



Ministry of Finance

Public Debt Office

2016 Annual Financing Plan

Santo Domingo, Distrito Nacional



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1. Introduction

According to the Public Credit Law No. 6-06 of January 20th 2006 and the implementing regulations under the Decree No. 630-06 dated December 27th 2006, The Public Debt Council is responsible of *"proposing the highest level of domestic and external debt that the government may incur in the next fiscal year, to be included in the National Budget Project"*.

The following Annual Financing Plan for the year 2016 includes the financing needs, as well as the external and domestic debt issuance proposal to cover them. It is an important planning tool for the debt manager and it helps to increase transparency and improve forecast ability in the government debt management.

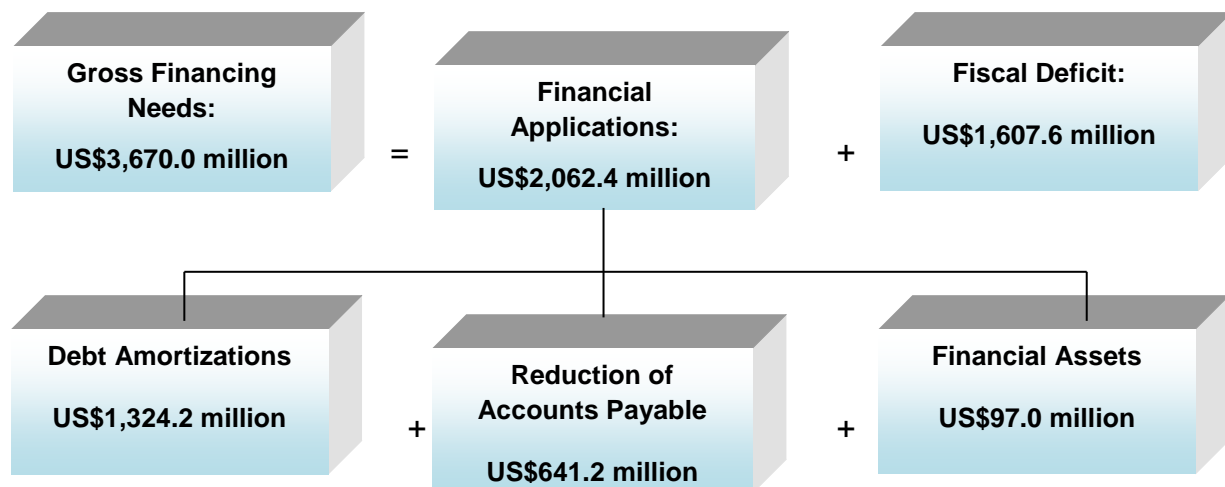
The Annual Financing Plan arises from the Medium Term Debt Management Strategy of the Dominican Republic for the 2016-2020 period. The strategy establishes the guidelines and the goals for the medium term, and the annual plan contributes to its achievement outlining the domestic and the external government debt issuances during the current year.

This document brings forward the estimates of gross financing needs for the year 2016 and it describes the features of the new financing such as sources (external and internal), financing instruments and terms. It also states the projection of the debt stock of the central government given the financing and the amortization estimated for 2016.

2. 2016 Gross Financing Needs

The National Budget Law for 2016 stipulates a gross financing requirement of US\$3,670.0 million (RD\$173,259.7 million¹), equivalent to 5.3% of the estimated GDP for the year². This amount is the result of a fiscal deficit of US\$1,607.6 million (RD\$75,893.5 million), equivalent to 2.3% of GDP, plus financial applications which include debt amortization, reduction of account payable and financial assets for US\$2,062.4 million (RD\$97,366.2 million), equivalent to 3.0% of GDP.

Figure 1: Financing Needs



Source: Public Debt Office, Fiscal Policy Unit and Budget Office.

3. 2016 DEBT SERVICE

The estimated debt service for the year 2016 is US\$3,395.1 million (RD\$160,284.9 million). Principal payments accounts for US\$1,324.2 million (RD\$62,517.4 million) and interest and commissions payments for US\$2,070.9 million (RD\$97,767.4 million).

¹ Converted at the average exchange rate of RD\$/US\$= 47.21

² Estimated Nominal GDP RD\$3,250,072.0 million (US\$68,848.3 million)

Table 1: 2016 Public Debt Service
Preliminary amounts in millions of US\$ and RD\$

DEBT SERVICE	DEBT SOURCE	AMOUNT IN US\$	AMOUNT IN RD\$
AMORTIZATION	EXTERNAL	902.64	42,613.86
	DOMESTIC	421.60	19,903.58
Total AMORTIZATION		1,324.24	62,517.44
INTEREST	EXTERNAL	943.22	44,529.49
	DOMESTIC	1,111.43	52,470.55
Total INTEREST		2,054.65	97,000.04
COMMISSIONS	EXTERNAL	15.89	750.10
	DOMESTIC	0.37	17.30
Total COMMISSIONS		16.26	767.40
TOTAL DEBT SERVICE		3,395.15	160,284.88

1/ 2016 Average Exchange Rate: RD\$/US\$=47.21.

2/ Figures contemplates interest payments for the Central Bank Recapitalization of 0.7% of GDP.

Source: Public Debt Office

On the other hand, it is important to highlight that US\$2,043.4 million (RD\$96,468.4 million) of the total debt service for 2016, equivalent to 60.2%, are payments in foreign currency, and the remaining US\$1,351.8 million (RD\$63,816.5 million) are payments in local currency.

Table 2: 2016 Public Debt Service by Currency
Preliminary amounts in millions of US\$ y RD\$

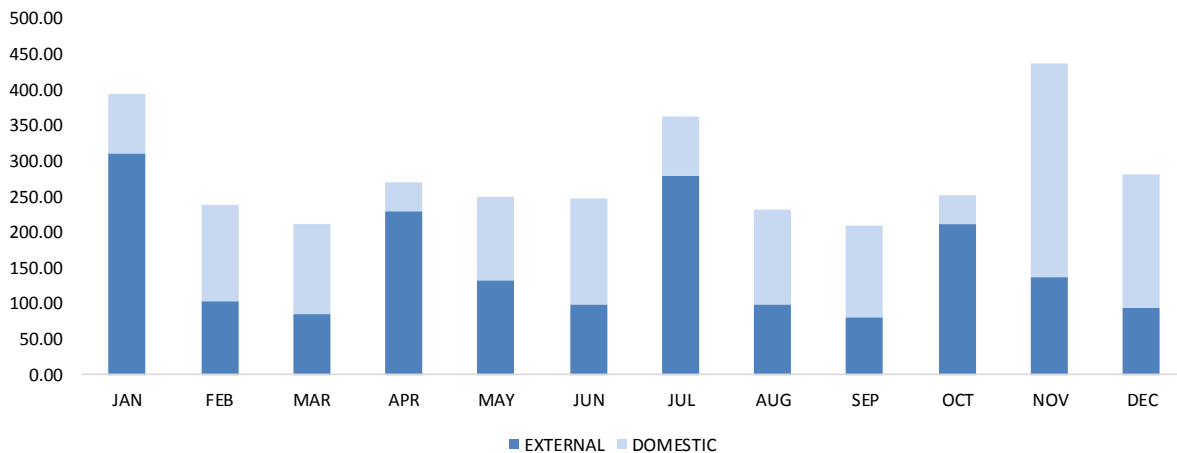
CURRENCY TYPE	DEBT SERVICE	AMOUNT IN US\$	AMOUNT IN RD\$
FOREIGN	AMORTIZATION	1,029.14	48,585.90
	INTEREST	998.34	47,131.52
	COMMISSIONS	15.91	750.93
FX DEBT SERVICE		2,043.39	96,468.34
LOCAL	AMORTIZATION	295.10	13,931.54
	INTEREST	1,056.31	49,868.52
	COMMISSIONS	0.35	16.48
LOCAL DEBT SERVICE		1,351.76	63,816.53
TOTAL DEBT SERVICE		3,395.15	160,284.88

1/ 2016 Average Exchange Rate: RD\$/US\$=47.21

Source: Public Debt Office

The debt service is well balanced throughout the year. About US\$1,615.0 million (RD\$76,244.8 million), equivalent to 47.6% of the total service are scheduled to be paid in the first half of the year, while the 52.4% remaining will be paid in the second half, being November the most concentrated month with estimated payments amounting US\$438.7 million (RD\$20,710.1 million).

Figure 2: Monthly Debt Service
Figures in millions of US\$



4. 2016 ISSUANCE STRATEGY

The identified financing sources for 2016 are described below:

A. External Financing

The external financing for the year 2016 represent US\$2,492.5 million (RD\$117,671.0 million), which will be focus in financing public investment projects and budgetary support.

The external financing sources contemplated are consistent with the Medium Term Debt Management Strategy, which considers the debt service flows and needs in foreign currency and their impact in the foreign exchange market. The external disbursement to be received will allow to cover the debt service payments in foreign currency equivalent to US\$2,043.4 million. This will allow the government to be able to deal with its obligations without affecting the Dominican exchange market.

Table 3: 2016 Financing Needs and Sources

Preliminary amounts in millions and as % of GDP

	RD\$	US\$	% PIB
GROSS FINANCING NEEDS	173,259.7	3,670.0	5.3%
<i>I. Overall Balance</i>	<i>(75,893.5)</i>	<i>(1,607.6)</i>	<i>-2.3%</i>
<i>II. Financial Applications</i>	<i>97,366.2</i>	<i>2,062.4</i>	<i>3.0%</i>
Debt Amortizations	62,517.4	1,324.2	1.9%
<i>External Debt</i>	<i>42,613.8</i>	<i>902.6</i>	<i>1.3%</i>
<i>Internal Debt</i>	<i>19,903.6</i>	<i>421.6</i>	<i>0.6%</i>
Prepayment Debt Amortization	-	-	0.0%
Reduction of Account Payable	30,272.0	641.2	0.9%
Financial Assets	4,576.8	97.0	0.1%
FINANCING SOURCES	173,259.7	3,670.0	5.3%
External Financing	117,671.0	2,492.5	3.6%
<i>Multilaterals, Bilaterals, Commercial Banks (Public Investment Projects)</i>	<i>15,178.0</i>	<i>321.5</i>	<i>0.5%</i>
<i>Global Bonds</i>	<i>59,012.5</i>	<i>1,250.0</i>	<i>1.8%</i>
<i>Budget Support</i>	<i>43,480.5</i>	<i>921.0</i>	<i>1.3%</i>
Bilaterals	12,274.6	260.0	0.4%
Multilaterals	31,205.9	661.0	1.0%
Domestic Financing	55,588.7	1,177.5	1.7%
<i>Domestic Bonds</i>	<i>55,487.5</i>	<i>1,175.3</i>	<i>1.7%</i>
<i>Administrative Debt Bonds</i>	<i>101.2</i>	<i>2.2</i>	<i>0.0%</i>

Source: Public Debt Office and Fiscal Policy Unit.

Public Investment Projects

Financing for investment projects from multilateral and bilateral entities as well as international commercial banks, will total US\$321.5 million (RD\$15,178.0 million), which will be disbursed through existing financing contracts as well as new loans contracts to be approved during the fiscal year 2016. These new loans contracts will finance new investment projects as well as new phases of the projects that are currently in execution.

Global Bonds

According to the Medium Term Debt Management Strategy, the Ministry of Finance will continue the issuance program in the international markets. In this sense, the Financing Plan for the year 2016 contemplates the placements of global bonds for an amount of US\$1,250.0 million (RD\$59,012.5 million) to be placed at the most favorable conditions for the country, with a minimum maturity of ten (10) years.

Multilateral and Bilateral Financing

Budgetary support financing for the year 2016 represents US\$921.0 million (RD\$43,480.5 million) and will be contracted with multilaterals and bilateral entities.

The Dominican Government will receive an amount of US\$260.0 million from bilateral entities (RD\$12,274.6 million) including the Petrocaribe Agreement disbursements, whose financing are on concessional terms (23 years) and low interest rate (1.0%).

Additionally, about US\$661.0 million (RD\$31,205.9 million) will come from multilateral entities, offering repayment terms between 20 and 25 years and the possibility to structure repayments according to the existing maturity profile, allowing the smoothing of future payments schedule.

B. Domestic Financing

One of the most important guidelines of the Medium Term Debt Management Strategy is to increase funding in Dominican pesos in order to reduce the exchange rate risk. The domestic financing for the year 2016 is estimated at US\$1,177.5 million (RD\$55,588.7 million), an increase of 32.1% relative to local currency funding budgeted for 2015. This funding is higher than the debt repayments in local currency equivalent to US\$295.1 million (RD\$13,931.5 million), for which is expected an increase of the total domestic debt in local currency within the portfolio of the nonfinancial public sector debt.

The domestic financing source will be the issuance of bonds in the domestic debt market by monthly public auction program and commercial loans contracted with local commercial banks.

Domestic Bonds

In line with the strategy for the development of the domestic public debt market, the Annual Financing Plan contemplates bond issuances through public auctions with a minimum maturity of three (3) years, and are expected to increase the average time to maturity of domestic debt. The coupon rates will be determined according to the evolution of market conditions.

The Ministry of Finance will continue the monthly single price bond issuance auction program to contribute to the development of the domestic yield curve. Taking into consideration the demand of investors, the issuance size and maturity will be determined in line with the objective of increasing the liquidity of government bonds in the secondary market and of improving the debt profile. The ministry will continue the benchmark bonds issuance strategy of 5, 10 and 15 maturities by reopening series and the use liability management operation.

Domestic Credit

The plan contemplates other possible domestic financing sources through medium term loans to be contracted with local commercial banks.

C. 2016 Financing Law

The dynamics of the debt markets and the changing financing options and conditions require that the public debt managers have the flexibility to adjust, for being able to contract debt at the most favorable conditions. Considering the latter, the Financing Law for 2016 approved by Congress authorizes the government through the Ministry of Finance, to attain the financing amount approved in the international or domestic capital markets, in Dominican pesos or foreign currency, based on the favorability of market conditions.

Moreover, the law allows an increase in the amount of issuance in the capital markets approved by the National Budget, in case of any change in the financing sources stipulated, provided that this increase does not lead to an increase in the gross financing approved.

Finally, it authorizes the government through the Ministry of Finance, to implement liability management operations during 2016, which aim to reduce the debt stock or the servicing of external and domestic debt of the nonfinancial public sector, through swap or repurchase of debt, as well as the use of financial derivatives³.

³ The Public Debt Office of most developed countries use liability management operations for: (i) attain faster progress towards the desired composition of the debt; (ii) take advantage of opportunities offered by the financial markets to reduce portfolio risk or improve liquidity of the securities offered in the local market and the yield curve; and (iii) diversify funding sources preserving risk management parameters of the medium-term strategy.

The main objective of the financing law is to provide the necessary flexibility to the Dominican government for obtaining financing under the most convenient cost conditions in the short, medium and long term, considering the levels of risks of the debt portfolio and the fiscal sustainability of the public debt.

5. PUBLIC DEBT STOCK FOR 2016

At the end of 2016, the Central Government estimated debt will be US\$25,567.8 million⁴, representing the 37.1 % of the estimated GDP for 2016⁵. This amount results of the estimated debt for 2015 of US\$23,693.2 million, plus the estimated gross financing for 2016 of US\$3,670.0 million, minus debt amortizations for US\$1,324.2 million, plus a negative exchange rate variation of US\$471.1 million⁶.

Table 4: Evolution of the Central Government Debt Stock 2015-2016
Figures in million of US\$

I. Central Government Debt 2015	23,693.2
II. Increased Liabilities	3,670.0
1. Fiscal Deficit Financing (+)	1,607.6
2. Debt Amortization Financing (+)	1,324.2
3. Reduction Accounts Payable Financing (+)	641.2
4. Financial Assets (+)	97.0
III. Sub-total Central Government Debt (I + II)	27,363.1
IV. Liabilities Reduction	1,324.2
5. Debt Amortization (-)	1,324.2
<i>External Debt</i>	902.6
<i>Domestic Debt</i>	421.6
6. Principal Waivers (-)	-
V. Exchange rate Variation	(471.1)
VI. Central Government Debt 2016 (III - IV + V)	25,567.8
VII. Gross Financing	3,670.0
VIII. Net Financing	1,607.6

Source: Public Credit Office.

At the end of 2016, the non-financial public sector debt will represent 37.9% of the estimated GDP.

⁴ This figure do not contemplate new issuance for Central Bank Recapitalization nor any other operation excluded in the General Budget for 2016.

⁵ Nominal Estimated GDP RD\$3,250,072.0 million (US\$68,848.3 million).

⁶ Given the estimated exchange rate for 2016 of RD/US\$=48.62.

ANNEX I – 2016 PUBLIC AUCTIONS SCHEDULE

**PUBLIC AUCTION SCHEDULE
PUBLIC DEBT BONDS
FEBRUARY- DECEMBER 2016**

LEYEND	
	AUCTION
	SETTLEMENT

FEBRUARY 2016						
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						

MARCH 2016						
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 2016						
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 2016						
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 2016						
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 2016						
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 2016						
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 2016						
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 2016						
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 2016						
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 2016						
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
24	27	28	29	30	31	