

# Dominican Republic

## Country Profile:



- **Population 10,088,598**
- **A young population:**
  - Median age 26.1 year-old
  - 29.5% are under 14 year-old
- **\$159.32 Billion GDP in 2016 (PPP)**
- **\$15,777 GDP per capita (PPP)**
- **Population below the poverty line: 42.2% (2004)**
- **Rural population: 31%** (urbanization rate of 2.1%)
- **Literacy rate 87%**
- **Banking penetration 29%**
- **8.8M mobile phones + 90% mobile penetration.** (Graph Below)
- **Annual remittance: 7.33%**

**Map 1**

Sources: IFC and World Bank Group

## The Sovereign Wealth Funds SWFs

Sovereign Wealth Funds (SWFs) have emerged as potential solutions to actively manage foreign reserves accumulated from commodity sales or strong exports. They can be managed either by a state-controlled entity or external managers, on behalf of the nation. These government-owned investment vehicles are designed to serve primarily medium to long term economic and financial objectives.

They can have different and multiple objectives such as: (i) the stabilization of the economy from the volatility of the prices of the natural resources they depend on, protecting from commodity shocks, (ii) the function of reserve fund for the time of economic and financial crisis, (iii) the diversification and internationalization of the domestic economy, (iv) the support of national development, (v) the transfer of wealth across generations and many other goals and missions.

SWFs can pursue some of the above objectives separately or concurrently and this can be done with one main fund or with subdivided funds with specific objectives.

According to Adam D. Dixon and Ashby H. B. Monk, resource-rich developing countries can benefit from setting up, subsequently, three separate SWFs such as: (i) a stabilization fund (ii) a development fund and lastly (iii) a saving fund. Once achieved the main goal of the stabilization of the economy, in fact, the SWF could focus more on fostering national development and on the transfer of wealth to future generations.

Furthermore, as many of the new upcoming SWFs are sponsored by Emerging Countries, as in the case of Angola, Brazil, Dominican Republic and others, many of these brand new SWFs are called to perform an important role in the promotion of the development of the sponsor countries.

Development consists not only in increasing the assets of the SWF and in the financial and economic growth of the Sponsor Country's, but it refers to a much wider definition that takes into account the overall wealth of the Country and the standard of life of the entire population that is, or should be, the real ultimate beneficiary of the Fund's activities.

In this sense, it includes both social and economic goals, measurable through, the reduction of the Country's poverty level, the increase of the standard of life of citizens and the construction of the necessary infrastructures for a sound and prompt development of the Country, such as roads, hospitals, schools, etc.

## SWFs in the Americas

The region with the 23<sup>rd</sup> highest asset in the world in terms of SWFs, which is the Alaska Permanent Fund from the United States, where oil is the origin of its funds, SWFs have been an approached fund plan starting from the 1854, where Texas Permanent School Fund from the United States was the first to be an active SWF. As per the SWF Institute, currently there are 10 countries with 22 fund authorities already active SWFs which are shown in the below table:

| Country  | Fund                                  | Assets<br>\$Billion | Inception | Origin       |
|--|---------------------------------------|---------------------|-----------|--------------|
|  United States of America<br> Alaska | Alaska Permanent Fund <sup>[21]</sup> | 54.8                | 1976      | Oil          |
|  United States of America   | Permanent School Fund                 | 37.7                | 1854      | Public Lands |

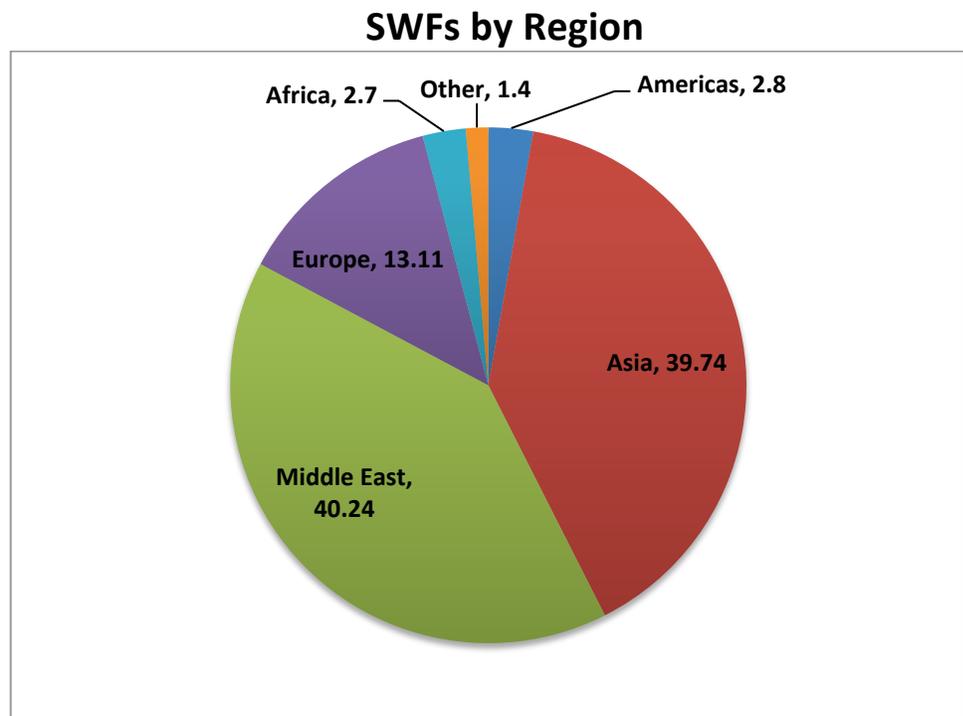
|  |   |                      |      |                          |
|--|---|----------------------|------|--------------------------|
|  Texas  |   |                      |      |                          |
|  United States of America<br> New Mexico       | New Mexico State Investment Council                 | 20.2                 | 1958 | Non-commodity            |
|  United States of America<br> Texas            | Permanent University Fund                           | 17.3 <sup>[24]</sup> | 1876 | Public Lands             |
|  Chile  | Social and Economic Stabilization Fund              | 14.7                 | 2007 | Copper                   |
|  Canada<br> Alberta                            | Alberta Heritage Savings Trust Fund <sup>[25]</sup> | 13.4                 | 1976 | Oil                      |
|  Chile  | Pension Reserve Fund                                | 9.4                  | 2006 | Copper                   |
|  Peru   | Fiscal Stabilization Fund                           | 7.9                  | 1999 | Non-commodity            |
|  United States of America<br> Wyoming          | Permanent Wyoming Mineral Trust Fund                | 7.3                  | 1974 | Minerals                 |
|  Mexico   | Oil Revenues Stabilization Fund of Mexico           | 6                    | 2000 | Oil                      |
|  Trinidad & Tobago   |   | 5.7                  | 2007 | Oil                      |
|  United States of America<br> North Dakota | North Dakota Legacy Fund                            | 4.3                  | 2011 | Oil & Gas                |
|  United States of America<br> Alabama      | Alabama Trust Fund                                  | 2.7                  | 1985 | Oil & Gas                |
|  United States of America<br> Utah         | Utah-SITFO  | 2                    | 1896 | Land & Mineral Royalties |
|  United States of America<br> Louisiana    | Louisiana Education Quality Trust Fund              | 1.3                  | 1986 | Oil & Gas                |
|  Panama   | Fondo de Ahorro de Panama                           | 1.2                  | 2012 | Non-commodity            |
|  Bolivia  | Fund for Productive Industrial Revolution           | 1.2                  | 2012 | Non-commodity            |
|  United States of America<br> Oregon       | Oregon Common School Fund                           | 1.2 <sup>[26]</sup>  | 1859 | Public Lands             |
|  Venezuela  | FEM - Macroeconomic Stabilization Fund              | 0.8                  | 1998 | Oil                      |
|  Brazil   | Sovereign Fund of Brazil                            | 0.5                  | 2008 | Non-commodity            |

|  |  |   |      |           |
|--|--|---|------|-----------|
|  United States of America | West Virginia Future Fund  | X | 2014 | Oil & Gas |
|  West Virginia            |  |   |      |           |
|  Mexico                   | Fondo Mexicano del Petroleo para la Estabilizacion y el Desarrollo | X | 2014 | Oil & Gas |

Sources: SWF Institute  
X = Information undisclosed publicly

**Table I**

Due to the successful and high assets and returns gained via SWFs, the number of ACCs countries has grown until it became the highest number of counties that are SWFs active. As per SWF Institute the percentage of Middle East countries and American countries are the highest in the world, and are presented in the graph below.



**Graph I**  
Source: SWF Institute

## Dominican Republic as a growing economy

The Dominican Republic is one of the fastest growing economies in the Caribbean. The most important sector of the economy is services, specifically tourism, finance and telecommunications. Mining has also been growing in importance, and ferronickel and gold production is expected to continue increasing. The Dominican Republic is also dependent on remittances and on revenues from the free-trade zones.

Dominican Republic was just like all other countries that were affected by the **economic crises** which hit the world end 2008 beginning 2009. However, Dominican Republic's GDP has been growing with an average of 6.5% in the past 10 years which is a sign of recovery. Also, Dominican Republic became one of the fastest-growing economies, after the 7% year on year YOY growth in 2015, then followed that with a continuous robust with a 6.6% YOY for 2016. Looking ahead, the post-election fiscal adjustments coupled will moderate the pace of local economic activity towards a potential growth rate of 5.5% to 6% by 2017.

There are different factors of Dominican Republic that makes of it a unique and competitive country. The first feature is the fact that Dominican Republic is considered one of the largest countries in the world with its **untapped natural resources**, such as ferronickel, coal and gold. These resources mainly exist in two cities which are Oya Tologoi (copper and gold) and Tavan Tolgoi (coal).

The second feature of Dominican Republic is the **young and growing working population**, where 58% of the people in Dominican Republic are below the age of 30, and 29.5% are below the age of 14. Working population in Dominican Republic contains mainly people between the age of 15 and 64, and is about 65.4% of its population. The working population in Dominican Republic is expected to increase more and to reach as high as 70% by 2022.

The third feature at Dominican Republic is the **ease and comfort of doing business** at the country. Dominican Republic was ranked as the number 103, beating its neighbors – Nicaragua and Honduras. The reason that made Dominican Republic be ranked as 103<sup>th</sup> is the fact that it emphasizes on investors protection when setting up trading and investment rules, such as taxation amendments.

**The above mentioned competitive advantages and features are all factors which are motivating for Dominican Republic to start being more active in SWF.** The fact that SWF is more likely to be successful and beneficial with the existing of natural resources, gives Dominican Republic a plus. Moreover, social advantages of the SWF which are mainly having more job opportunities, and preventing poverty, will be beneficial for the high working and youth population existing in Dominican Republic.

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