



Central
American
Bank for
Economic
Integration

CABEI

DOMINICAN REPUBLIC COUNTRY STRATEGY 2015-2019





BCIE

**Central American Bank for
Economic Integration**

2015-2019 DOMINICAN REPUBLIC COUNTRY STRATEGY

COVER PAGE



This document is an operational tool for linking 2015-2019 institutional strategic planning with the development priorities of Dominican Republic. The formulated approaches have the overall objective of providing a strategic vision to the Bank's management in the country by promoting interventions that stimulate economic growth and social development. At the same time, it aims to strengthen the Bank's relevance as a strategic partner for the development of the island. To achieve this mission, this Strategy provides an operational instrument with the flexibility to adjust to a changing environment so planning can be adjusted to respond to requirements, contingencies and requests expressed by the country's authorities. The figures and projections included are those available through December 31, 2016. The development of the Country Strategy also included a series of meetings with officials from public and private institutions in Dominican Republic, whose availability and valuable collaboration the Bank greatly appreciates.

All through this Strategy, graphic elements will be found, hexagons and a color reference which have a specific meaning and will be seen all throughout the document, such as the cover page and the diagrams on Section IV, "CABEI's Strategic Offer to Dominican Republic for the period 2015-2019".

The hexagons found throughout the document represent the six main focus areas defined in CABEI's strategic offer to Dominican Republic, focusing efforts in line with sustainable development and guiding its contribution towards strategic areas of social development, competitiveness and regional integration.

The color palette used in this Strategy represents four traditional elements of the Dominican culture: the yellow of the amber, a mineral of distinguished beauty and mystery, singled out by the variety of colors, sizes, and shapes; the light-blue of the larimar, a semiprecious stone known as Dominican Turquoise which represents the essence of air and water of the island; the brown of the eyes of the national bird, Cigua Palmera, known for being a happy and singing bird, as it is the Dominican population; and the green of the Enriquillo Lake, representing how relevant is the sustainability of the biggest natural reserve of the country.

The cover is composed of six hexagons with graphical representations of the six focus areas, whose dynamism represents the Bank's operational flexibility and availability with Dominican Republic.

Tegucigalpa, Honduras, 2017.

www.bcie.org

Central American Bank for Economic Integration.

2015-2019 Dominican Republic Country Strategy

Annex DI-73/2017

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SECTION
I

SUMMARY

The Dominican Republic is a country characterized by a robust economic growth; it seeks to promote greater development opportunities for its population, in harmony with the environment. During the last few years it has registered economic growth rates higher than the averages of Latin America and the Caribbean, while managing to reduce levels of poverty and inequality, which have returned to those prior to the banking crisis of 2003. Its future challenges are aimed at strengthening competitiveness to enable sustained levels of growth and more formal jobs that lead to poverty reduction and the provision of social services. Likewise, the country has the challenge of promoting its development in harmony with environmental sustainability and climate change management.

During the 2010-2014 period, CABI contributed to improving productive and energy infrastructure, focusing on the country's commercial and tourism integration and on increasing renewable energy generation capacity. CABI approved three interventions on the order of US\$230.2 million for the focus areas of Productive Infrastructure and Energy. With regard to productive infrastructure, the interventions were aimed at road infrastructure initiatives, specifically the Coral Highway Project and the Program to Improve and Expand the Eastern Road Corridor. With regard to energy, resources were used to partially finance the design, supply, construction and startup of a hydroelectric plant with an installed capacity of 80MW.

CABI's strategic proposition will support the Dominican Republic through interventions that contribute to the sustainability of economic growth and to the strengthening of social inclusion with environmental sustainability. In the framework of its role, the Bank recognizes the challenge of maintaining adaptive capacity and continuous operational flexibility, mainly due to the goal of increasing its presence and relevance as a multilateral source of development resources in the country. In this sense, it is important to note that, although this strategy constitutes a roadmap, the approaches are indicative of the actions that the Bank wishes and may have in the country. Therefore, in a context of broad opportunities for participation, execution must be adjusted to meet the requirements of the country's authorities in order for the Bank to support the achievement of the 2030 National Development Strategy (END).



Proyecto Hidroeléctrico Palomino, República Dominicana

The implementation of the strategy will be based on the alignment defined in the Institutional Strategic Framework.

In that sense, the country strategy must guarantee flexibility and adaptability pursuant to fundamental changes in the country and always taking into account the objectives and goals of the CABI 2015-2019 Institutional Strategy. Furthermore, initiatives must be executed according to the instruments and mechanisms defined by each focus area. The proposed five-year programming must serve as a benchmark for the formulation of annual operational programming throughout the five year period.

CABI'S STRATEGIC PROPOSITION WILL SUPPORT THE DOMINICAN REPUBLIC THROUGH INTERVENTIONS THAT CONTRIBUTE TO THE SUSTAINABILITY OF ECONOMIC GROWTH AND TO THE STRENGTHENING OF SOCIAL INCLUSION WITH ENVIRONMENTAL SUSTAINABILITY



EVOLUTION OF CONTEXT AND

SECTION

II

OUTLOOKS

ECONOMIC ASPECTS

The Dominican Republic is one of the fastest growing economies in Latin America and maintains favorable short-term outlooks. During the 2010-2016 period, the economy grew at an average 5.7%, higher than the averages for Latin America and the Caribbean (2.4%) and Central America (3.6%), in a context of recovery from the international crisis and more recently, of falling commodity prices. Per data from the Central Bank of the Dominican Republic¹, activities that contributed the most to growth during this period are services (62.2%), mainly those related to tourism; the manufacturing industry (25.8%); and construction (9.8%). Controlled inflation has supported the country's growth (average of 3.9%), as well as tax policies aimed at improving the fiscal balance, which has enabled it to reduce the fiscal deficit from 6.7% in 2012 to 2.7% in 2016; It should be noted that the country even reached a surplus in the central government's public accounts (0.2% of GDP) in 2015 due to an extraordinary repurchasing of its debt, with a discount equivalent to 52.0% of the nominal value. The outlook for economic growth remains favorable in the short term with estimates of 5.5% for 2017, because of the positive influence of US growth, which will support the Dominican Republic to remain one of the fastest growing economies in the region. Likewise, the main rating agencies have highlighted aspects such as the robustness of

economic growth, lower external vulnerabilities, improvements in the fiscal area and prospects that the debt burden will continue to decline.

The outlook for economic growth remains favorable in the short term. In accordance with the provisions of the BCRD, and in consideration of the uncertainty derived from the policy decisions of the United States, a moderation of the growth rate is foreseen, with estimates of 5.5% for 2017², evidencing a gradual convergence to the potential level of the economy, in a context of price rebounds that will place inflation within the target range established by the monetary authority. Particularly, this performance would be linked to the positive influence of the growth of the United States, the influx of tourism, the flow of family remittances, which will continue to be one of the

THE COUNTRY HAS IDENTIFIED IN ITS NATIONAL STRATEGY OF DEVELOPMENT 2030 THE NEED TO PROMOTE THE DEVELOPMENT OF A PRODUCTIVE STRUCTURE THAT GENERATES HIGH AND SUSTAINED GROWTH, EMPLOYMENT AND TERRITORIAL COORDINATION, AND BE COMPETITIVE IN INTERNATIONAL MARKETS

fastest growing economies in the region. In this context, it is important to highlight the recognition of the International Monetary Fund to strengthen the macroeconomic foundations of the country, which is in line with the assessment of the main risk rating agencies, which have highlighted aspects such as the robustness of economic growth, lower external vulnerabilities, improvements in the fiscal area and prospects that the debt burden will continue to decrease³. Competitiveness and the business environment has been key to propitiating the gradual sustainability of economic growth and the generation of employment. The country was ranked 92 out of 138 countries in the 2016-2017 Global Competitiveness Index, which represents a relative improvement of 9 positions compared to the 2010-2011 report, when it was ranked 101 out of 139 countries. In that sense, during the last five years, the country has shown significant progress in aspects of macroeconomic stability, infrastructure of roads for means of transportation, development of the financial market, and technological preparation of the economy. On the other hand, the country presents opportunities for improvement in areas such as the quality of electricity, availability of qualified personnel, institutional factors, as well as business sophistication and innovation⁴. As for the ease of doing business, the 2016-2017 Doing Business report places the country in the 103rd position out of 190, highlighting as positive the implementation of a new regulation that facilitates obtaining the electricity service, while at the same time arguing spaces for improvement in aspects of facilitation of regulatory procedures and strengthening of judicial institutions.

SOCIAL ASPECTS

Economic growth has led to the reduction of poverty and inequality. Economic growth has led to the reduction of poverty and inequality. Indicators of relative poverty such as extreme poverty have decreased in recent years, as a result of the creation of jobs and the increase in household income, with the former passing from 42.5% in 2009 to 32.3% in 2015, while extreme poverty went from 11.8% to 7.0% in the same period; results that are marking a convergence towards the levels of poverty that preceded the banking crisis of 2003. The metric of income distribution also indicates a favorable evolution, the Gini coefficient was reduced from 0.49 to 0.45 in this period, being higher in the urban area (0.46) than the rural area (0.41). According to the Inter-institutional Technical Committee for the Measurement of Poverty (CTP), the decrease in the general monetary poverty rate was determined by increases in the real income of the population; mainly from labor income, together with the improvement in the distribution⁵ of family income, because real income achieved greater growth in the lower part of the distribution. However, these advances, the high degree of informality in employment limits the growth of income and the decrease in inequality, which is reflected in the evolution of real minimum wages, which have

increased 2.7% in the 2000- 2014⁶. In this context, the country needs to continue on the path of growth and, in addition, promote policies that encourage the generation of formal jobs and salary adjustments that allow the population greater coverage of the costs of the basic basket.

Progress in poverty reduction has been supported by improvements in several social indicators, although challenges remain in terms of increasing basic services coverage and quality⁷. Regarding healthcare, the infant mortality rate fell from 34.3% in 2009 to 30.9% in 2015, although it remains above the average of Latin America and the Caribbean during the 2010-2015 period (19.8%) and of most of Central American countries during that period⁸. Average life expectancy during the period was 73.3 years, which is lower than the average for Latin America and the Caribbean (74.5 years). With respect to education, the completion rate for primary education declined from 92.6% to 90.9% in the 2009-2014 period, and enrollment at the high school level did not show any significant variation, passing from 78.6% in 2009 to 78.4% in 2015. Regarding basic services coverage, the proportion of households with access to water fell from 76.5% in



2009 to 74.0% in 2014 at the national level, while in rural areas the proportion fell from 57.8% to 56.4%. In addition, less than half of the households have sanitation services; coverage increased from 35.2% to 40.1% at the national level during the period in mention, with higher coverage in rural households (46.1%) than in urban households (37.2% %).

ENVIRONMENTAL ASPECTS

The country stands out as one of the countries with the highest environmental performance in Latin America and the Caribbean. The country ranks No. 58 globally in the Environmental Performance Index (EPI)⁹, a measure in which it has registered an improvement of 25.7% during the last decade¹⁰, making it the tenth best ranked country in Latin America and the Caribbean¹¹. The main areas in which the country stands out from the rest of countries in the region include: air quality; biodiversity and habitat; fishing; and availability of water resources. Furthermore, the main gaps with respect to the region correspond to areas that are directly linked to human activity¹², such as agriculture; forestry exploitation; and access to drinking water and sanitation; all aspects being considered in the END.

The Dominican Republic is exposed to the effects of adverse natural events. The country is listed as “Highly Vulnerable” by the South Pacific Applied Geoscience Commission (SOPAC), which is part of the United Nations Environment Program (UNEP). According to that organization, the country is located in the hurricane route and has high levels of seismic activity, and is also threatened by floods caused by heavy rains associated with the El Niño phenomenon (ENSO: El Niño Southern Oscillation) and climate change. For this reason, the END also includes among its lines of action the effective management of risk to minimize human, economic and environmental losses.





CABEI IN THE

SECTION
III

DOMINICAN REPUBLIC

2010-2014 FIVE YEAR PERIOD

During the 2010-2014 five year period, CABEI contributed to the strengthening of social development, competitiveness and regional integration in the Dominican Republic. The Bank approved operations totaling US\$230.2 million for the public sector, representing 47.6% of approvals to the non-founding member countries¹³. In addition, the Bank disbursed US\$233.9 million to the public sector, representing 73.7% of disbursements made to the non-founding member countries.

DURING 2010-2014, CABEI APPROVED US\$230.2 MILLION AND DISBURSED US\$233.9 MILLION TO THE PUBLIC SECTOR OF DOMINICAN REPUBLIC

APPROVALS AND DISBURSEMENTS BY FOCUS AREA

The Bank's operations contributed to the financing of the Dominican Republic's development priorities, generating impacts by increasing renewable energy generation capacity and developing and improving transportation routes, which facilitate the connectivity of commercial and tourist activities.

CABEI approved US\$80.0 million for the financing of a renewable energy intervention, which allowed an increase in the country's generation capacity. The funds were used to partially finance the Palomino Hydroelectric Project, which involved the design, supply, construction and startup of a hydroelectric plant with an installed capacity of 80 MW; 100.0% of the resources approved were disbursed during the 2010-2014 five year period. Furthermore, additional resources were disbursed for the completion of the first part of the Palomino Hydroelectric Project.

CABEI approved interventions in the order of US\$150.2 million to strengthen the productive infrastructure of the Dominican Republic with positive effects on the country's commercial and tourism connectivity. The interventions addressed initiatives

TABLE I.
2010-2014 Approvals and Disbursements by Focus Area
 (US\$ millions and percentages)

FOCUS AREA	APPROVALS			DISBURSEMENTS	
	NUMBERS	AMOUNTS	PERCENTAGES	AMOUNTS	PERCENTAGES
Energy	1	80.0	34.8	83.7	35.8
Productive Infrastructure	2	150.2	65.2	150.2	62.4
Total	3	230.2	100.0	233.9	100.0

Source: CABEL-Strategic Planning and Programming Office.

for the development of road infrastructure, specifically for: i) Coral Highway Project, which is considered a fundamental infrastructure for tourism, as it represents the fundamental and strategic link for the Eastern Road Corridor that will communicate the city of Santo Domingo with the international airport of Punta Cana, which influence area includes the main tourist destinations in the eastern part of the country. ii) Program for Improvement and Expansion of the Eastern Road Corridor, specifically the San Pedro de Macorís - La Romana stretch, Circunvalacion - La Romana stretch and the Eastern Tourist Boulevard. This work will facilitate the transportation of people and goods from Santo Domingo to the entire eastern region by means of improving and expanding these stretches, which total 78 km. In both operations, 100.0% of the resources approved were disbursed during the 2010-2014 five year period.

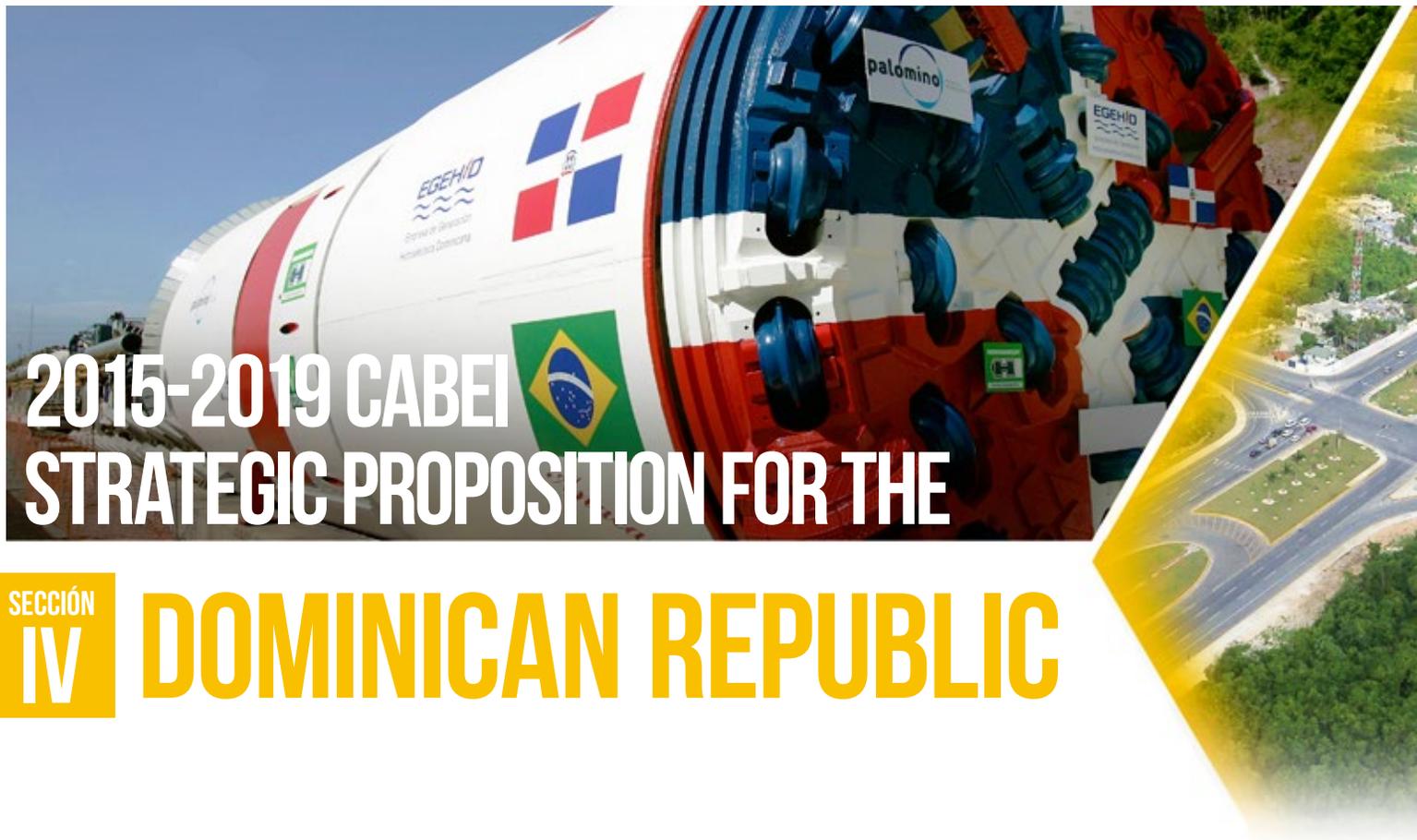
LEARNED LESSONS

In the context of the institutional management evaluation in the Dominican Republic (2010-2014), the following are some specific recommendations aimed at increasing CABEL's presence, as well as the relevance of its contribution to the country.

- **Increase CABEL's relevance through the promotion of priority initiatives for the country, in accordance with the Institutional Strategy.** In the context of the constraints posed by the quota of resources available to the country and with the purpose of increasing the Bank's relevance as a strategic ally of the country, it is recommended that the Bank maintains a close relationship with the government of the Dominican Republic to identify, prioritize and program the interventions that represent the greatest social and economic benefit, pursuant to the country's development priorities and the Institutional Strategy.

- **Support the structuring of operations that facilitate the optimization of resources and generate synergies.** The breadth of needs expressed in the National Development Strategy poses challenges in optimizing the Bank's credit resources. For this reason, it will be relevant to identify opportunities to foster operations that allow greater leverage of resources, such as syndicated operations with other cooperators, and preinvestment operations that allow structuring of credit operations and private sector participation schemes.
- **Increased operational efficiency of development interventions.** The Bank will seek to improve response times at all stages of the project cycle in order to optimize processes related to the timely attention of the country's needs and to mitigating the risks associated with delays in business continuity.





2015-2019 CABEL STRATEGIC PROPOSITION FOR THE

SECCIÓN
IV

DOMINICAN REPUBLIC

FRAMEWORK

The 2015-2019 Dominican Republic Country Strategy has been designed by taking into account the country's development priorities, institutional strategic approach and key elements of the global development agenda. To increase CABEL's presence and create relevance of the CABEL value proposition in Dominican Republic, the Country Strategy is based on the 2030 National Development Strategy of the Dominican Republic's government (Annex I and Annex II). Likewise, the Bank's proposal is based on CABEL's 2015-2019 Institutional Strategy, "Integrating Sustainable Development and Competitiveness," which focuses the Bank's strategic approach to long term management, especially through its strategic axes of Social Development, Competitiveness, Regional Integration and Environmental Sustainability. Likewise, the country strategy is reinforced through the incorporation of key elements from the global development agenda, particularly regarding the Sustainable Development Goals (SDGs)¹⁴.

STRATEGIC OBJECTIVE

The CABEL proposal will support the Dominican Republic through interventions that contribute to the sustainability of economic growth and to the strengthening of aspects of social inclusion, with environmental sustainability. Within the framework of its management, the Bank recognizes the challenge of maintaining adaptive capacity and continuous operational flexibility, mainly due to the objective of increasing its presence and relevance as a multilateral source of development resources for the country. In this sense, it is important to note that, although this strategy constitutes a roadmap, the approaches are indicative of the actions that the Bank wishes and may take in the country. Therefore, in a context of broad opportunities for participation, execution must be adjusted to meet the requirements of the country's authorities in order for the Bank to support the achievement of the 2030 National Development Strategy



FOCUS AREAS AND STRATEGIC INITIATIVES

The management and coverage of the focus areas will be in line with priority initiatives defined by the authorities.

Although CABI's 2015-2019 Institutional Strategy and the 2030 National Strategy of the Dominican Republic provide for a broad framework of action, sector coverage will materialize according to the country's level of prioritization and CABI's opportunities to realize them. Thus, considering both the historical CABI management in the country and the orientation of the 2030 National Strategy, CABI expects that its interventions will mainly support the development of social infrastructure aimed at reducing poverty and inequalities through greater access to quality basic services; the environmentally sustainable provision and efficient use of electricity; strengthening the attention capacity of the country's financial system, through intermediated credit lines; environmental sustainability and climate change mitigation and adaptation; and the development of productive infrastructure that improves the country's competitiveness and its capacity to generate formal employment.

CABI will also remain attentive to address any priority initiative required by the authorities and that is aligned with the Bank's areas of intervention, including the reduction of losses, provision and use of electric power in an efficient and environmentally sustainable manner; and the strengthening of the attention capacity of the country's financial system through intermediation credit lines. In this context, it is important to emphasize that the financial scope of CABI's operations in the Dominican Republic will be directly linked to the current capitalization scheme of the country. Therefore, the available quota will be subject to extensions calculated on the basis of the actual capital contributions that are paid by the Dominican authorities.



HUMAN DEVELOPMENT AND SOCIAL INFRASTRUCTURE

Although the country has made recent progress in reducing poverty and inequality, it still faces challenges in expanding the coverage and quality of its services. In this context, the END proposes, among its strategic axes, to seek a society with equal rights and opportunities, in which access to education, health, housing and quality basic services is guaranteed. Faced with this situation, CABEL could promote the development of housing solutions in appropriate environments that contribute to the integral development of human settlements. It could also promote interventions to increase the population's access to quality water and sanitation services; improve coverage of education and healthcare services; and provide efficient and environmentally friendly means of public transportation.

In this regard, CABEL may promote the development of housing solutions in appropriate environments that contribute to the integral development of human settlements, under the focus of the Central American Housing and Sustainable Habitat Development Program (VIDHAS). On the other hand, CABEL will be able to attend projects that contribute to the improvement of the coverage and quality of the education services, likewise it will be able to contribute through the provision and improvement of infrastructure and equipment that allow to expand the coverage and quality of health services, in addition to the provision of means of efficient public transport and in harmony with the environment and the strengthening of citizen security.

CABEL WOULD PROMOTE THE DEVELOPMENT OF HOUSING SOLUTIONS IN APPROPRIATE SURROUNDINGS THAT WILL CONTRIBUTE TO THE INTEGRAL DEVELOPMENT OF HUMAN SETTLEMENTS, ACCESS TO WATER AND SANITATION QUALITY SERVICES, AND TO EXPAND THE COVERAGE OF EDUCATION AND HEALTH



Proyecto Hidroeléctrico Palomino, República Dominicana



ENERGY

The energy matrix is based on non-renewable generation sources, whose installed capacity represented 80.3% in 2015; equivalent to 46.7% of the total non-renewable energy produced in the SICA region. As for renewable sources, hydroelectric generation accounted for 17.3% and wind power 2.4%. In the 2010-2015 period, the country's installed capacity grew 20.2%, reaching 3,552.9 MW, while the maximum demand did it at an average rate of 15.7%, reaching 2,079.6 MW. As a result, the installed capacity ratio in relation to the maximum demand rose from 1.64 to 1.71. In terms of efficiency, the country recorded transmission losses of 1.85% and distribution ones of 31.1%, in 2015¹⁶.

The quality of electricity service is a relevant factor for increasing the country's competitiveness, and is also an element that directly affects the country's commitment to reducing gas emissions, an aspect that involves, among other measures, moving towards an energy matrix in which renewable energy sources reach 32.0% of participation¹⁷. In this context, the Bank could continue to support the Dominican Republic through initiatives that contribute to diversifying the energy matrix by prioritizing renewable sources, raising levels of efficiency and reducing generation and transmission losses.



FINANCIAL INTERMEDIATION AND DEVELOPMENT FINANCE

With regard to this focus area; CABI has been accumulating experience in recent years through its strategic axis of competitiveness, in which it expects to continue developing new intermediated resource programs. In this respect, CABI has identified opportunities to contribute to the expansion of the financial system's attention capabilities by providing Global Credit Lines, mainly to support MSMEs, under different approaches: facilitation of international trade; development of agro business, biodiversity, natural disasters; and other high-impact sectors such as education, social housing, and municipal strengthening. In addition, the Bank will analyze the current regulations to create spaces for the granting of contingency lines to the Central Bank of the Dominican Republic as support for liquidity and expansion of the financial system. In this context, CABI's experience is broad and includes 14 financial intermediation programs with specialized themes that are compatible with cross-cutting perspectives such as environmental sustainability and gender equality.

CABI HAS IDENTIFIED OPPORTUNITIES TO CONTRIBUTE TO THE EXPANSION OF THE FINANCIAL SYSTEM'S ATTENTION CAPABILITIES



RURAL DEVELOPMENT AND THE ENVIRONMENT

Dominican Republic has identified the following as country priorities: sustainable environmental management, effective risk management and adequate climate change adaptation, which is a crosscutting policy within END. In this context, the Bank could also make available to the country resources obtained from its accreditations, both as an implementing entity of the Adaptation Fund for Climate Change and as a regional entity with direct access to the Green Climate Fund; which could lead to initiatives aimed at the conservation of the environment, as well as interventions that facilitate adaptation and mitigation to climate change and risk management in the face of adverse natural events; thus contributing to the attention of the country's commitments to COP21. This would allow room for interventions aimed at the conservation of the environment and natural resources, comprehensive management of risks and disasters in the face of adverse natural events, as well as adaptation to the effects of climate change.

Likewise, the Bank could support initiatives that promote the development of productive sectors relevant to its economy, such as tourism and manufacturing, through modalities that incorporate criteria of environmental sustainability and cleaner production. Likewise, it could contribute to initiatives that promote the productivity of the agricultural sector and that can generate links with markets through resilient infrastructure for the effects of climate change, such as marketing and supply centers. In particular, the Dominican authorities and CABI have coincided in the interest of identifying spaces for participation in multiple impact initiatives that contemplate benefits such as flood control and prevention of natural disasters, supply of drinking water and water for agricultural irrigation, in line with initiatives that the country is currently developing in this sector.



Programa de Mejoramiento y Ampliación del Corredor Vial del Este, República Dominicana



PRODUCTIVE INFRASTRUCTURE

Productive infrastructure quality is one of the country's competitive advantages, the infrastructure of roads, ports, airport and air connectivity. Considering the importance of the logistics sector for promoting growth and competitiveness, the country has identified the challenge of establishing a logistics system, which promotes the development of national productive sectors, as a fundamental factor for attracting foreign investment and positioning the country as a logistical reference in the Caribbean¹⁸.

In that context, CABI could participate in the development of projects for the construction and expansion of road infrastructure and transportation of persons, as well as infrastructure in other logistical sectors to contribute to the country's capacity to meet the demand of national and foreign productive sectors, as key elements for boosting foreign trade and developing key services, such as tourism.

CABI COULD PARTICIPATE IN THE DEVELOPMENT FOR THE CONSTRUCTION AND EXPANSION OF ROAD INFRASTRUCTURE TO CONTRIBUTE TO THE COUNTRY'S CAPACITY TO MEET THE DEMAND OF NATIONAL PRODUCTIVE SECTORS

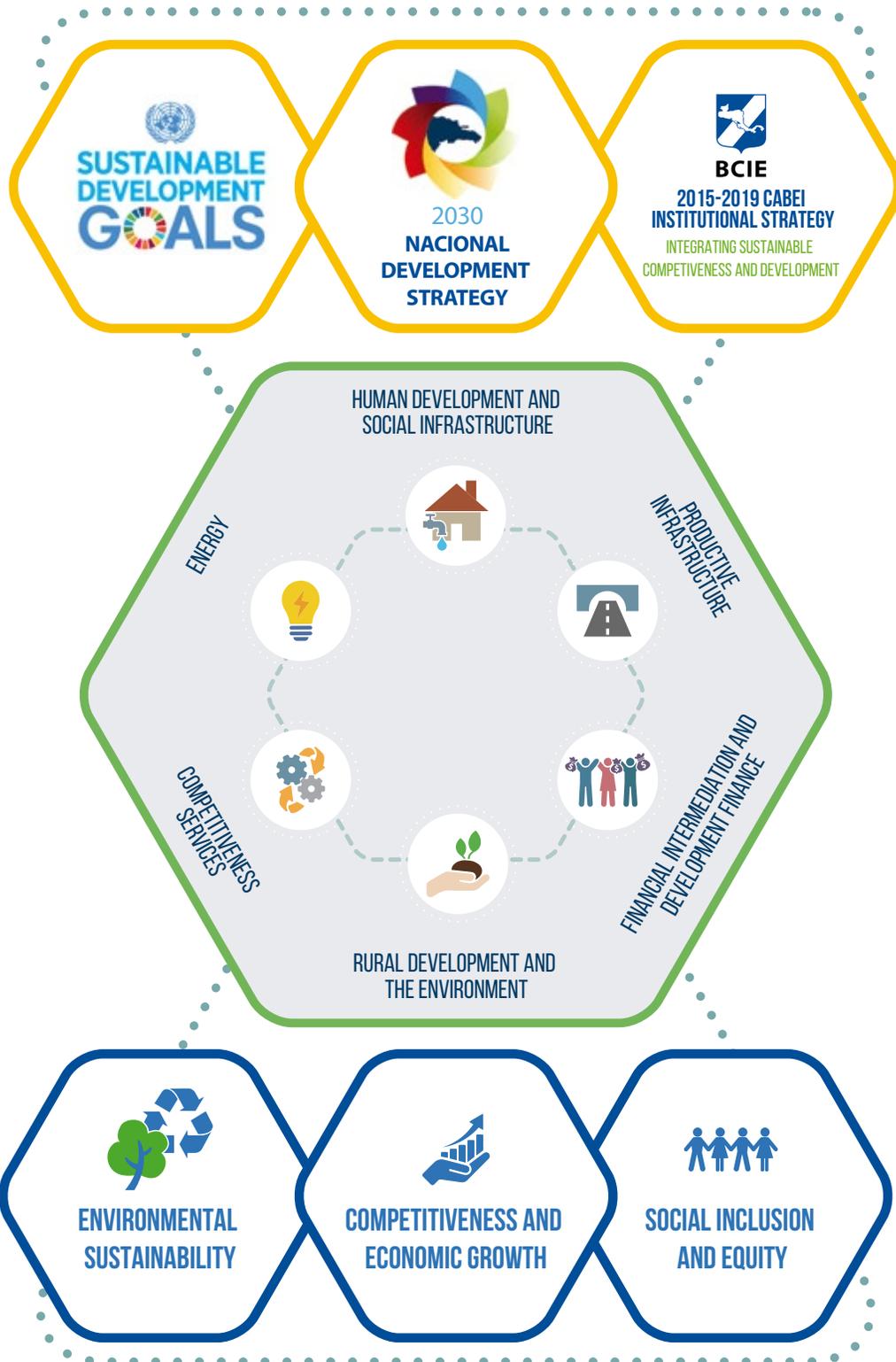


COMPETITIVENESS SERVICES

Managing competitiveness is a priority for the Dominican Republic because it is a fundamental element for promoting the sustainability of economic growth and job creation. It should be noted that the END, within its first three pillars, includes the different topics considered by the pillars of the Global Competitiveness Report. In this regard, the Bank could contribute through interventions that improve government infrastructure to support institutional strengthening policies, as well as through interventions that promote capacity building in activities related to the development of innovation and technology, tourism, industry and trade in goods and services.

THE BANK COULD CONTRIBUTE THROUGH
INTERVENTIONS THAT IMPROVE
GOVERNMENT INFRASTRUCTURE
TO SUPPORT INSTITUTIONAL
STRENGTHENING POLICIES

2015 - 2019 DOMINICAN REPUBLIC COUNTRY STRATEGY





IMPLEMENTATION

SECCIÓN V

MECHANISMS

BUSINESS MODEL

The institutional proposal for this five year period requires a dynamic process targeted at promoting economic integration and balanced economic and social development, both within the Dominican Republic and in interactions with other regional countries. Strengthening the CABEL value proposition requires key activities to strengthen its relevance to the region, such as diversification of markets, services and products; and improvement of credit risk ratings in order to facilitate funding in international markets.

The Bank must strengthen its resources at various levels to ensure greater impact and efficiency in its operations with countries in the region. In the 2015-2019 period, the Bank needs to strengthen its strategic alliances and develop its human, financial and technological resources; in addition to reinforcing relations with its members and developing service channels; consolidating a viable, sustainable and consistent financial strategy and product portfolio pursuant to its members' characteristics and needs; and focusing on the development needs prioritized by the countries, in a scenario of financial sustainability.

In order to maximize the contribution to the Dominican Republic's development, the Strategy's implementation will be made on the basis of the provisions established in the Institutional Strategic Framework. In that sense, the Country Strategy must guarantee flexibility and adaptability according to fundamental changes in the country taking into account the objectives and goals of the CABEL 2015-2019 Institutional Strategy. On the other hand, the attention to initiatives should be implemented according to the instruments and mechanisms defined for each focus area. In addition, the proposed five year programming should serve as a benchmark for the preparation of annual operational programming throughout the five year period.

In order to strengthen CABEL's relevance with regard to international cooperation, it is important to note that the approaches of the Dominican Republic's Country Strategy should keep harmony and consistency with the assistance objectives provided by the leading development organizations present in the country. In this regard, CABEL's proposal will complement the actions of other donors that are developing initiatives in the country, particularly involving social development, competitiveness, economic growth and regional integration.

CABEI will seek to support the Dominican Republic through technical assistance resources for pre investment and technical cooperation that will strengthen the formulation of projects and management of resources for new operations. In this regard, the Bank will promote mechanisms that facilitate access to resources on favorable terms for the country.

The Bank will manage its human talent to increase efficiency in the process of identification and generation of development initiatives. The availability of the supply of knowledge, experience and specialized capabilities will enable greater involvement in the design and structuring of initiatives starting from their earliest stages in order to consolidate the institutional relevance and strengthen the development impact.

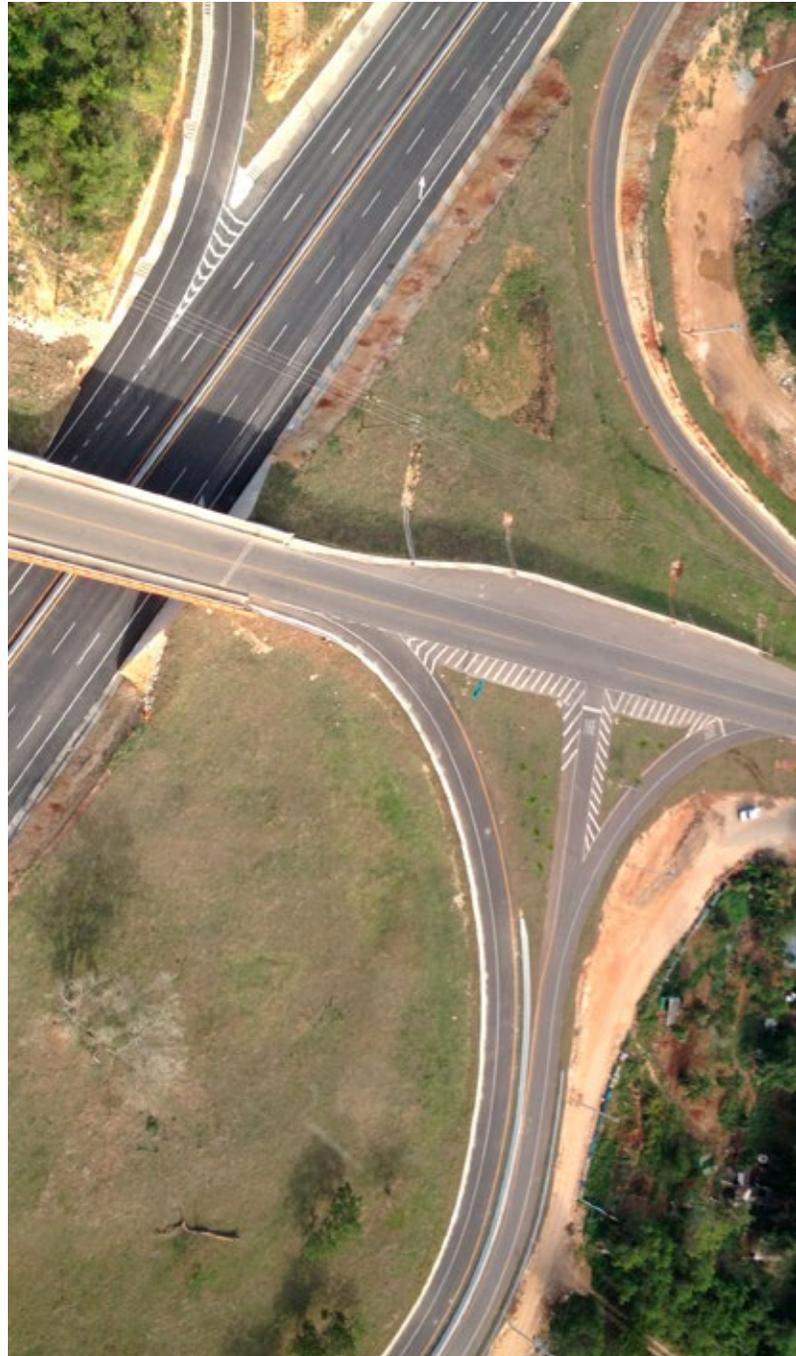
EXECUTION

It will be responsibility of the Bank's Administration to execute the strategy through the corresponding divisions and offices, pursuant to technical guidelines of the ADS and to guidelines issued by the Board of Directors, for which it may carry out, among others, the following activities:

- Favor successive annual operational plans and strategic business plans in accordance with the strategic principles set out in this strategy.
- Prioritize operations and projects that best deepen the strategic principles and development priorities identified in this Strategy.
- Stimulate the design and approval of financial instruments that facilitate progress in attention to the defined focus areas.
- Propose, for its respective approval, alliances and cooperation agreements, technical cooperation and business with other institutions with the aim of strengthening the implementation of the Strategy.
- Create synergies, additionality and complementarity with other cooperation organizations present in the country with the objective of promoting interventions in sectors where the Bank has less presence.
- Given the possible changes that might arise in the country, maintain links with information sources in the government, private, financial and academic sectors in order to update the Bank's strategic guidelines.

MONITORING AND EVALUATION

CABEI will carry out an Evaluation of the Dominican Republic Country Strategy in accordance with its current Norms. This evaluation will analyze compliance with the objectives and goals of the strategy in order to draw conclusions about institutional performance in the country and generate learned lessons that support the Bank's effectiveness in contributing to the Dominican Republic's development.





SECTION VI

MITIGATING FACTORS

The implementation of the Strategy will be subject to changing internal and external factors. Its execution may be exposed to different risks that can lead to deviations in the implementation of the strategic approach, affecting the normal development of approvals, disbursements, project implementation and the expected impact of the development interventions, among other effects. In this regard, it is important to carry out proper risk identification and management. Listed below are some of the principal risks and their mitigating factors, which may be internal to the country, external to the country or inherent to CABEL.

EXTERNAL RISKS

Change of conditions in the international economic context. The country would be affected by a scenario in which its trading partners, mainly the United States, will experience drops in their economic growth rates. In addition, a deterioration of terms of trade, principally due to an eventual recovery of oil prices, could reduce the growth outlook.

Changes cost of external financing conditions. Successive increases in interest rates in international markets could affect financing costs in the coming years. Current prospects point to a gradual increase in interest rates of international reference due to the withdrawal of stimuli and the normalization of countries' monetary stance.

Adverse natural events. Due to its geographical situation, the Dominican Republic is exposed to hazards from the occurrence of natural events; the effects of these natural events could be amplified to the extent that they are interrelated with social behaviors that make certain population groups more vulnerable. The country's reaction to these events can directly or indirectly

affect the Bank's operations due to changes in the priorities of the public and private sectors, which could postpone or cancel their project investment.

INTERNAL RISKS

Fiscal deterioration. Scenarios of fiscal restrictions could limit the country's borrowing capacity, and/or promote a reorientation of its priorities.

Deterioration of the business climate. Events that deteriorate the conditions underlying the business climate, such as the conditions of public safety, ability to execute public investment, legal stability, red tape, transparency in public management, access to financing, provision of productive infrastructure, and productivity in the job market. **Mitigants:** To mitigate the potential impact of external and internal risks, the Bank will conduct constant monitoring of the most important variables in the national economy, assessing the impact that its evolution may have on operations with the country in order to take appropriate preventative actions. The Bank will maintain continuous communication mechanisms with the country's authorities and will provide technical support to foster improvement in the management capacity of the executing units.

CABEI RISKS

Changes in capitalization programming. Lower capitalization levels would result in less available loanable resources. **Mitigants:** Generation of utilities and the creation of strategic alliances with other organizations.

Flaws in integrated risk management. This refers to events that could cause equity losses to the Bank in the case that failures or gaps in integrated risk management and controls against money laundering and terrorism financing occur. **Mitigants:** Strengthening and implementation of integral risk management policies. In addition, strengthening of procedures and risk management controls based on the adoption of best international practices and standards.

Changes of credit risk ratings. This could hinder access to other financing sources. **Mitigants:** Strengthening of equity capital, geographical diversification of sovereign exposure and revenue generation.

Interruptions in the Project Cycle. Delays in formulation, approval and/or project management processes, which could affect business continuity. **Mitigants:** Strengthening of operational efficiency throughout the project cycle stages and of mechanisms linked to the business continuity plan.

CABEI EXPECTS THAT ITS INTERVENTIONS WILL MAINLY SUPPORT THE DEVELOPMENT OF SOCIAL INFRASTRUCTURE AIMED AT REDUCING POVERTY AND INEQUALITIES THROUGH GREATER ACCESS TO QUALITY BASIC SERVICES, THE ENVIRONMENTALLY SUSTAINABLE PROVISION AND EFFICIENT USE OF ELECTRICITY; STRENGTHENING THE ATTENTION CAPACITY OF THE COUNTRY'S FINANCIAL SYSTEM, THROUGH INTERMEDIATED CREDIT LINES; ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE MITIGATION AND ADAPTATION; AND THE DEVELOPMENT OF PRODUCTIVE INFRASTRUCTURE TO IMPROVE THE COUNTRY'S COMPETITIVENESS.



REFERENCE NOTES

SECTION II

- ¹ Statistics of quarterly GDP from 2010 to 2016, at the third quarter of each year.
- ² In 2016 second semester, Fitch Ratings upgraded the sovereign rating from B+ to BB- with a stable perspective, meanwhile, Moody's ratified the rating in B1 and upgraded the perspective to positive. On the other hand, Standard and Poor's kept the rating in BB- with a stable perspective.
- ³ In 2016 second semester, Fitch Ratings upgraded the sovereign rating from B+ to BB- with a stable perspective, meanwhile, Moody's ratified the rating in B1 and upgraded the perspective to positive. On the other hand, Standard and Poor's kept the rating in BB- with a stable perspective.
- ⁴ Based on World Economic Forum (2016). "Global Competitiveness Report 2016-2017".
- ⁵ CTP (2016). "Official Bulletin of Monetary Poverty Statistics in the Dominican Republic". Bulletin number 2. 1-08-2016.
- ⁶ According to information obtained from the ECLAC database, the growth of real minimum wages for Central American countries during that period ranged from 8.1% to 112.3%, with a simple average rate of 56.1%.
- ⁷ Based on information obtained from the ECLAC database.
- ⁸ Central American countries averaged 19.0% in 2010-2015 period.
- ⁹ Hsu, A. et al (2016). 2016 Environmental Performance Index. New Haven, CT. Yale University.
- ¹⁰ EPI is an index for measuring nine environmental dimensions: i) climate and energy, ii) biodiversity and habitat, iii) mining industry, iv) forestry industry, v) agriculture, vi) water resources, vii) water and sanitation, viii) air quality, and ix) exposure to health hazards.
- ¹¹ The rest of Central American countries are located between the positions 88 and 115 at the global level.
- ¹² The 2016 Annual Operational Plan of the Ministry of Environment and Natural Resources mentions that approximately 68% of the population lives in the coastal provinces, while 28% of the total

population (2.7 million) resides less than 10 kilometers from the coast. The plan adds: "There is significant degradation of coastal and marine ecosystems, mainly due to population increase and economic development which increase sedimentation levels. Wastewater discharges, as well as other forms of land contamination from agriculture, mining, trade, shipping and tourism, exert strong pressure on beaches, coral reefs and, as a consequence, on fishery resources and fisheries."

SECTION III

- ¹³ CABEI approved 14 operations in the amount of US\$484.0 million to the non-founding member countries: 5 in Panama, 3 in Belize, 3 in the Dominican Republic and 3 in Colombia.

SECTION IV

- ¹⁴ For further reference, see the document of the Central American Bank for Economic Integration: "Sustainable Development Objectives: Institutional Strategic Alignment"
- ¹⁵ The Water Quadrennium is an initiative of the government aimed at preserve watersheds, increase coverage and potable water services, sanitary sanitation as a way to attack poverty and provide health. It also aims to give the water sector an adequate legal order.
- ¹⁶ Ministry of Economy, Planning and Development and Inter-American Development Bank (2014). National Logistics and Freight Transportation Plan-PNLog 2014-2024 (Preliminary document). Santo Domingo.
- ¹⁷ Figures taken from ECLAC (2016a). Production statistics of electricity in the countries of the Integration system Central America (SICA) -Preliminary data for 2015. ECLAC, headquarters subregional in Mexico.
- ¹⁸ Speech by the President of the Dominican Republic at the COP21 Conference in Paris, November 30, 2015.

ABBREVIATIONS, SYMBOLS, AND ACRONYMS

ADS:	Administración Superior del Banco Centroamericano de Integración Económica.
BCIE:	Banco Centroamericano de Integración Económica.
BCRD:	Banco Central de la República Dominicana.
CEPAL:	Comisión Económica para América Latina y el Caribe.
COP21:	Sesión 21 de la Conferencia de las Partes en la Convención Marco de las Naciones Unidas sobre Cambio Climático.
CORAASAN:	Corporación de Acueductos y Alcantarillados de Santiago.
CNCCMDL:	Consejo Nacional para el Cambio Climático y el Mecanismo de Desarrollo Limpio.
CTP:	Comité Técnico Interinstitucional de Medición de la Pobreza.
END:	Estrategia Nacional de Desarrollo 2030 de la República Dominicana.
ENSO:	El Niño Southern Oscillation.
EPI:	Índice de Desempeño Ambiental (por sus siglas en inglés).
GEI:	Gases de Efecto Invernadero.
IED:	Inversión Extranjera Directa.
INDRHI:	Instituto Nacional de Recursos Hidráulicos.
MIPYME:	Micro, pequeña y mediana empresa.
MW:	Megawatt.
ODS:	Objetivos de Desarrollo Sostenible.
PIB:	Producto Interno Bruto.
PNLog:	Plan Nacional de Logística y Transporte de Carga.
SICA:	Sistema de la Integración Centroamericana.
SNIP:	Sistema Nacional de Inversión Pública.
SOPAC:	Comisión de Geociencias Aplicadas del Pacífico Sur (Por sus siglas en inglés).
UNEP:	Programa de las Naciones Unidas para el Medio Ambiente (Por sus siglas en inglés).
VIDHAS:	Programa Centroamericano de Vivienda y Desarrollo de Hábitat Sostenible.

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ANNEX I:

SUMMARY OF THE 2030 NATIONAL DEVELOPMENT STRATEGY

The strategic planning framework of the Dominican Republic is established by means of Law No. 1-12 of January 2011, which enacts the Law of the 2030 National Development Strategy (END). The long-term tool proposes a multidimensional vision of development that includes values such as prosperity, participative democracy, equity, equality, social justice, innovation, sustainability and competitiveness. According to the END, public policies are articulated around four strategic axes, with their corresponding objectives and lines of action, which are then executed pursuant to multiannual plans. Likewise, the Law also includes the guidelines for its monitoring and evaluation.

STRATEGIC AXES AND THEIR OBJECTIVES

- Social democratic rule of law. This axis is related to the development of an institutional framework that allows the State to act ethically, transparently and effectively in the service of a responsible and participatory society, which guarantees security and promotes equity, governance, peaceful coexistence and national and local development.
- Society with equal rights and opportunities. This axis is aimed at promoting social inclusion and equality; it includes policies for achieving universal and quality coverage of education, health, housing and basic services.
- Sustainable, inclusive and competitive economy. This axis is structured to develop the conditions to create the bases for maintaining sustained economic growth, which generates more formal employment. In this sense, it includes among its objectives the strengthening of competitiveness and insertion into foreign markets; the promotion of the energy sector with efficiency and environmental sustainability; and the sector and territorial articulation of the productive structure.
- A society with environmentally sustainable production and consumption that adapts to climate change. This strategic axis gives priority to issues of environmental sustainability and climate change. To that end, it includes among its objectives themes related to sustainable environmental management, risk management and climate change adaptation.

In addition, the END proposes the following cross-cutting policies for its different areas of implementation: human rights approach, gender approach, environmental sustainability, territorial cohesion, social participation, use of information and communication technologies and institutional responsibility in the application of policies issued by the END.

ANNEX II:

ALIGNMENT OF FOCUS AREAS AND OBJECTIVES OF THE 2030 NATIONAL DEVELOPMENT STRATEGY

END SCOPE OF ACTION	END GENERAL OBJECTIVES	CABEI FOCUS AREAS AND STRATEGIC INITIATIVES
Social democratic rule of law	<ul style="list-style-type: none"> - Efficient, transparent and results-oriented public administration - The rule of law and public safety - Participative democracy and responsible citizenship - Security and peaceful coexistence. 	<p>Competitiveness Services</p> <ul style="list-style-type: none"> • Public safety • Government and municipal infrastructure
Society with equal rights and opportunities	<ul style="list-style-type: none"> - Quality education for all - Integral healthcare and social security - Equal rights and opportunities - Territorial cohesion - Decent housing in healthy environments - Culture and national identity in a globalized world - Sport and physical recreation for human development 	<p>Human Development and Social Infrastructure</p> <ul style="list-style-type: none"> • Education • Healthcare • Inclusion and social cohesion • Water and Sanitation • Social housing • Culture, sport and recreation • Municipal infrastructure <p>Financial Intermediation and Development Finance</p> <ul style="list-style-type: none"> • Intermediated development financing

END SCOPE OF ACTION	END GENERAL OBJECTIVES	CABEI FOCUS AREAS AND STRATEGIC INITIATIVES
<p>Sustainable, inclusive and competitive economy</p>	<ul style="list-style-type: none"> - An articulated, innovative and environmentally sustainable economy with a productive structure that generates high and sustained growth, and can be inserted competitively in the global economy - Reliable, efficient and environmentally sustainable energy - Competitiveness and innovation in an environment conducive to cooperation and social responsibility - Sufficient and decent jobs - Productive infrastructure articulated by sector and territory that is competitively integrated to the global economy and takes advantage of local market opportunities 	<p style="text-align: center;">Productive infrastructure</p> <ul style="list-style-type: none"> • Port, airport or related infrastructure • Road infrastructure • Information and telecommunications <p style="text-align: center;">Competitiveness Services</p> <ul style="list-style-type: none"> • Trade in goods • Industrial activities • Business services • Tourism • Territorial development • Transportation and storage <p style="text-align: center;">Energy</p> <ul style="list-style-type: none"> • Renewable and non-renewable energy generation • Energy efficiency and cleaner production • Efficiency in energy matrixes • Management, transmission and distribution of electrical energy <p style="text-align: center;">Financial intermediation and development finance</p> <ul style="list-style-type: none"> • Intermediated financing for production
	<p>Society with environmentally sustainable production and consumption that adapts to climate change</p>	<ul style="list-style-type: none"> - Sustainable environmental management; - Effective risk management to minimize human, economic and environmental losses - Adequate climate change adaptation

INFOGRAPHIC

2015 - 2019 DOMINICAN REPUBLIC COUNTRY STRATEGY



The infographic is composed, in its top section, by three hexagons that highlight the inputs from which this Strategy was provided; The Long Term Horizon Plan 2030, the Sustainable Development Objectives (ODS) and the Institutional Strategy BCIE 2015-2019. In the central section of the diagram, a hexagon with the targeting areas which represents the ways in which this strategic proposal will be implemented with development initiatives. In the bottom section, the central objectives are detailed which will be addressed primarily in this Country Strategy. All of these elements are integrated with two opposing triangles that symbolize the dynamism, strategic alignment and flexibility of the Country Strategy.



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2015-2019

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