

Table 1. The Dominican Republic: Quantitative Performance Criteria for 2003–05

	Original Program 1/									Revised Program 5/		Revised Program (Indicative) 5		
	Aug. 03			Oct. 03			Dec. 03			Mar. 04	June 04	Sep. 04	Dec. 04	2005
	Prog.	Prel.	Status	Prog.	Prel.	Status	Prog.	Prel.	Status					
(In millions of Dominican Republic pesos)														
I. Quantitative Performance Criteria														
A. Nonfinancial public sector (NFPS) balance (cumulative floor) 2/ 6	-1,834	-1,243	Observed	-3,071	-4,634	Not observed	-3,393	NA	...	300	760	1,300	1,140	8,940
B. Change in NFPS borrowing from the domestic banking system (cumulative ceiling) 3/ 6	0	1,319	Not observed	0	2,459	Not observed	0	NA	...	-5,250	-6,130	-7,180	-10,360	-15,800
C. Central Bank net domestic assets (ceiling)	63,129	54,051	Observed	54,578	66,050	Not observed	61,715	80,869	Not observed	71,540	72,200	70,700	75,850	73,680
(In millions of U.S. dollars)														
D. Gross accumulation of public sector external arrears (continuous ceiling)	0	56	Not observed	0	56	Not observed	0	58	Not observed	0	0	0	0	0
E. Contracting of external debt by the public sector (cumulative ceiling) 6	1,127	1,022	Observed	1,546	1,210	Observed	1,692	NA	...	800	950	1,330	1,580	1,050
F. Central Bank NIR (floor, excluding reserve requirements on foreign currency deposits)	10	96	Observed	50	-48	Not observed	32	-95	Not observed	-100	-100	-50	0	300
(In millions of Dominican Republic pesos)														
II. Indicative Targets														
A. Central government expenditure (cumulative ceiling) 2/ 6	52,521	49,502	Observed	68,132	67,758	Observed	84,568	NA	...	24,700	49,600	74,050	101,000	115,550
B. Quasi-fiscal loss of the Central Bank (cumulative ceiling) 6	5,608	5,181	Observed	9,311	9,304	Observed	13,543	NA	...	6,740	13,300	19,200	25,050	22,650
C. Change in central government deposits at the Central Bank (cumulative floor) 6	...	...	...	...	...	...	...	...	...	4,770	5,300	6,000	8,350	12,850
D. Monetary base (ceiling)	...	...	...	...	...	...	...	...	...	67,540	68,200	68,700	75,850	85,680
E. Central bank certificates (ceiling) 4/ 7/	42,907	57,564	Not observed	59,174	58,875	Observed	55,026	60,008	Not observed	...	...	...	...	...

1/ As defined in the original Technical Memorandum of Understanding (August 6, 2003)

2/ Actual figures in 2003 exclude revision to below-the-line accounts of the NFPS in the first half of the year

3/ In 2003, defined as gross borrowing excluding the central bank, cumulative change from end-June 2003. In 2004, borrowing is defined on a net (of deposits) basis, includes the central bank, and is measured from end-December 2003

4/ Actual figures exclude revision to the stock of certificates since February 2003

5/ As defined in the revised Technical Memorandum of Understanding (December 2003)

6/ In 2004, targets are measured from end-December 2003.

7/ In 2004, this indicative target has been replaced by one on the monetary base.

Table 2. The Dominican Republic: Prior Actions, Structural Performance Criteria, and Structural Benchmarks. Original Program.

	Date	Status
A. Prior Actions		
1. Resolve Baninter, with clear procedures and timetable to transfer remaining legitimate liabilities to other banks.	end-August 2003	Observed
2. Immediately strengthen the banking system by addressing problems of weak banks (placing overseers, introducing rehabilitation plan); taking immediate actions to detect fraud, applying sanctions and initiating legal proceedings in cases of malpractice.	end-August 2003	Observed
3. Finalize the terms of reference for conducting internationally assisted inspections of banks.	end-August 2003	Observed
4. Introduction of short-term tax measures (airport exit tax, import surcharge, tax on checks, and tax on windfall gains).	end-August 2003	Observed
5. Unification of official and private exchange rate.	end-August 2003	Observed
6. Introduction of competitive auctions to place central bank paper.	end-August 2003	Observed
7. Submission to Congress of a law for bank resolution under systemic risk.	end-August 2003	Observed
8. Design and start implementing an appropriate communication strategy.	end-August 2003	Observed
B. Structural performance criteria		
1. Approval of by-laws of the MFL regarding deposit insurance fund, sanctions and lender of last resort.	End-September 2003	Not observed
2. Congressional approval of the law for bank resolution under systemic risk.	End-September 2003	Not observed
3. Congressional approval of a Budget bill for 2004 consistent with fiscal targets in the program.	End-December 2003	Not observed
4. Completion of unification of the foreign exchange market.	End-December 2003	Not observed
C. Structural Benchmarks		
1. Full implementation of the Lombard and overnight deposit windows.	End-September 2003	Observed with delay
2. Development of a comprehensive institutional strengthening plan for the superintendency of banks.	End-September 2003	Not observed
3. Submission to Congress of a bill on financial crime.	End-September 2003	Not observed
4. Issue prudential regulation governing loan classification and provisioning in line with best international practice.	End-December 2003	Not observed
5. Approval of by-laws of the MFL regarding the definition of economic groups and criteria for consolidated accounts.	End-December 2003	Not observed
6. Completion of all internationally assisted inspection reports.	End-December 2003	Not observed
7. Approval of by-laws of the MFL regarding capital adequacy, consolidated supervision and requirements for external auditors.	End-March 2004	N/A
8. Submission to congress of tax reform proposal.	End-July 2004	N/A

1/ To provide a basis for a structural performance criterion to be set at future reviews.

Table 3. The Dominican Republic: Prior Actions, Structural Performance Criteria, and Structural Benchmarks. Revised Program.

A. Prior Actions implemented by the announcement of the program

1. Congressional approval of 2004 budget and associated tax measures consistent with the 2004 fiscal target (SMEP, para 5).
2. Design of a financial stabilization plan for the electricity sector in consultation with the World Bank (SMEP, para 6 and 9).
3. Tightening of monetary conditions (SMEP, para 11).
4. Issuance of decree eliminating the commission on financial security and announcement of the dissolution of the commission on supervision of foreign exchange market (SMEP, para 15).
5. Securing financing assurances (SMEP, para 24).

B. Prior Actions implemented by the Board Meeting

1. Compliance with the following pending structural conditions envisaged for end-September 2003 under the original program: (i) MFL by-laws on sanctions, contingency fund, and lender of last resort (SMEP, para 17); (ii) congressional approval of the law for bank resolution under systemic risk (SMEP, para 17); and (iii) full implementation of the Lombard and overnight deposit windows (SMEP, para 13).
2. Finalize the terms of reference to conduct an independent international valuation of the assets of Edenorte and Edesur (SMEP, para 10).
3. Finalize the terms of reference of the panel of independent experts that would look into monetary and regulatory lapses leading to the banking crisis (SMEP, para 22).
4. Clearance of non-reschedulable arrears to external creditors (SMEP, para 26).
5. Completion of the unification of the foreign exchange market (SMEP, para 14), including the elimination of the official foreign exchange market.

C. Structural Performance Criteria

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| 1. Approval of MFL by-laws on capital adequacy, eliminating any existing forbearance on loan provisioning, and on prudential regulations governing loan classification and provisioning, on the basis of international best practices (SMEP, para 19). | End-February 2004 |
| 2. Finalize the design of a comprehensive strategy for the restructuring of undercapitalized banks (SMEP, para 18). | End-February 2004 |
| 3. Submission to congress of tax reform proposal, along the lines described in paragraph 7 of the SMEP. | End-July 2004 |
| 4. No administrative interference in the foreign exchange market (SMEP, para 15 and TMU, Section III). | Continuous |

D. Structural Benchmarks

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| 1. Completion of all internationally assisted inspection reports (SMEP, para 17). | End-January 2004 |
| 2. Approval of exchange market by-law (SMEP, para 16). | February 15, 2004 |
| 3. Establishment of a governance structure to manage and dispose of assets acquired as a result of the resolution of problem banks (SMEP, para 20). | End-February 2004 |
| 4. Completion of a plan for the institutional strengthening of the superintendency of banks (SMEP, para 20). | End-February 2004 |
| 5. Establishment of procedures for an independent review by the central bank controller of the program data reported to the Fund and the bank's accounting records; and initiation of an independent risk management and bank-wide internal control review of the central bank (LOI, para 5). | End-February 2004 |
| 6. Technical discussion for a proposal of tax reform (SMEP, para 7). | End-March 2004 |
| 7. Approval of by-laws on related-party credit and definition of economic groups, external auditors, consolidated accounting in line with international best practices, and fit and proper conditions for bank managers and shareholders (SMEP, para 19). | End-March 2004 |
| 8. Establishment of an independent committee at the central bank to oversee the bank's external and internal audit functions; approval of the new role, reporting lines, and scope of activities of the Internal Audit Department (IAD); and beginning of preparation of an action plan for strengthening capacity of the IAD (LOI, para 5). | End-March 2004 |

Table 4. The Dominican Republic: Proposed Revised Schedule of Purchases Under the Stand-By Arrangement, August 2003–August 2005

Date	Original Schedule		Revised Schedule				Conditions
	SDR million	Percent of quota	SDR million	US\$ million	Percent of quota total		
29-Aug-03	87.56	40.00	87.56	120.59	40.00	20.00	Board approval
20-Oct-03	43.78	20.00	...	...	...	...
20-Dec-03	43.78	20.00	...	...	...	...
11-Feb-04	21.89	10.00	43.78	61.73	20.00	10.00	Observance of end-December 2003 performance criteria and completion of first review
18-May-04	21.89	10.00	43.78	61.73	20.00	10.00	Observance of end-March 2004 performance criteria and completion of second review
20-Aug-04	43.78	20.00	43.78	61.73	20.00	10.00	Observance of end-June 2004 performance criteria and completion of third review
19-Nov-04	43.78	20.00	65.67	92.59	30.00	15.00	Observance of end-September 2004 performance criteria and completion of fourth review
18-Feb-05	43.78	20.00	54.72	77.16	25.00	12.50	Observance of end-December 2004 performance criteria and completion of fifth review
23-May-05	43.78	20.00	54.72	77.16	25.00	12.50	Observance of end-March 2005 performance criteria and completion of sixth review
26-Aug-05	43.78	20.00	43.79	61.74	20.00	10.00	Observance of end-June 2005 performance criteria
Total access	437.80	200.00	437.80	614.43	200.00	100.00	
Memorandum items:							
2003			87.56	120.59	40.00	20.00	
2004			197.01	277.78	90.00	45.00	
2005			153.23	216.05	70.00	35.00	

1/ These dates have been revised from those presented in the staff report on the request for the arrangement (EBS/03/116, Supplement 1).