

# BTI 2012 | Dominican Republic Country Report

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scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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## Key Indicators

Population	mn.	9.9	HDI	0.689	GDP p.c.	\$	9350
Pop. growth <sup>1</sup>	% p.a.	1.3	HDI rank of 187	98	Gini Index		48.4
Life expectancy	years	73	UN Education Index	0.616	Poverty <sup>3</sup>	%	13.6
Urban population	%	70.5	Gender inequality <sup>2</sup>	0.480	Aid per capita	\$	11.9

Sources: The World Bank, World Development Indicators 2011 | UNDP, Human Development Report 2011. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

In May 2010, mid-term congressional and municipal elections confirmed and further strengthened the political position of President Leonel Fernández. The president's Dominican Liberation Party (PLD) maintained its absolute majority in the House of Representatives, and won 31 of 32 seats in the Senate. With this election President Fernández also tightened his grip on his own party and is now the uncontested leader of the PLD. The president can count on secure majority backing until the end of his presidential term in 2012. The 2010 elections were in general peaceful and transparent, confirming a trend noticed during the congressional and municipal elections in 2006 and presidential elections in 2008. While the PLD continued its success at the polls, the Social Christian Reformist Party (PRSC) continued to lose popular support while the Dominican Revolutionary Party (PRD) strengthened its position in the House of Representatives to a small degree.

The 2010 elections were held only four months after the formation of a new constitution; the process had consumed almost all political life in the country for more than a year. The constitution reform process was relatively open, and early on it enjoyed broad-based participation from citizens and civil society organizations. Their influence in the final outcome was rather small, however, since the political parties in government and the National Congress, particularly the dominant PLD, controlled deliberations on the actual constitutional text. Civil society activity thus in general increased during the constitutional debates, and ad-hoc organizations have participated in political discussions, such on education issues, yet such participation had led to little direct influence on final policy. Nevertheless, in at least in some regions of the country, politicians must now at least consider the input of civil society groups in policy-making. The new constitution worsens the situation for Haitian immigrants and their descendants born in the Dominican Republic, and includes potentially important changes for

political actors. Most importantly, the constitution generated an elite consensus between major parties and became the country's first constitution written in a fully democratic setting. It is thus an important part of the ongoing transformation of the country.

The Dominican Republic in the period under review has generated good macroeconomic figures, and the government's performance has improved from previous years (2006–2008). In the current period there were only early discussions regarding possible constitutional modifications to permit the re-election of Fernández in 2012, which then facilitated the prioritization of long-term macroeconomic goals; the government too has been successful in meeting the goals of ongoing IMF-standby agreements. (In April 2011, it became clear that President Fernández would not seek constitutional reform and re-election). However, progress toward addressing the country's many structural problems regarding education, health and social inequality was minimal, despite generally good macroeconomic performance. In general, the period under review, like the one before it, can be characterized as a period of economic growth but social stagnation. No serious improvements in the population's standard of living were achieved. Insufficient energy supplies remain a serious problem, as do corruption and discrimination against Haitians and Dominican-Haitians. The situation for Haitians and Dominican-Haitians has worsened due to the recent constitutional reform that excludes this group from obtaining citizenship. The government's greatest success in the period under review is without a doubt the passing of a new constitution in January 2010, which is a clear victory for what had been described as the president's personal project. At the same time, under the Fernández administration the Dominican Republic has proved to be a reliable international partner and President Fernández over the last two years has confirmed his role as a reliable regional leader. Despite the country's small size, the Dominican Republic under Fernández's leadership has won an important position in regional politics.

## History and Characteristics of Transformation

The assassination of General Rafael Leonidas Trujillo in 1961 ended 30 years of dictatorship; the 1963 military coup was followed in 1965 by a brief period of civil war and intervention by the United States. In 1966 civilian rule was restored with the election of Joaquín Balaguer, but democratic development remained stagnant for decades as neopatrimonial structures dominated both the state and the economy. Inefficiency in government, a generally low level of institutionalization and a lack of professionalism among administrators went hand-in-hand with limited leeway for initiative. There was also no reliable guarantee of fair rules for political competition. Given this lack of procedural legitimacy, disputes between patronage-based parties became permanent and hardened confrontations. The conservative caudillo Balaguer succeeded in maintaining power from 1966 to 1996 (save for a period from 1978 to 1986), in part by exploiting largely nontransparent election processes with close and questionable results. He was elected president six times in his career. Personality-based internal conflicts and frequent splintering weakened opposition parties.

The United States has played a decisive role in encouraging the transformation process in the Dominican Republic. This began with external pressure from the administration of U.S. President Jimmy Carter, which forced Balaguer to recognize the opposition's electoral victory in 1978, which in turn initiated a short-lived surge of democratization. However, the transformation process stagnated once again after Balaguer returned to power in 1986. In 1994, the administration of U.S. President Bill Clinton and the Organization of American States (OAS) applied additional pressure on the Dominican Republic, which helped make extensive institutional reforms possible and facilitated the end of the Balaguer regime two years later. Since then, there has been significant progress in transformation, not only in establishing the country's first credible regulation of political competition, but also in improving the human rights situation, favoring the development of a civil society and significantly reducing neopatrimonial power over business. By the 1990s, the country relied much less on sugar exports for its foreign exchange compared to exports from free trade zones, tourism and remittances from overseas migrants. The government could guarantee competitive elections by implementing institutional reforms in 1994 that were based on a pact among party elites and went unhindered by key actors, such as military and church leaders. Thanks to the pact, political contenders and relevant social groups were more inclined to properly observe the electoral process and recognize its results. Modernizing the judiciary and state administration also helped to enhance electoral and government credibility among the population. The first important steps toward free trade could be considered to have been taken by President Salvador Jorge Blanco, Dominican Revolutionary Party (PRD, 1982–1986) in the 1980s by liberalizing the exchange regime. In the early 1990s President Balaguer only implemented some free trade measures, whereas most of the economic transformation involving policies of privatization and free trade gained traction under President Leonel Fernández in the late 1990s. These important steps toward free trade by facilitating regional integration have been continued by subsequent governments.

The dynamic character of democratic transformation in the Dominican Republic is attributed primarily to a willingness and ability to cooperate and compromise on the part of political elites, and on the application of pressure from both civil society and international bodies. The government itself cannot really be credited as exercising profound influence on successful transformation, even though both President Fernández of the Dominican Liberation Party (PLD) during both stints in government (1996–2000 and 2004–2012), and the government of President Hipólito Mejía, PRD (2000–2004), supported several democratic and state reforms. Nevertheless, the neopatrimonialist system and the patronage-based operating mechanisms of parties not only limit executives' ability to act but in turn induce each new government to slow the pace of transformation.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 10 (best) to 1 (worst).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

The state holds a monopoly on the use of force over the entire territory. The state's authority is not threatened or challenged by local clan monopolies or guerrilla movements. However, problems connected to drug trafficking and organized crime are a growing concern; there is no full state control over the country's border with Haiti.

The legitimacy of the nation-state and the new constitution is rarely questioned. However, there is a large minority of Haitian immigrants and of Dominican-Haitians whose political and socioeconomic participation is hampered by both formal and informal barriers. The new constitution puts new restrictions for obtaining citizenship on this group. For example, children born to Haitian parents in the Dominican Republic are now constitutionally denied registration as citizens and are effectively stateless. Thus what was largely de facto practice in the past has now been embedded in the constitutional text.

Roman Catholics make up at least 80% of the population, but the separation of church and state is generally effective in practice. The Catholic Church is traditionally one of the most important and respected institutions of power in the country, but religious dogmas play a subordinate role in day-to-day political life. The local Catholic Church, nevertheless, influences politics, and individual candidates' religious affiliations have time and again become an election issue. One recent example of influence is the 2010 constitutional ban on abortion, which was lobbied and supported by the Catholic Church. Freedom of religion is generally respected; however, Haitian immigrants' religions, with their African origins, have been openly suppressed.

The state has a fundamental presence throughout the country with respect to administrative institutions, officeholders and the basic administration of justice. Despite the fact that the principle of a civil service career path was introduced by

Question  
Score

Monopoly on the  
use of force

9

State identity

7

No interference of  
religious dogmas

9

Basic  
administration

7

law in 1991, and reinforced by law in 2008, the quality of state administration is still compromised by a high degree of political clientelism, insufficient human capital and corruption. Good governance and communication with the public have therefore not considerably improved. With the exception of some state institutions, such as the Central Bank and the president's economic team, recruitment or selection of government personnel carries with it a precarious legitimacy, and patronage networks and corruption generally face little internal opposition. As a result, legislation passed by the central government is sometimes only weakly enforced.

## 2 | Political Participation

Although elections have been held regularly for more than 50 years, electoral fraud and manipulation are also a hereditary burden of the Dominican Republic's political system. However, since 1996 national and local elections have generally been free and fair, multiparty contests, mainly thanks to increasing civil society engagement, particularly that of the NGO Participación Ciudadana (PC, established in 1994). Through election observation, education of the public and acting as a watchdog, the PC has contributed significantly to electoral transparency since 1996. Since the mid 1990s voter manipulation has been limited by reforms in the voter registration and vote count process, improvements in access by all political parties to the Junta Central Electoral (JCE, the central electoral authority) and voting stations, and by pressure from the Organization of American States, the United States, European Union countries, and domestically from businesses and other groups. Although isolated incidents of violence, vote buying and other minor irregularities were observed, the 2010 congressional and local elections were considered free and fair by international observers.

Until 2010 the JCE had combined the roles of organizing and conducting elections, and being the court of final appeal for all electoral judicial matters. These roles have been the root cause of many issues of electoral controversy over the years, and have been heavily criticized by national and international electoral observers. The new 2010 constitution seeks to improve this deficiency and splits the JCE into two separate bodies, one for organizing elections (Junta Central Electoral) and one electoral court (Tribunal Supremo Electoral, TSE). The political autonomy of the JCE has also been a matter of concern and is frequently suspect because its members are elected by the Senate for four-year terms. The new constitution does not alter this procedure, but the new TSE will be elected by a multiparty council. However, it should be pointed out, that despite the Dominican Liberation Party's two-thirds majority since 2006, the Senate has elected the members of the JCE, satisfying all of the country's three major political parties who achieved some representation on the JCE.

Free and fair  
elections

8

Further problems related to the organization of elections is that the JCE does little to uphold the law limiting the abuse of state resources by a governing party or to enforce laws regarding campaign financing and equal media access. These problems were also observed in the 2010 elections, in which candidates from the governing party (PLD) could take advantage of access to state resources and active campaign support from President Fernández, and were able to obtain more media coverage than opposition candidates. Electoral laws such as the opening of polling places, the guarantee of a secret vote and the protection against intimidation have not always been adequately enforced, and insufficient organization and a lack of adequate equipment, such as missing data on voters' civil status, inadequately updated voter rolls and insufficient availability of voter identification cards have also undermined proper electoral processes. Although these continue to have some impact on the holding of free and fair elections, they have largely constituted only minor problems in the last couple of elections.

Democratically elected political representatives, essentially the president and the National Congress, have the power to govern, and there are no individual groups holding de facto veto power over politics in the state. The military is not very politicized, and has not been a threat to democratic politics since the early 1980s. Big landowners and business elites, particularly in key industries such as tourism and sugar processing, are clearly influential as they are in many Latin American countries, and often receive preferential treatment by elected politicians and the state, but they hold no veto over democratic decisions. Although there have been some modest moves toward fiscal decentralization, the country remains highly centralized with regional and local levels of the administration largely dependent on the central government.

The constitution provides for freedom of association and assembly, and the government generally enforces these rights. There are few severe restrictions. Nevertheless, civil society organizations and researchers working for the rights of Haitians and Dominican-Haitians do at times encounter interference in their affairs and harassment from state officials and politicians, and the same is the case for groups working for the rights of gays and lesbians, in which the state may interfere in their work after lobbying by the Catholic Church. Despite some incidences of government clampdown, strikes are legally permitted and generally peaceful.

Freedom of opinion and the press are constitutionally guaranteed and generally respected. Media companies are mostly private and pluralistic, though ownership is highly concentrated. There are more than 40 broadcast television stations, four national and a large number of local newspapers, and the vast majority of these are operated by private owners. The structure of the mass media provides for a relative plurality of opinions; however, self-censorship among journalists is not uncommon, and with a few notable exceptions, such as TV journalists Nuria Piera and Alicia Ortega, critical and investigative journalism is rare and difficult to uphold. In 2010,

Effective power to govern

9

Association / assembly rights

9

Freedom of expression

8

the only national newspaper that featured regular investigative journalism, the weekly *Clave* (and its online component, *Clave Digital*) had to close due to economic problems. Most of the journalists and writers of *Clave*, however, have now created the fully digital newspaper *Acento.com.do*, which helps to uphold a relative plurality of opinions in the written media. Access to the Internet is not restricted but concentrated mainly in urban areas. There are isolated cases of threats against journalists from state officials accused of corruption, though it is unclear whether these threats have support from the president. At times, such as in one case involving Alicia Ortega, state officials can take journalists to court on claims of defamation. Such actions, in addition to linkages between media ownership and political elites, help generate self-censorship among journalists. In particular, journalists reporting on drug trafficking and corruption have been endangered and some have complained about the lack of security provided to them by the government.

### 3 | Rule of Law

The independence and separation of government powers is established by the constitution, but in fact the executive branch has always maintained considerable predominance, in part because of patrimonial control over state resources and executive concentration of authority. Patronage practices were and are one of the government's most important tools of control. Although traditional government patterns of presidential dominance still persist, significant improvements have been made since the end of the 1990s. The judicial sector has become more, although not totally, independent from political influence; it has provided sentences in several high-profile corruption cases in recent years, which would have been unthinkable previously. Also the National Congress at times has taken a more important role vis-à-vis the presidency in day-to-day politics. The new constitution provides for the legislature to take a stronger role in the Dominican political system. How this will work is still unclear, but the process of writing the new constitution made it clear that the National Congress no longer can be fully controlled by the presidency, even in situations when a president's party holds majority rule in the legislature.

In theory, then, the National Congress should be able to better perform its oversight role in a system of checks and balances after the implementation of the new constitution. However, following the results of the 2010 elections, the legislature is now dominated by a large majority of Dominican Liberation Party (PLD) members, the president's party, in both chambers, and the PLD remains a very centralized party, all facts that might weaken oversight of government. In sum, given the strong influence President Fernández has over the PLD and its dominant position in the National Congress, in the short-term, effective control by the legislature over the executive remains questionable.

Separation of  
powers  
7



Although the constitution provides for an independent judiciary, the institution for a long time has been politicized and is rife with corruption. Therefore traditions of the rule of law are not highly developed, whether in terms of the rule of law proper or of due process. Since the late 1990s there have been both locally and internationally supported attempts to reform the judiciary. These reform efforts have had partial success. As with many developing countries in the region, the judiciary continues to suffer from weak institutional organization, professionalism, career stability and efficiency. Despite improvements, especially during the current Fernández administration, the judicial sector still experiences a lack of financial resources. Reforms, however, such as the Criminal Procedures Code of 2004, provided for greater efficiency and guaranteed additional protections to suspects; the Organic Law of the National Budget from 2006 and the Public Administration Law of 2008 have regularized budget allocations and increased budget autonomy for the judiciary (and other state dependencies). The new 2010 constitution provides for a higher degree of institutional autonomy and creates a judicial council that should safeguard career stability, professionalism and merit-based recruitment. On the other hand, the new constitution also opens the possibility and potential for increased partisan influence in the selection of Supreme Court and the new Constitutional Court judges, especially in the current context, in which the Dominican Liberation Party (PLD) controls the presidency as well as maintains comfortable majorities in both chambers of the National Congress, which might prove perilous for this sector's independence from external influence.

Independent  
judiciary

6

Despite increased media attention, congressional investigations and higher overall public awareness in the period under review, prosecution of abuse of office is still extremely rare and cases usually do not result in conviction. Prosecution of abuses has also often been politically motivated and has occurred after changes of government. Efforts to improve performance in this regard have increased more following intense outside pressure from the Organization of American States (OAS) and Inter-American Development Bank (IADB) than from the government's own initiatives. Anti-corruption efforts have also received little financial and government backing, and neither the Prosecutor General's office nor the state's anti-corruption agency has de jure or de facto authority to investigate public officeholders' misconduct. Documents from the U.S. Embassy made public in 2010 by whistleblowing website Wikileaks also demonstrate that high-level corruption among public officeholders is common, and tacitly accepted, under the current Fernández administration. As a result of a higher degree of public awareness, however, abuses of public offices recently receive more adverse publicity, and President Fernández has seen himself forced to remove several officeholders accused of office abuse in 2009 and 2010. The processes however stopped short of ending in any public investigations or prosecutions.

Prosecution of  
office abuse

5

Civil rights and liberties are guaranteed, and considerably strengthened under the new constitution. Citizens can claim their rights through institutional channels, but access is not equal for all groups, and civil rights are still violated in some cases and are not implemented in certain parts of the country. Discrimination against Haitians and Haitian-Dominicans is particularly serious, and at times these groups are victims of mob violence, especially in rural areas. Such cases of sporadic ethnic violence largely go unpunished by the authorities. In spite of legislation, women's civil rights remain a serious problem, and the civil rights of gays and lesbians are also a serious concern. In political disputes (e.g., opposition efforts in social mobilization and demonstrations), there are still some sporadic violations by government security forces. These incidents are not necessarily dictated by government or high-level police or military authorities, but often occur due to poor police training, low salaries and low levels of professionalism in the police and military corps.

Civil rights  
7

#### 4 | Stability of Democratic Institutions

Democratic institutions perform their functions adequately, and the new 2010 constitution offers a new, modern framework for the workings of the country's political institutions. There is no reason to believe at this early stage that the new framework will have any serious adverse effects on the stability of democratic institutions. Inter-branch conflicts rarely, if ever, reach levels that may imperil democratic institutions. There is, nevertheless, at times a high level of inefficiency due to tensions between institutions, corruption and patrimonialism, but no more than may be expected in any developing democracy. Since the 2006 mid-term elections, President Fernández has been able to rely on a majority of his Dominican Liberation Party (PLD) party in both houses (including a two-thirds majority in the Senate), a majority that was strengthened in the mid-term elections of 2010 and will last the remainder of his term, until 2012. The congressional treatment of the new constitution lasted throughout 2009, and the process in itself clearly obstructed the efficiency of democratic institutions since there was little time and attention left to deal with day-to-day politics.

Performance of  
democratic  
institutions  
7

President Fernández was re-elected in 2008, after his predecessor President Mejía (Dominican Revolutionary Party, PRD) in 2002 had reintroduced the possibility of immediate re-election, and is barred from running for the presidency in 2012. Like an echo from the past, recent interest among Fernández supporters in having the new constitution reformed to open up for a second consecutive re-election bid for the president, has created tensions among the three major parties and great public debate, thus affecting the performance of democratic institutions.

No major state, societal or political actors are committed to the overthrow of democratic institutions or hold veto power, and all relevant actors generally accept democratic institutions and the minimal rules of the game. There clearly exist attempts by powerful actors to influence democratic institutions; one recent example is the Catholic Church's lobbying in the case of abortion during the constitutional reform process, and the Church's negative campaigning in the mid-term 2010 elections against candidates with views opposed by the Catholic Church. Elections, one of the most important institutions in a democracy, are regular, free and fair, even though political parties and candidates at times demonstrate their lack of respect for democracy by seeking to unduly influence the electoral results. Such undemocratic behavior, however, is more common and has had more perverse effects in internal party elections than in national and local elections.

Commitment to  
democratic  
institutions  
8

## 5 | Political and Social Integration

The party system remains only slightly fragmented, and when compared to the Latin American region as a whole, it is relatively stable. Despite longtime dominance by the three biggest parties, the Dominican Revolutionary Party (PRD), the Dominican Liberation Party (PLD) and the Social Christian Reformist Party (PRSC), since the mid 1990s only the first two have proven to be effective in winning voter favor. Since the 2006 congressional elections, the PLD has been the majority party. In 2008 President Fernández was re-elected, and in 2010 the PLD strengthened its majority in both chambers of the National Congress. In the same period the PRD and particularly the PRSC have suffered severe losses. Ideological polarization continues to recede, which is demonstrated by the fact that all three parties create shifting alliances among them, and the three dominant parties and much of the electorate cluster toward the center-right and to the right of the political spectrum. In the 2006 elections, historic enemies PRD and PRSC created an electoral alliance; for the 2010 elections the PLD was able to run shared electoral lists with considerable parts of the PRSC; and in the constitution writing process of 2009–2010, the PLD and the PRD joined forces to carry forth the new constitution. Power struggles continue between and within the parties, and have intensified during 2010, as presidential elections approach. In the PLD there was uncertainty as to whether President Fernández would seek immediate re-election or leave the candidacy open for other contenders, such as former Secretary of the Presidency Danilo Medina, who vied for the presidential candidacy in 2008. (This uncertainty ended in April 2011, when President Fernández declared he would not seek immediate re-election). The PRD is increasingly split between the faction of former President Mejía, and the faction of PRD president and former presidential candidate in 2008, Vargas Maldonado, both who have the intention of becoming the nation's next president. After the end of the review period, in March 2011, Mejia won a contested party primary to be the party's candidate; time will tell if the party can

Party system  
7

unite behind him. The parties are anchored in society, primarily through patronage networks, but offer few venues for interest representation. The tendency toward intraparty splintering or personality cults is typical of a milieu with a patronage-patrimonial bent.

Within the Latin American context, the Dominican Republic's civil society organizations are, despite short traditions, relatively well organized, but civil society still has little structure compared to countries in the European Union. There are no organized groups that aim to undermine democracy or civil society. The extent of participation in civil society groups remains low, and the most dominant civil society organizations such as Participación Ciudadana, and FINJUS (Fundación Institucionalidad y Justicia), remain mostly elite organizations. Labor organizations are weak. However, the number and influence of NGOs, and in particular ad-hoc organizations and spontaneous group mobilization, remain episodically important in Dominican society, including in recent years. This has been observed in relation to the writing of the new constitution, but also in the defense of environmental interests over the last two years. Toward the end of 2010, relatively large groups of society mobilized in favor of increasing budget allocations for education to 4% of GNI, as the law stipulates. Although their final goal was not achieved, the manifestations demonstrated that groups within civil society are now able to set the political agenda and demand responses from the political system. In terms of mediation between society and the political system, and between actors in the political system, the unchallenged mediator still is the Catholic Church, represented by Mons. Agripino Núñez Collado, rector of the Pontifical Catholic University.

The data from Latinobarómetro show that citizen consent to democracy, and support for important democratic institutions, are high. Support for democracy in 2010 varied between 63% and 85% depending on the framing of the question. Data for previous years shows that popular support for democracy remains relatively stable. In a Latin American context, support for democracy is somewhat above average, although data from the same source also show that 60% could support a government that does not abide by laws if a critical situation demands it. Trust in democratic institutions is relatively low (32% for the legislature, 28% for political parties), but a large majority of the population regards both the National Congress and political parties as indispensable for democracy. The new constitution passed in 2010 in a process that respected democratic norms should also prove to be more legitimate than the previous version from 1966, which was created in an authoritarian regime.

Survey data (Latinobarómetro) show that in 2010, 31% of the population said they can trust the majority of their fellow citizens; this percentage represents the highest score in Latin America, but in absolute terms the number is still not very high. Dominican society remains highly unequal, limiting autonomous organization,

Interest groups  
6

Approval of  
democracy  
8

Social capital  
6

though elements have the ability to organize and episodically mobilize, as has been clear in several instances in the last few years. One example is the very high and rapid mobilization of organized groups and citizens in general in support and help for the victims of the 2010 earthquake in Haiti.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

According to the UNDP's HDI 2009, compiled on the basis of 2007 data, the Dominican Republic is placed in the category of median human development (the Dominican score was 0.78, the range for median human development is 0.5-0.8), and the country was ranked 90 of 182 countries. The country's level of development does not permit adequate freedom of choice for all residents, and there is a large gap in development between urban and rural areas. Social exclusion due to poverty, education and gender discrimination is quantitatively and qualitatively severe and structurally ingrained. The approximately 1 million Haitians living in the Dominican Republic as an ethnic minority are hit particularly hard by these exclusions. The country's unemployment rate is 14.4%, and is the highest registered rate in Latin America. The unemployment rate has fallen four points in the last four years, but is about twice the regional average (based on Economic Commission for Latin America and the Caribbean (CEPAL) data). There is a large gender gap in employment and female unemployment is about twice as high as male unemployment. In terms of education, on the other hand, there is less of a gender gap, and exclusion from education occurs more as a result of poverty. Despite some improvements to welfare in the last decade, poverty assessments make clear that around 12.3% (2007) of Dominicans are still living in poverty (under \$2 a day). Although demonstrating somewhat increasing levels of inequality, income inequality remains relatively unchanged over the last 10 years, with a Gini coefficient of 57.4 (survey year 2009; in 2002 the Gini score was 53.7, based on CEPAL data). Recent surveys made by CEPAL shows that rural inequality is considerably higher than urban inequality. The poorest 20% of the population receives about 3% of the total income, while the richest 20% receives approximately 52%.

Question  
Score

Socioeconomic  
barriers  
5

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	41314.7	45805.4	46788.3	<b>51766.4</b>
GDP growth	%	8.5	5.3	3.5	<b>7.8</b>
Inflation (CPI)	%	6.1	10.6	1.4	<b>6.3</b>
Unemployment	%	15.6	14.2	-	-
Foreign direct investment	% of GDP	4.0	6.3	4.4	<b>3.1</b>
Export growth	%	3.2	-4.0	-7.4	<b>11.6</b>
Import growth	%	6.8	4.7	-9.8	<b>14.4</b>
Current account balance	\$ mn.	-2166.3	-4518.6	-2330.9	<b>-4434.9</b>
Public debt	% of GDP	20.3	25.3	28.5	<b>29.0</b>
External debt	\$ mn.	10141.8	10119.3	11045.6	<b>13045.0</b>
Total debt service	\$ mn.	1380.3	1410.7	1322.4	<b>1337.4</b>
Cash surplus or deficit	% of GDP	0.3	-3.8	-	-
Tax revenue	% of GDP	15.9	14.9	-	-
Government consumption	% of GDP	7.4	7.6	7.8	<b>7.7</b>
Public expnd. on edu.	% of GDP	2.2	2.2	2.3	-
Public expnd. on health	% of GDP	5.4	5.7	5.9	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.7	0.7	0.7	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

## 7 | Organization of the Market and Competition

Competition in the market economy remains, to some degree, severely over-regulated, and in practice there are often no rules that apply uniformly to all market participants; however, the government promotes market-based competition. The Fernández administration has passed a series of laws that promote and regulate free-market competition, such as the General Law of the Defense of Competition in 2008 and an Industrial Competitiveness and Innovation Law in 2007, both of which should, if implemented effectively, strengthen the institutional framework of market competition. The informal sector of the economy is significant and has been estimated to accounting for about 45% of the GDP in early 2000. The informal

Market-based  
competition

6

sector includes everything from small businesses, family workers, domestic servants and self-employed people. Macroeconomic and currency stability during the two Fernández administrations have decreased costs and general insecurities of investing in the country. The executive branch, nevertheless, still exercises patronage-based control over the economy. There are still price controls on some products (including gas for private households, gasoline, sugar and agricultural products). There is relatively low discrimination based on ownership, although international investments in critical sectors, such as in the electricity sector, have at times come under government and popular criticism.

Monopolies and oligopolies encounter resistance only in some cases. The General Act for the Reform of Public Enterprises of 24 June 1997, which includes antimonopoly provisions and guarantees equal opportunities for domestic and foreign investors, lacks effectiveness. Foreign investors still face more difficulties than Dominican enterprises. Nationalist arguments may at times be used to exclude foreign access to markets. This has occurred during the period under review, for instance, in the competition for and provision of milk to a school breakfast program for children in public schools.

Anti-monopoly  
policy

6

Traditionally, the most important features of Dominican foreign trade policy have been high tariffs, protectionism for local enterprises and a heavy dependence on the United States. Important steps toward free trade were taken during the first presidential term of Leonel Fernández (1996–2000). Since 2002, free trade agreements have been put into effect with Costa Rica and El Salvador, and also a commercial treaty with Panama. Free trade negotiations with Canada are ongoing. In December 2007 the Dominican Republic and the Caribbean Community and Common Market (Caricom) states signed a full Economic Partnership Agreement (EPA) with the European Union. The U.S.-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) was negotiated and signed in 2004. The free trade agreement entered into force for the Dominican Republic on 1 March 2007. The two Fernández administrations have worked with some success to reduce trade barriers and have continued with liberalization of trade. Customs procedures have been streamlined, tariffs reduced in some areas and some import and export taxes have been eliminated. On the other hand, there has been a process of tariff dispersion in the latest period under review, which puts new products under tariff protection. Especially agriculture receives protection through subsidy measures and higher tariffs. During the economic crisis of 2002–2004, a transitional tax of 5% was put on all exports of goods and services from the country. Today, Free Trade Zones (FTZ) receive export subsidies, scheduled to last until 2015, and exporters outside FTZs still receive fiscal concessions, and are supported by government programs to promote export. The Dominican Republic is a founding member of the WTO, and has played an active part in the Doha round.

Liberalization of  
foreign trade

7

The 2003 banking crisis, in which one of the largest banks of the country in addition to two other banks of considerable size went bankrupt, demonstrated that the banking system was structurally worse off than generally believed. The Fernández administration reformed the banking sector, which was one of the conditions of the standby agreement with the IMF signed in 2004. Among other things, banking supervision was improved and a law on banking risks adopted, so that the fundamentals of the Dominican banking system have been strengthened significantly. Data from the World Bank confirm that the reforms in the banking system have had the desired effect, as non-performing loans are at a record-low and the bank capital-to-assets ratio has remained stable since 2004. Though less developed, the foundations for a capital market are in place. The investment climate, although damaged by the banking crisis, has improved considerably under the Fernández administration, which is to some degree the result of the government's foreign investment policy, its ability to satisfy and meet the terms of the IMF agreement, and macroeconomic growth and stability. Although clearly affected by the 2008 financial crisis, the banking sector and the country's economy managed without major disruptions.

Banking system  
7

## 8 | Currency and Price Stability

Price and currency stability are acknowledged goals of economic policy, but the central bank, although equipped with a professional and competent staff, is autonomous in principle only. Its policies are influenced by government decisions, and its mode of action is not particularly transparent. Due to the current administration's focus on macroeconomic stability, this has not affected inflation policies. The inflation rate was relatively low until 2002, and its volatility could not be categorized as especially severe. Inflation escalated in 2003 and 2004 (to 27.4% and 51.5%, respectively), but was successfully contained under the Fernández administration, falling to just 5% in 2005. Inflation has been kept under control since then; in 2010 inflation was 1.9%, but rates peaked somewhat in 2008 (10.6%) due to increased government spending in connection with that year's presidential elections. The exchange rate has also remained stable since the banking crisis in 2003–2004.

Anti-inflation /  
forex policy  
7

Recent government policies have largely been successful in preserving macroeconomic stability. These policies have been facilitated by ongoing IMF standby agreements established since 2004, which has somewhat limited the government's ability to spend money on populist measures. In contrast to the preceding government, the Fernández administration has been successful in satisfying the goals of the country's agreement with the IMF. With a focus beyond short-term policies, the government adopted a series of rules to create institutional safeguards, in particular in the banking sector, which is now more strictly regulated.

Macrostability  
7



With these measures in place, taken together with the current government's willingness to preserve macroeconomic stability, the risk of dramatic populist policy changes can be assessed as relatively low, at least under the current administration. That said, the government's considerable expenditures during the election campaign in 2008 contributed to fiscal instability, increased inflation and public debt, which demonstrated that short-term political goals still trump long-term development goals. Some observers are particularly concerned about the growth of public debt, which was borrowed with little transparency and at unfavorable terms.

## 9 | Private Property

Property rights and the regulation of the acquisition of property are defined by law, and protected in the 2010 constitution. There are considerable problems with the implementation of laws due to corruption, inefficient administration of justice and political intervention. There are also significant variations in the implementation of laws regulating property rights within the country, in particular between rural and urban areas.

Property rights  
6

Private enterprise is the backbone of the economy; yet state and semi-state enterprises also exist, although the state's role as producer has declined considerably since the 1990s. Private enterprise is protected under the 2010 constitution, and is regulated under the General Law for Commercial Entities and Individual Limited Liability Companies from 2008. Under the Mejia administration, privatizations were frequent, but the president also nationalized the electricity sector after it had been privatized; the industry continues to be one of the Dominican economy's most problematic sectors. Under President Fernández, privatizations have continued to constitute an aspect of economic policy. The privatization of state enterprises, however, has only occasionally been transparent or proceeded consistently with market principles.

Private enterprise  
7

## 10 | Welfare Regime

Although macroeconomic figures are very promising, the Fernández administration has not had much success in combating poverty. Measures to avert social risks remain rudimentary and are usually used as populist, short-term social policies. Such short-term gestures include subsidized prices (for food, transportation, water and electricity), subsidized loans (mainly for agriculture), subsidized housing (for a few) and subsidized jobs in the bureaucracy. There has been an expansion in the Solidaridad conditional cash transfer (CCT) program, targeted at the poorest sectors of the population. The 2010 constitution grants the population the constitutional right to health, including the right to medical assistance, free access to hospital services and medicine. It is unclear whether these new rights will have any

Social safety nets  
4

immediate effect on the population. Public health expenditures have grown slowly but steadily since 2005, but their share of GDP is still very low at 2.4% in 2009, which is below average in a Latin American context. Although the Mejía administration (2000–2004) began implementation of a social health care system, work that was continued by the Fernández administration, there is no effective government social health care system. The middle and upper classes can count on private health insurance and private health providers to meet their needs, while for the majority of the population the family remains the most important safety net. The Mejía administration also reformed the pension system in 2001, which was implemented in 2003, from a pay-as-you-go social insurance program to a mandatory individual accounts program based on the Chilean model that aims to cover all private sector workers and employers, yet is voluntary for public-sector workers. All aspects of the reform are still not yet implemented; for example, the self-employed are not included in the program. The pension program covers only about 21% to 25% of the economically active population (figures from 2007–2010), which is lower than for similar programs in comparable countries in the region, and does not provide a social safety net for the unemployed, the self-employed or workers in the informal sector.

The population of the Dominican Republic is distinctly heterogeneous and in general equal opportunity is rare. There are great discrepancies in social development between urban and rural areas. State institutions try to compensate for gross social differences, but these measures are not very effective. Equal opportunity for women is now protected in the 2010 constitution, but in practice equal opportunity for women, Haitian immigrants or Dominican-born children of Haitian parents is not the norm. In fact, the 2010 constitution bars children of Haitian immigrants from obtaining citizenship, which in turn excludes them from health services or education. The government has pledged to provide other types of identity cards for these groups, but it remains to be seen whether this will be implemented. Far more women than men are unemployed, and more women emigrate to cities or to other countries. Women also receive considerable lower salaries than men. Enrollment is quite high for primary and secondary education, 100% and 75%, respectively, but relatively low for tertiary education, 33.3%, but there is no gender gap in terms of school enrollment.

Equal opportunity  
4

## 11 | Economic Performance

From 1996 to 2000, the Dominican Republic enjoyed strong economic growth at an average rate of 7.7% per year. The collapse of one of the country's largest banks followed by the collapse of two others, lower tourism rates and depressed demand for Dominican manufactured goods caused a major financial, economic and social crisis in 2003 and 2004, from which the country recovered during the second

Output strength  
8

administration of President Fernández (2004–2008). Thanks to a renegotiated stand-by agreement with the IMF in 2004 and the government's efforts to facilitate economic growth, macroeconomic performance has since improved significantly. Economic growth reached an average of 4.5% per year between 2008 and 2010, somewhat down from growth rates of 8% to 10% from 2005 to 2007 before the world financial crisis, but still well above the regional average for Latin America. The inflation rate increased only in 2008 due to government spending on the presidential elections, but is now low (1.4% in 2009, 6% in 2010) and stable, and far below the levels reached at the end of the Mejia administration. Unemployment is quite high in a regional perspective, but has remained steady at around 14% to 15% during the period under review. Exports dropped in 2008 and continued the downward trend in 2009, only to increase by 10% in 2010, whereas imports fell in 2009 but increased in 2010. The balance of trade deficit continues to increase steadily. The deficit in the current account balance dropped significantly from 2008 to 2009, but the deficit increased considerably in 2010. Foreign direct investment has remained stable during the period under review, but has fallen somewhat from 2008's record levels. Debt appears to be under control but has steadily increased during the review period. Remittances by Dominicans living abroad continue to be an important inflow for the country. Altogether, economic performance has improved, especially when compared to the 2008 election year. Some indicators have fallen lower in 2010 than levels in 2009, which can be linked to increased government spending for the mid-term elections of 2010, but economic results are in general solid in the review period. Considering the country's strong economic output during and immediately following the global financial crisis, the economy's potential for continued growth could be assessed as relatively high.

## 12 | Sustainability

The main agencies responsible for environmental protection are the Ministry of Environment and National Resources (which includes a sub-secretary of protected areas and biodiversity, among others) and the Ministry of Agriculture. Environmental problems in the Dominican Republic include deforestation (although this has been limited by national laws), water supply, soil erosion and coral reef degradation, caused by eroding soils flowing into the sea. Moreover, by giving preference to economic growth projects, mass tourism has had the effect of fostering unmanaged development and swelling coastal populations, which affects over half of the Dominican Republic's reef areas. The continued development of infrastructure projects, such as the building of highways, threatens the borders of naturally protected areas. Tax and energy policies do not take environmental goals and measures into account. The current administration has taken some small steps in encouraging the production of biofuels (based on sugarcane) to replace carbon-based fuels, but these efforts could result in other sorts of environmental risks.

Environmental  
policy

5

Although tree-felling has been prohibited since 1967, many farmers continue to cut trees surreptitiously to clear land for cultivation, even in natural reserves and protected areas. Environmentally compatible growth is paid lip service at the institutional level, but environmental concerns are clearly subordinated to economic growth both at the macro- and micro-level. The 2010 constitution includes a number of collective rights and civil duties regarding the protection of the environment. The state is thus now also constitutionally obliged to take environmental concerns into account when considering developmental projects, and promote the development of clean energy. Increasing public attention and awareness of environmental issues, in particular the protection of beaches and natural parks, have over the last two years put pressure on the government to consider environmental issues more seriously in development or infrastructure planning. It is still too early to assess whether these new constitutional protections will have any effect on government environmental policy. The Dominican Republic holds rank 36 of 163 countries on the Environmental Performance Index (EPI), developed by Yale University.

There are facilities for education, vocational training, and research and development in important sectors, but the quality of such facilities remains highly variable and many are substantially deficient. Literacy rate is 88% for both men and women. School enrollment at 33.3% is low for tertiary education, yet still somewhat higher than the Latin American average. Despite the president's continued insistence on the importance of science and of education overall, government spending is low and programs are of poor quality. There are no available figures on R&D expenditure; R&D is supervised by the Ministry of Higher Education, Science and Technology, which was created in 2002. Most of the ministry's budget is used in administration costs, and in general it does not finance research and development projects but rather offers stipends and scholarships to send talented students abroad. The Dominican Republic clearly suffers from "brain drain" as many talented researchers thus find better opportunities abroad. State expenditures on education have remained around 2% of GNI (1.9% in 2010), which is down from 3% at the beginning of 2000 and remains clearly below the Latin American average of 3.5% to 4%. Since the Education Law of 1997 stipulates that at least 4% of GNI should be spent on education, the low fiscal commitment in 2010 generated widespread protests and mobilized large groups, demanding that the Fernández administration abide by the law. Although the case was brought to the courts, and a large minority in the National Congress pressed the government for changes in the 2011 budget, change did not come by the end of the review period. Higher public awareness, nevertheless, has already influenced education policy in a positive direction.

Education policy /  
R&D

4

## Transformation Management

### I. Level of Difficulty

Although still substantial, structural constraints on government in the Dominican Republic cannot be considered high when compared to many other transformation countries. However, some structural distortions of a political and socioeconomic nature, in particular the legacies of the patronage and patrimonial systems, continue to exert a negative influence even amid a relatively stable electoral democracy. The country has a medium level of income. Although Dominican society is not particularly ethnically fragmented and is homogeneous in terms of religious beliefs, the Haitian minority, which includes seasonal workers in agriculture and construction, long-standing legal and illegal immigrants, as well as Dominican citizens of Haitian background, remain poorly integrated and exposed to extensive informal and formal discrimination. This is not likely to change as the 2010 constitution creates a legal framework for the continued discrimination of these groups. Social polarization and associated latent social conflicts are still high. Increased popular mobilization observed during the review period may increase the constraints on political leadership, yet may at the same time put more pressure on government for more effective public policies. The country is situated in the hurricane belt, and each fall experiences storms and hurricanes. Only rarely however do these storms have grave consequences for infrastructure and the economy; the comparison to Haiti is apt as it shows that the Dominican Republic can better weather these natural disasters. The 2010 earthquake in Haiti increased Haitian migration numbers only slightly and does not seem to have strained significantly the Dominican infrastructure. Poverty and inequality continue to be important structural constraints on social and economic development, and the latest available Gini coefficient (from the Economic Commission for Latin America and the Caribbean, CEPAL) was 57.4 in 2009, which indicates a negative trend over the last seven years (53.7 in 2002). According to UNDP's Human Development Report 2007–2008, the prevalence of HIV in the population is 1.1%; authorities have been successful in containing cholera, which spread to the Dominican Republic from Haiti in the aftermath of the 2010 earthquake.

Structural  
constraints  
5

Civil society traditions are relatively weak following decades of neopatrimonial presidential rule. Intermediary entities find it difficult to maintain effectiveness and autonomy, above all against political parties, considering parties' access to state resources and patronage networks. However, since the mid 1990s, improvements have been observed in civil society, and recently, ad-hoc organizations and mobilization efforts have become more frequent and visible. Improvements since the mid-1990s are mostly due to the Pact for Democracy in 1994, which made the political system more participatory and transparent, and the NGO Participación Ciudadana (PC) which helped establish new forms of active civil participation, especially with regard to electoral procedures. The government also encouraged active participation in the writing of the new constitution. Although the process itself was controlled by political parties, the National Congress and the presidency, debates on many issues were vital and have spurred a higher level of activity in civil society. In particular, the middle classes in urban areas organize more frequently and effectively in order to voice their opinions on political matters, the results of which help to set or alter the political agenda. It is much harder today for political elites to ignore the demands of social groups. In particular, civil society has been active in environmental protection (beaches, natural reserves and so on), state corruption, women's rights (including abortion) and education. The increased level of civil society action has consisted of peaceful action, and can be seen as enriching the quality of the democratic debate.

Civil society traditions

5

Social trust measured in absolute numbers is relatively low, but data from Latinobarómetro shows that the country has the highest level of social trust in Latin America.

Dominican society is divided according to conditions of economic and social inequality. Religious or ethnic cleavages, apart from those affecting Haitian immigrants, do not play an important role in society. The recent earthquake in Haiti improved at least in the short run the relations between the nations, and did not worsen conditions for Haitian immigrants in the country. Ethnic, religious or social cleavages, until now, have not led to serious social conflict. The new constitution may, however, deepen the cleavage between Haitian immigrants and the rest of the population.

Conflict intensity

3

## II. Management Performance

### 14 | Steering Capability

Question  
Score

Prioritization  
7

The political leadership does pursue long-term aims but sometimes delays them in favor of short-term political benefits; excessive government spending in connection with the 2008 presidential elections and the efforts surrounding potential constitutional reform to allow the re-election of the president are two cases in point. On the one hand, some political actors occasionally revert to former short-term patterns of political decision-making, including President Fernández who briefly considered running for re-election. (At the end of the review period was it clear in April 2011 that the president would not seek re-election and thus did not pursue constitutional reform). On the other hand, several of the policies of the Fernández administration go beyond mere crisis management. Long-term economic priorities are strengthened with ongoing IMF agreements, which limit the potential of the government or ministers to spend cash on populist measures. The current administration enacted far-reaching reforms of the banking sector and proved that it was able to learn from the mistakes of the previous administration, and propose policies that accurately address problems. The administration has also passed several budget and administrative reforms which may further decrease the potential for abuse of funds and political short-sightedness. In 2009 the government and the National Congress came together to write and approve a new constitution, a document which should provide a new, modern basic set of laws that could last for some time. The constitution mirrors, however, the administration's duality of pursuing long-term goals and short-term political benefits. The new constitution outlines new citizens' rights, strengthens the National Congress and promotes a deepening of democracy; yet on the flipside it prevents Haitian immigrants from obtaining citizenship and includes other measures to please the Catholic Church and the Dominican Liberation Party's conservative partner in government, the National Progressive Front (Fuerza Nacional Progresista, FNP). The new constitution does not allow for a president to seek immediate re-election, which was permitted since 2002. Yet although the president publicly stated he would not seek re-election in 2012 or constitutional reform to allow him to do so, Fernández was put under pressure from his party and other government officials who owe their position to him to run again. The full consequences of the new constitution are still uncertain since its complete implementation requires a thorough update of a series of laws; this process is ongoing in the National Congress. It is unlikely, however, that the new constitution will have an adverse effect on the government's steering capabilities.

Although committed to democracy and a market economy, the Fernández administration has enjoyed only limited success in implementing announced reforms. As was the case with his first administration from 1996 to 2000, President Fernández's second and third terms have prioritized state reforms, including reforms in the banking system, a (short-lived) tax reform, budget reforms, state administration reforms and a complete rewrite of the constitution. The successful implementation of reforms depends very much on the competence of the administration and state agencies, and the government's ability to avoid prioritizing short-term political strategy over long-term policies. It also depends on the government's willingness to combat corruption within the state sector, of which evidence remains at best mixed. The president, supported by a strong, technocratic economic team, has been successful in achieving macroeconomic stability and growth and also has been relatively successful in achieving budget discipline. In other areas, such as with the failed tax reform, the government has been less successful. The government has also been successful in following through on major infrastructure projects, such as the much-criticized subway line in the capital and major express highways. A major achievement was the rewriting of the constitution in early 2010, but much work remains in implementing the ambitious goals of the new basic laws. The coalition formed between the Dominican Liberation Party (PLD) and the Dominican Revolutionary Party (PRD) to pass the new constitution has so far not proved strong enough to facilitate the passing of implementation laws in the National Congress, many of which are organic laws that require a two-thirds majority. The PLD does however enjoy a comfortable majority in both chambers, and even a two-thirds majority in the Senate, which prevents deadlocks in Congress. Compared to the previous period of review, since the mid-term 2010 elections President Fernández can count on the full support of his own party since he now, at the expense of former PLD Secretary Danilo Medina, controls a large majority of key political actors within the PLD. This clearly has strengthened the government's ability to implement its agenda, but the extent to which the balance will be in favor of long-term goals over short-term political or personal gain is questionable. At the end of the review period, the government also managed to bypass gridlock over organic implementation laws, but did so by circumventing the two-thirds majority requirement through extremely questionable procedures which were met with heavy criticism by the opposition and constitutional experts. To end the gridlock, the PLD negotiated consensus-based organic laws; the president then partially vetoed parts that went counter to PLD's and the government's interests; and then PLD members in the legislature confirmed the president's changes by regular majority.

To a certain degree, the political leadership responds to mistakes and failed policies yet policy-making overall is often stuck in similar routines. President Fernández benefits from the experiences of previous presidential terms (1996–2000 and 2004–2008), and his close team of advisors have both long and valuable governing

Implementation  
7

Policy learning  
6



experience. The new constitution includes several articles designed to address previous organizational mistakes, for instance by splitting the Central Electoral Board into one administrative organ and one judicial organ, and aiming to prevent short-sightedness or politicizing in fundamental institutional decisions, such as naming the state ombudsman. Despite their evident willingness and indisputable improvements in recent years, political elites are nonetheless responsible for falling into partisan battles, which more often than not are caused by candidate selection disputes.

## 15 | Resource Efficiency

Despite the lack of options to further rapid socioeconomic development and a shortage of available resources to speed democratic transformation such as expanding the rule of law, increasing political participation and reducing corruption, the government has used its resources rather efficiently. However, much potential remains untapped and the government does not focus its energies enough on these tasks. Although the government has professionalized its staff particularly with regard to economics, the inefficient use of administrative personnel remains a severe problem. Recent budget and administrative reforms aim to streamline the organization of the state and its use of budget resources. Budget improvements are notable. The budget process is more transparent and predictable, and there is a low deviation of actual budget expenditures from planned expenditures, yet auditing remains an issue, which means there are few safeguards against a return to inefficient budget practices. Administration reforms however lack progress in part due to internal resistance and the traditional use of state administration posts for patronage purposes. Therefore the competitive recruitment for state positions is negligible. The Fernández administration has been lauded by the international community for its efficient use of budget resources and good leadership. High costs surrounding election campaigns, spurious proposals for constitutional reform to benefit the president's possible re-election bid, payments to party faithful and coalition partners and plans for costly infrastructure projects, however, raise serious doubts as to the government's sense of responsibility. Even though the new constitution opens up the options for a responsible decentralization of powers, the state is still very much centralized and controls the resources of local administrations.

The Fernández administration has coordinated conflicting objectives and interests better than the previous government, but success has been limited in presenting or promoting coherent policy. The government, however, has maintained a stable coalition for six years with the minor party National Progressive Front (FNP), a conservative anti-Haitian party, and has held a congressional majority since 2006. Despite several attempts to rationalize and coordinate the government and

Efficient use of  
assets

6

Policy  
coordination

6

administration, the leadership style remains centered in the personality of leaders. Intra-party friction has created problems in coordinating policies within the government and between government and the National Congress. However, since the 2010 mid-term elections gave the Dominican Liberation Party (PLD) an overwhelming majority in the Senate and a comfortable majority in the House of Representatives, President Fernández now holds better control over his party and its members. Nevertheless, redundancies and lacunae are still evident in coordinating policy goals. Given the traditional patronage-oriented patterns of control, there is still a risk that every government will make use of such patterns in the interest of short-term political gains.

Corruption is a fundamental characteristic of the administrative and state culture. The police and armed forces are characterized by a high level of corruption, which is especially evident and problematic in border areas. Recent revelations by whistleblowing website Wikileaks also demonstrated that high-level corruption is widespread within civil administration. The state's battle with corruption cannot be won as long as the government itself continues to benefit from the traditional mechanisms of corruption. Since his inaugural address in 2004, President Fernández has pledged his government to a program of austerity, promising large cuts in government hiring and spending, both of which were significant in his predecessor's administration. However, extensive payments to Dominican Liberation Party (PLD) partisans and the financing of Fernández's electoral campaigns in 2008 and 2010 through considerable public spending revealed a completely different picture. The Central Electoral Board does not have the authority or resources to keep party financing within the limits of the law. Altogether, the battle against corruption and the enhancement of state financial transparency have not advanced significantly, and nearly every month the public is informed through the media of another instance of state corruption. A transparent public procurement system exists in law, but is not implemented. There is a department authorized to combat corruption, but it needs more political and financial support from the government to be effective. In his inaugural address in 2008, President Fernández repeatedly promised to do his best to fight corruption, but since then the administration's actions have shown that this promise was mere rhetoric.

Anti-corruption  
policy

3

## 16 | Consensus-Building

There is consensus in terms of the Dominican Republic's need to support both a market economy and a democratic system of government. The 1994 Pact for Democracy represented an agreement between political parties and a number of relevant social groups (including the Catholic Church) that was unique in the

Consensus on goals

8

country's history. Since then, the actors in question have essentially backed the transformational goals of democracy and a market economy.

Anti-democratic veto actors are mostly under control, or at least their ability to cause obstruction seems to be negligible. Of the actors who might question the country's democratic transformation, such as the military, no group can claim enough obstructive capability to count as a veto power. Their resistance instead consists of stalling reforms or working to prevent their implementation. The business sector and the Catholic Church form part of the country's broad institutional consensus on democracy and market economy.

Anti-democratic  
actors  
9

Because of the country's extreme social polarization, the potential for conflict for decades has been high, but has not materialized in a party system based on cleavage representation. The large minority of Haitian immigrants and of Dominicans of Haitian descent is discriminated against on a daily basis, but it is unlikely that this treatment will translate to a country-wide issue of ethnic cleavage. Discrimination does not divide the party system. Polarization increased somewhat during the economic crisis in 2002–2004, but the situation has since then improved and stabilized. The government is trying to prevent cleavage-based conflicts from escalating but is more focused on short-term measures than on fundamentally changing social structures. There is growing activity in civil society based on reactions to social injustice, high-level corruption and policy issues, but this raised level of activity and public awareness has not resulted in cleavage-based conflict.

Cleavage /  
conflict  
management  
7

Although the political leadership formulates its policy autonomously and has frequently ignored civil society actors, a broad sector of civil society was involved in the initial stages of constitutional reform and was active in reform deliberations in the National Congress. However, civil society's input was to a significant degree in the end ignored as the political parties kept tight control of the actual writing of the constitution. Yet President Fernández's invitation for civil society participation demonstrated in part that political authorities have learned to accept the new role of civil society, and the invitation itself also encouraged debates, organization and more activity in civil society at large. However, disappointment in the process may also lead to demobilization. Civil society has in the review period become partial agenda setters and influenced policy formulation, and has also helped inform elements of an attentive public about political decision-making. This increased civil society activity, however, has so far been a restricted urban and middle-class phenomenon. Civil society is only to a limited degree active in, much less influential regarding, policy implementation and performance monitoring. An important exception is the case of election monitoring, above all by the NGO Participación Ciudadana (PC). PC's activities helped secure open and transparent electoral processes throughout the last decade, and has worked as a safeguard against a return to old practices of electoral fraud.

Civil society  
participation  
5

Taking into account past acts of injustice during the Trujillo regime (1930–1961) and Balaguer’s civil-authoritarian regime (1966–1978), there is still a need for a process of reconciliation as there has to date been none. Nevertheless, acknowledgement of government-perpetrated acts of injustice under the Balaguer regime may be difficult to achieve as former collaborators are still present among today’s political elites, and their cooperation is needed to achieve the current administration’s transformational goals. What remains of Balaguer’s old party has become an important, but minor, coalition partner for the two other major parties. Furthermore, both the current and previous governments have exalted Balaguer as a “father of Dominican democracy,” and show no interest in promoting the investigation of past wrongdoings or opening a process of reconciliation. There too have been no comprehensive attempts to put forward a policy of reconciliation for ills committed during the Trujillo dictatorship, which ended in 1961. It should be mentioned, however, that the lack of reconciliation measures to address the activities of previous regimes is not perceived as a gross error; so far there are no serious pressures to begin such a process.

Reconciliation  
4

## 17 | International Cooperation

The political leadership works with bilateral or multilateral international donors and tries to make use of international assistance, but this does not always facilitate significant policy learning or policy improvement. The political leadership is committed to the U.N. Millennium Development Goals, and at least internationally, is committed to the goals of pursuing continued economic and political development. Often, however, these goals are forgotten in politicians’ desire to address more short-sighted political or economic needs. Undoubtedly, one of the strengths of the transformation process to date has been the willingness of state and non-state actors to cooperate internationally and transnationally. The first Fernández administration (1996–2000) and the Mejía administration (2000–2004) were highly committed to advancing the Dominican Republic’s integration into the world market. The current Fernández administration has stayed this course, and President Fernández is directly involved in seeking international partners and procuring international support for development goals. In addition, both presidents made use of their partners’ skills (e.g., election observers’ advice on institutional reforms) and material resources (e.g., technical and financial cooperation) to facilitate transformation. The final outcome and implementation of these policies, however, may often reflect local actors’ more personal goals just as much as the goals of broader development, to which the government is committed internationally.

Effective use of  
support  
9

Despite a slip in the Dominican Republic’s international standing following the economic crisis of 2003–2004, macroeconomic stabilization (price and currency

Credibility  
9

stability, reduction of foreign debt, privatization laws) achieved in the 1990s and revived after 2004 remains an important reason why external actors applaud their Dominican partners' willingness to cooperate internationally. The Dominican Republic belongs to the United Nations and many of its specialized and related agencies, including the World Bank, the International Labor Organization, the International Atomic Energy Agency and the International Civil Aviation Organization. Furthermore, the United States signed a free trade agreement with the Dominican Republic (CAFTA-DR), even though the smaller partner was in the midst of a recession, and the country has signed various other bilateral trade agreements throughout this last decade. The country's reputation for reliability and credibility remains solid in international and transnational opinion, and the current president is held in high regard among international organizations and neighboring states. President Fernández has also been able to launch himself as a regional mediator in the Latin American international arena, and has won high respect in regional international politics. The Fernández administration has kept up with ongoing and renegotiated stand-by agreements with the IMF, and completed and satisfied the requirements of these agreements during the review period. The government also received generally high marks for its humanitarian policy toward Haiti following that country's devastating earthquake in 2010.

The political leadership has worked actively and successfully to establish and broaden as many cooperative relations as possible. This strategy has already led to several successes, including the signing of free trade agreements with the Caribbean Community (Caricom), Central America, Costa Rica, El Salvador and the United States, and a commercial treaty with Panama. In December 2007 the Dominican Republic and Caricom signed a full Economic Partnership Agreement (EPA) with the European Union. Free trade negotiations with Canada are ongoing since 2007 and have intensified since 2009. Although the country's quick reaction and help offered to Haiti in the aftermath of the 2010 earthquake have improved relations between the countries, the relationship is still complicated. The Dominican Republic has been criticized by the Organization of American States (OAS) and the Inter-American Court of Human Rights, among others, for its treatment of Haitian immigrants, and in particular for not granting citizenship to children of Haitian immigrants born in the country, a practice in clear violation of the previous constitution. The new 2010 constitution restricts the right to citizenship for Haitian immigrants and their children born in the Dominican Republic, a popular change locally, and now codifies current and prior practice. It is unlikely, however, that this change will quiet international criticism. President Fernández also recognizes that the treatment of Haitian immigrants does not always correspond to international norms, but he has also complained about a lack of support from the international community to deal effectively with the issue.

Regional  
cooperation  
8

## Strategic Outlook

The review period has been a time of important political transformation for the Dominican Republic with the passage of a new, modern constitution. Economically the country has managed to sustain growth levels despite the global financial crisis, but the government has not prioritized work needed to reduce social inequalities or address structural problems. There remain many challenges in achieving democracy under the rule of law and a market economy with sociopolitical safeguards. Hence, an important series of problems remains unresolved.

The government faces many challenges in implementing its new and ambitious constitution. The new constitution may prove an important step in the ongoing democratic transformation of the country, but political elites must curb their own behavior as to not derail the process. Old laws must be updated in accordance with the new constitution and new institutions such as a Constitutional Court must be staffed, and it is these tests which will witness whether politicians can prioritize policies over politics. The government and the ruling Dominican Liberation Party (PLD) have shown that they have been willing to use their majority in the National Congress to impose implementation laws unilaterally, thereby creating a break with the elite consensus that helped pass the constitution. It is uncertain whether these actions will undermine the legitimacy and consensus behind the constitution. In the new constitution, citizens enjoy many new rights such as health care, education and a clean environment. The government should demonstrate that these rights aren't simply nice ideas but present coherent plans and policies to make these rights a reality.

Despite advances in economic development and, for the region, impressive macroeconomic figures, the government has not focused enough on the needs of the population. Although macroeconomic stability and growth meets the requirements of the IMF, a task in which the government has been successful, the government needs to address key problems such as the country's energy supply, the quality of health care and education and rising unemployment. The conflicting interests of the population and the IMF have already inspired internal criticism and protests against the government, in particular in the area of education. If the government fails to address the country's structural challenges, it might face stronger popular pressure and possibly civil society protests. Generally, government policies should focus much more on structural problems rather than short-term, clientele-oriented measures, a task that will become more difficult as presidential elections draw near. The government has also done too little to improve the country's energy supply and address the general problems of the energy sector, and this challenge, one that has persisted for years, continues to be a top issue for this and future governments to come. Considering the volatility of petroleum prices, diminishing the Dominican Republic's dependence on oil is also a key related task, and one suggestion would be to intensify the few, timid initial steps that have been taken to promote the production of sugar-based biofuels.

With the passing of a new constitution that denies Haitian immigrants and their children born in the Dominican Republic any citizenship rights, the government is left with a major question of what to do with this large migrant population. Without the option of citizenship, the new constitution essentially also denies this group access to health care and education in the Dominican Republic, and could leave a large group of minors stateless. The relevant articles of the constitution probably violate the United Nations Declaration of Human Rights and the UNICEF Convention on the Rights of the Child. The government should come up with solutions for the Haitian immigrant population that meet human rights standards and accept that treatment of Dominican-Haitians and of Haitian immigrants is frequently inhumane. New solutions and policies should include, but should by no means be limited to, better living conditions, integration measures and revised legislation on access to citizenship, health care and education. Furthermore, the political authorities should focus their efforts on fighting corruption and strengthening anti-corruption efforts by providing appropriate political and financial support.