



Ministry of Finance

Public Debt Office

2010 Annual Financing Plan

Santo Domingo, Distrito Nacional

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Introduction

The main purpose of the 2010 Annual Financing Plan is to present the financing requirements and the issuance strategy of external and domestic debt of the Central Government for 2010, which is consistent with the Medium-Term Debt Management Strategy.

The Annual Financing Plan is not only a tool for planning, but one for increasing transparency, and the predictability in the country's debt management.

This document is divided into two sections. Section one details the fiscal situation and Financing Plan for 2009, identifying the fiscal deficit budgeted and executed in the year, as well as the financing sources stipulated in the budget and the funding received during 2009.

The second section presents an estimate of the gross financing needs for the year 2010, describing the characteristics of the new funding in terms of financing sources (external and domestic), different instruments and maturities, among others; as well as the estimate of the Central Government debt outstanding balance for the end of the year given the financing and the amortizations stipulated in the 2010 budget.

I. 2009 Fiscal Situation and Financing Plan

The Dominican Republic, like most countries worldwide, was adversely affected by the global economic crisis and the credit crunch in the capital markets, which resulted in a decrease in domestic demand and government tax revenues for 2009. For this reason, in order to offset the possible impact of the crisis on low-income social sectors, the Dominican government adopted as a policy measure, the increase in spending during the last quarter of 2009, in benefit of social sectors and public investment.

Lower than expected fiscal income and the increase in spending in 2009 generated a fiscal deficit of US\$1,618.0 million, equivalent to 3.5% of GDP, which was funded by both external and domestic financing. In this sense, additional resources were required from multilateral and other financial institutions, for which on November 9th, 2009, the Government signed a mid-term Stand-By Arrangement with the International Monetary Fund (IMF), for the amount of DEG1,095 million (equivalent to US\$1,700 million).

During 2009, the Central Government received gross financing of US\$2,846.0 million, made principal payments and decreased accounts payable by US\$1,228.0 million, for a net financing of US\$1,618.0 million.

Table 1: 2009 Financial Requirements and Sources

Figures in millions of US\$

	Original Budget	Modified Budget	Execution
GROSS FINANCING REQUIREMENTS	2,075.2	2,844.3	2,846.0
<i>I. Fiscal Deficit (1 - 2)</i>	<i>(831.4)</i>	<i>(1,405.2)</i>	<i>(1,618.0)</i>
1. Total Revenues and Grants	6,780.8	6,391.0	6,399.7
2. Total Expenditures	7,612.2	7,796.2	8,017.7
<i>II. Financial Applications (3 + 4)</i>	<i>1,243.8</i>	<i>1,439.1</i>	<i>1,228.0</i>
3. Public Debt Amortizations	1,054.8	1,073.6	1,047.6
4. Reduction of Accounts Payable*	189.0	365.6	180.4
FINANCING SOURCES (I + II)	2,075.2	2,844.3	2,846.0
External Financing	1,536.5	1,900.8	1,716.8
Investment Projects	533.3	542.8	333.2
Budget Support	1,003.2	1,358.0	1,383.6
Bilaterals (Petrocaribe)	300.0	240.0	269.6
Multilaterals	703.2	1,118.0	1,114.0
IADB	230.0	450.0	449.4
WB	398.2	348.2	324.6
IMF	-	300.0	320.5
CAF	75.0	19.8	19.6
Domestic Financing	538.7	943.6	1,129.2
Domestic Bonds	511.8	520.9	528.7
Domestic Credit		395.3	600.3
Administrative Debt Bonds	26.9	27.4	0.2

*Net of balance on Treasury Account

The Central Government received external resources for an amount of US\$1,716.8 million, of which US\$1,114.0 million came from multilateral agencies (IADB, IBRD, IMF, CABEL) to finance programs and for budget support purposes, US\$269.6 million were received through the Petrocaribe Agreement, and the remaining US\$333.2 million were multilateral, bilateral and international commercial banks resources to finance public investment projects

On the other hand, the Government received domestic financing for an amount of US\$1,129.2 million, of which US\$600.3 million was through local commercial banks and US\$528.9 million by domestic bonds issuances and allocations. (See Table 1)

The Central Government's debt balance at the end of 2009 totaled US\$12,978.7 million. This amount is calculated by adding to the Central Government's debt balance in 2008 of US\$10,863.0 million, the gross financing received and the bonds issued for the Central Bank's recapitalization for US\$3,238.2 million, and subtracting the principal payments and waivers for US\$1,052.7 million and an exchange rate variation adjustment for US\$69.8 million.

Table 2: Central Government Debt Balance Variation 2008 - 2009
Figures in million dollars (US\$)

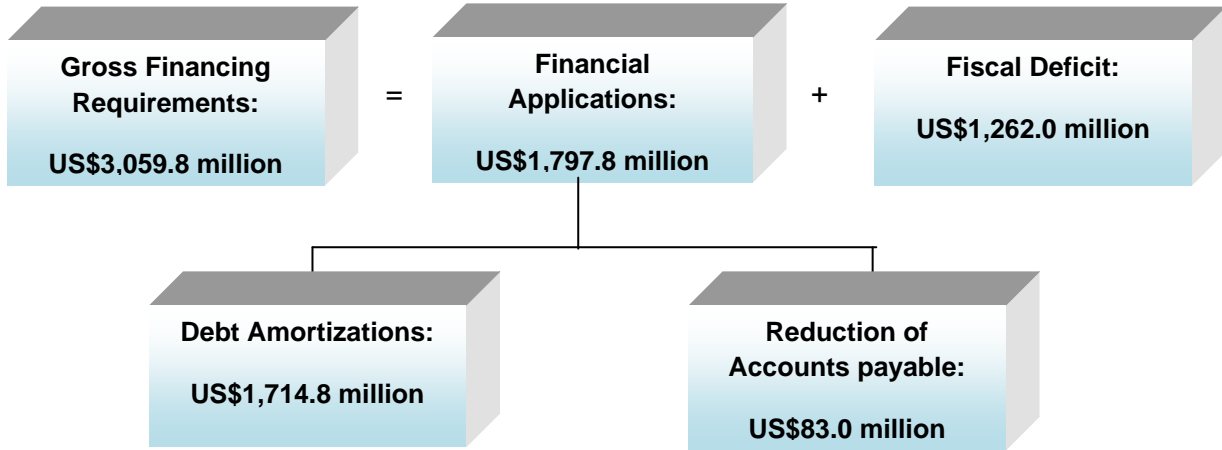
I. Central Government Debt Balance 2008	10,863.0
II. Liabilities Increase	572.6
1. Fiscal Deficit Financing (+)	(429.8)
<i>Total Income (+)</i>	449.4
<i>Total Expenditures (-)</i>	19.6
2. Debt Amortizations Financing (+)	(1,618.0)
3. Accounts Payable Financing (+)	180.4
4. Central Bank Recapitalization Bonds (+)	392.2
III. Central Government Debt Balance Sub-total (I + II)	11,435.6
IV. Liabilities Reduction	1,052.7
5. Debt Amortizations (-)	1,047.6
<i>External Debt</i>	749.7
<i>Domestic Debt</i>	297.9
6. Principal Waivers (-)	5.1
V. Exchange Rate Variation (-)	69.8
VI. Central Government Debt Balance 2009 (III - IV - V)	12,978.7

Source: Public Debt Office.

II. 2010 Financing Requirements

The *National Budget Law* for 2010 stipulates a gross financing requirements of US\$3,059.8 million (RD\$115,964.6 million) equivalent to 6.3% of GDP. This amount is the result of the budget deficit, which amounts US\$1,262.0 million (RD\$47,828.4 million), plus financial applications that include principal amortization for the year amounting US\$1,714.8 million (RD\$64,992.1 million) and an accounts payable decrease of US\$83.0 million (RD\$3,144.0 million).

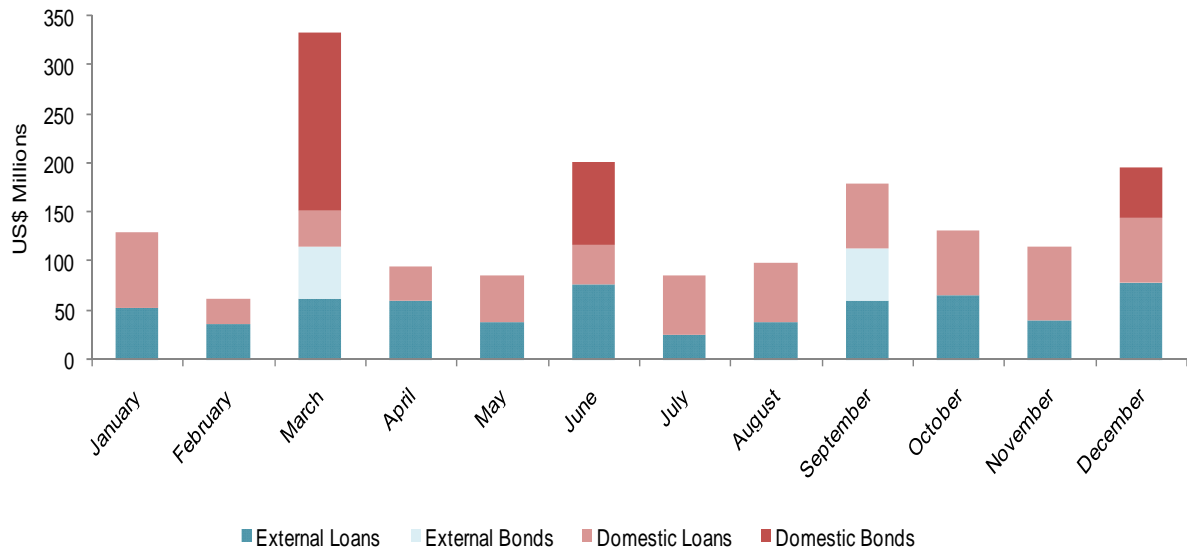
Chart 1: Financing Requirements



Source: Public Debt Office and Budget Office.

The monthly distribution of principal debt service of the year is mostly concentrated on the months of March, June and December (approximately 42.6% of total), given the maturity of domestic debt bonds (see graph 1).

Graph 1: Monthly Debt Repayments Profile 2010



Source: Public Debt Office and Budget Office.

IIA. Issuance Strategy 2010

The identified financing sources are described below:

Table 3: Financing Requirements and Sources 2010

Figures in millions

	2010	
	AMOUNT RD\$	AMOUNT US\$
GROSS FINANCING REQUIREMENTS	115,964.6	3,059.8
I. Fiscal Deficit (1 - 2)	(47,828.4)	(1,262.0)
1. Total Revenues and Grants	263,032.9	6,940.2
2. Total Expenditures	310,861.3	8,202.1
II. Financial Applications (3 + 4)	68,136.2	1,797.8
3. Public Debt Amortizations	64,992.1	1,714.8
4. Reduction of Accounts Payable*	3,144.0	83.0
TOTAL FINANCING	314,544.0	8,299.3
External Financing	80,916.5	2,135.0
Investment Projects (Multilateral, Bilateral, Commercial Banks)	20,845.0	550.0
Global Bonds	28,425.0	750.0
Budget Support	31,646.5	835.0
Bilaterals (Petrocaribe)	9,854.0	260.0
Multilaterals	21,792.5	575.0
IADB	10,422.5	275.0
WB	5,685.0	150.0
IMF	5,685.0	150.0
Domestic Financing	35,048.1	924.8
Domestic Credit	11,048.1	291.5
Domestic Bonds	21,000.0	554.1
Administrative Debt Bonds	3,000.0	79.2

Source: Public Debt Office.

External Financing

Of total financing needs, an amount of US\$2,135.0 million (RD\$80,916.5 million) would be from external sources, which will be used to finance public investment projects as well as budgetary support.

Public Investment Projects

Financing for investment projects from multilateral and bilateral entities as well as international commercial banks, will total US\$550.0 million (RD\$20,845.0 million), which will be disbursed through existing financing contracts as well as new loans contracts to be approved during the fiscal year 2010. These new loans contracts will be mainly aimed to finance projects already in execution as well as new public investment projects.

Global Bonds

The Financing Plan contemplates the placement of global bonds in international markets for a total of US\$750.0 million (RD\$28,425.0 million), under the provisions of Law No.48-10, which authorizes the Executive Power, through the Ministry of Finance, to issue Sovereign Bonds for a maximum of US\$1,000.0 million to be placed in the international market at the most favorable conditions for the country. The financial terms of the issuance are: ten (10) years repayment period, maturing in the last three years and a fixed coupon rate of 7.5%.

According to the provisions of Article 4 of Law No.48-10, the resources generated by the placement of the bonds will finance infrastructure works in roads and water and transport sectors, whose impact on society exceeds the fiscal year 2010; and investment and financial support in health, education and environment sectors.

Budget Support

The financing for budget support purposes is estimated to be US\$835.0 million (RD\$31,646.5 million) for 2010:

- Petrocaribe Agreement: US\$260.0 million (RD\$9,854.0 million)
- Multilateral Agencies: US\$575.0 million (RD\$21,792.5 million)
 - Inter-American Development Bank (IDB): US\$275.0 million (RD\$10,422.5 million) to fund fiscal support, social management and competitiveness support programs.
 - International Bank for Reconstruction and Development (IBRD): US\$150.0 million (RD\$5,685.0 million) to finance the second phase of the social support program.
 - International Monetary Fund (IMF): US\$150.0 million (RD\$5,685.0 million) to finance the second tranche of the Stand-By Arrangement.

Resources via the Petrocaribe Agreement provide long term (23 years) and low interest rate (1.0%) concessional financing. Financing from multilateral agencies (IADB and IBRD) is also long-term debt (more than 20 years) and provides flexibility in adapting the principal repayments to the desired profile structure, as well as interest rates conversion options; the IMF debt is medium-term financing at low interest rates.

Domestic Financing

The Central Government stipulates to receive financing from domestic sources for an amount of US\$924.8 million (RD\$35,048.1 million) through bond issuance in the local debt market, new loans with local commercial banks and the issuance of administrative debt bonds.

Domestic Bonds

The Annual Financing Plan contemplates the issuance and allocation of domestic bonds through monthly public auctions for a total of US\$554.1 million (RD\$21,000.0 million), (see Annex I).

The bonds issuances are stipulated for February and August 2010 in series with maturities of 3, 5 and 7 years, with coupons of 12%, 14% and 16% respectively for each maturity for the February issuances. The coupons for the August issuances will be determined according to the evolution of the macroeconomic and financial market variables. In line with the Medium-term Debt Management Strategy, the Government expects to increase the maturities of the domestic debt issuing up to seven (7) years, at lower costs (14% average coupon).

Domestic Credit

As part of domestic financing, the Plan contemplates new medium-term loans contracts (3-years maturity) with the local commercial bank for an amount of US\$291.5 million (RD\$11,048.1 million). The loans will be referenced to the multiple banks prime interest rate in Dominican pesos.

Administrative Debt Bonds

The financing plan also stipulates a bond issuance of US\$79.2 million (RD\$3,000.0 million) to pay non-covered commitments with local suppliers contracted prior to the Public Debt Law, No. 6-06, upon the validation of the Domestic Public Debt Evaluation Commission. These securities will be issued at a fixed coupon maximum rate of 5% and a minimum term of 5 years.

II.B. 2010 Public Debt Balance

The debt balance of the Central Government at the end of 2010 is estimated to total US\$14,323.6 million. This amount is calculated by adding to the 2009 Central Government's debt balance of US\$12,978.7 million, the gross financing of US\$3,059.8 million, and subtracting the principal amortization of US\$1,714.8 million.

Table 4: Change in Central Government Debt Balance of 2009-2010
Figures in million US\$

I. Central Government Debt Balance 2009	12,978.7
II. Liabilities Increase	3,059.8
1. Fiscal Deficit Financing (+)	1,262.0
<i>Total Income (+)</i>	6,940.2
<i>Total Expenditures (-)</i>	8,202.1
2. Debt Amortizations Financing (+)	1,714.8
3. Accounts Payable Financing (+)	83.0
4. Central Bank Recapitalization Bonds (+)	-
III. Central Government Debt Balance Sub-total (I + II)	16,038.5
IV. Liabilities Reduction	1,714.8
5. Debt Amortizations (-)	1,714.8
<i>External Debt</i>	743.2
<i>Domestic Debt</i>	971.6
6. Principal Waivers (-)	-
V. Exchange Rate Variation (-)	-
VI. Central Government Debt Balance 2010 (III - IV - V)	14,323.6

Source: Public Debt Office.

Annex I- Auctions Calendar 2010

AUCTIONS CALENDAR

PUBLIC DEBT BONDS

PERIOD: JANUARY - DECEMBER 2010

LEYEND	
	AUCTION
	LIQUIDATION

JANUARY						
M	T	W	T	F	S	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

FEBRUARY						
M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

MARCH						
M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

APRIL						
M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

MAY						
M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

JUNE						
M	T	W	T	F	S	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

JULY						
M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

AUGUST						
M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

SEPTEMBER						
M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

OCTOBER						
M	T	W	T	F	S	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

NOVEMBER						
M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

DECEMBER						
M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		