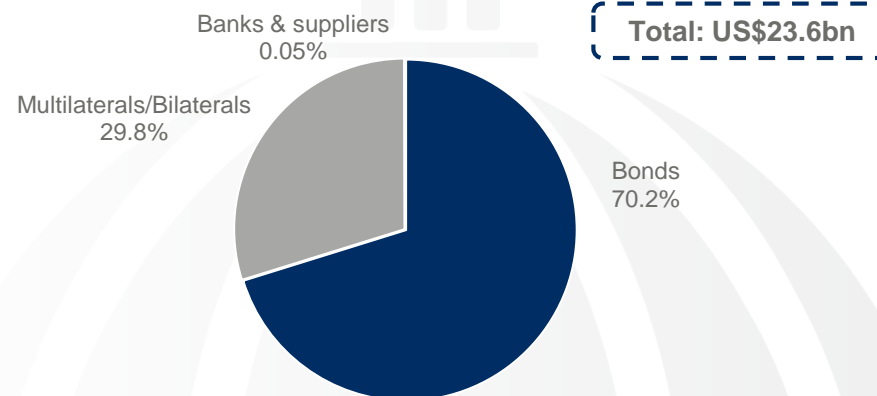
Consolidated public sector debt (% of GDP)<sup>1,3</sup>



Domestic debt breakdown (June 30, 2020)



External debt breakdown (June 30, 2020)



Source: Central Bank, Ministry of Finance – Department of Public Credit.

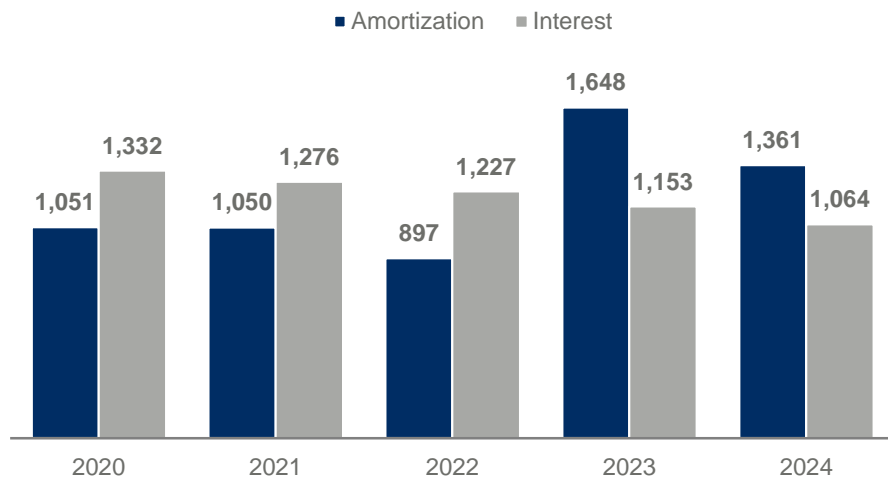
(1) Excludes intra-governmental debt eliminations to avoid double counting.

(2) Non-financial public sector refers to general government and public enterprises. Financial Public Sector refers to Central Bank and other public sector financial entities

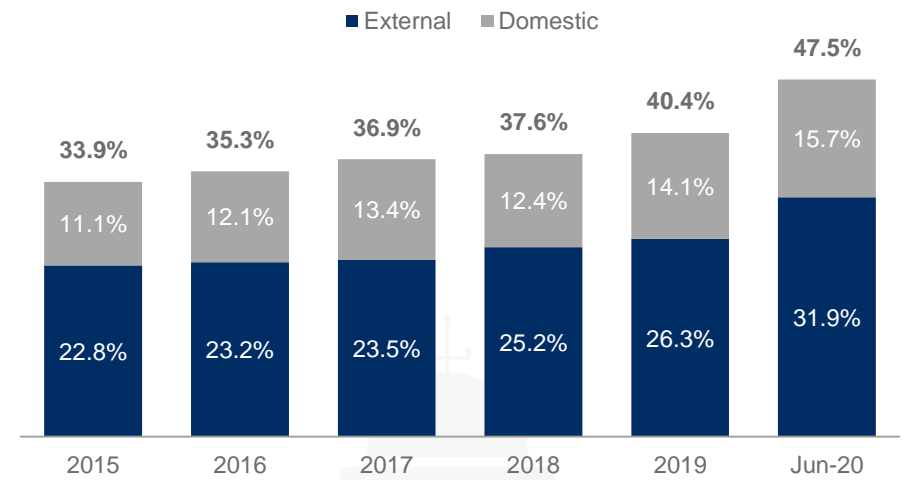
(3) June 2020 data as a percentage of budgeted GDP for 2020, per the June 2020 revised Budget, which has since been revised in September 2020

# Long dated debt profile

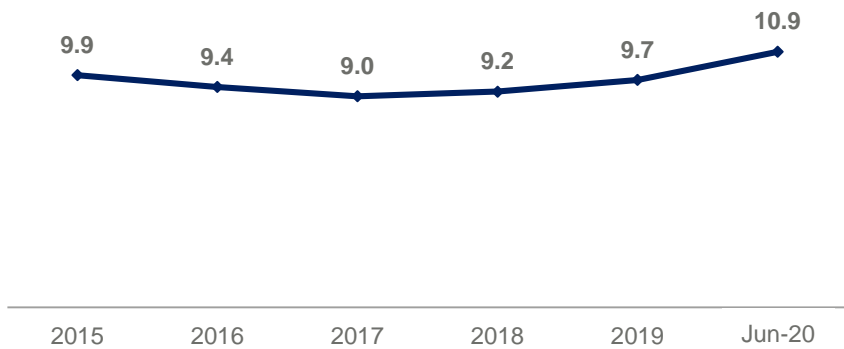
Public sector external debt maturity profile (US\$mm)<sup>1</sup>



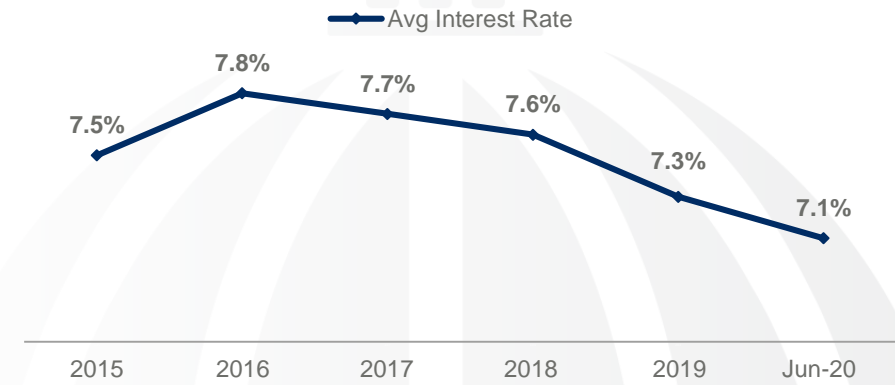
NFPS debt<sup>2</sup> (% of GDP)



NFPS debt average life (years)



NFPS interest rate profile (%)



Source: Department of Public Credit - Ministry of Finance and Central Bank.

(1) As of December 31, 2019

(2) Includes intra-governmental debt.



# **The road ahead**

**Strategy for economic & fiscal sustainability**

# Long-term strategy committed to sustainable economic growth while developing a strong social agenda and political stability

## Key pillars for a sustainable future

### 1 Maintain economic growth and stability

- Pursue economic growth close to country's potential
- Increase the already strong level of International Reserves
- Continue to access international capital markets
- Increase the share of financing from multilaterals to reduce the cost of debt and increase transparency
- Strengthen the local capital markets

### 2 Continuous improvement in fiscal and monetary policy management

- Implementation of full-fledged inflation targeting
- Improve tax collections by strengthening tax administration and evaluation as well as control of government expenditures

### 3 Further enhance competitiveness and global integration

- Infrastructure: power generation, highways, rural roads, urban transportation, water supply and schools
  - Leverage opportunities for PPP initiatives
- Education: higher quality and additional resources and facilities, eradicate illiteracy, close the digital gap
- Environment: sustainable production and consumption to confront climate change challenges as signatory to the Paris Agreement

### 4 2030 National Development Strategy

- Achieve investment grade country status by 2030
- Continue to improve institutional framework to increase transparency and accountability
- More competitive and productive sectors, and further integration to the global economy through bolstering national exports

## The Abinader administration has a plan to achieve the country's strategic objectives

Driving recovery from the COVID-19 crisis while protecting our citizens

Capitalize on the dynamic and diverse economy to achieve robust long-term growth

Public sector reform to drive responsible spending

Fiscal stability and sustainability as a key policy priority

Complete reform of Public Administration, building institutional capacity and enhancing governance and transparency