

# BTI 2016 | Dominican Republic Country Report

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scale      score      rank      trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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### Key Indicators

Population	M	10.4	HDI	0.700	GDP p.c., PPP \$	13262.3
Pop. growth <sup>1</sup>	% p.a.	1.2	HDI rank of 187	102	Gini Index	47.1
Life expectancy	years	73.5	UN Education Index	0.590	Poverty <sup>3</sup>	% 9.1
Urban population	%	78.1	Gender inequality <sup>2</sup>	0.505	Aid per capita \$	14.4

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

## Executive Summary

President Medina's election in 2012 has provided a fresh breath in politics. Embodying a new and more moderate style, and distancing himself from the most corrupt elements of the previous Fernández administration, he has consolidated his position as the country's most popular politician in modern times. President Medina has ruled with a solid majority in the House of Representatives and the Senate. Without any mid-term parliamentary elections taking place, the president had a somewhat longer time frame for the formulation of policies, which helped to normalize politics in the country. The opposition has been divided and it has been the president's own party, the Dominican Liberation Party (PLD) which, at times, has presented him with the greatest challenges and obstacles in important reform initiatives.

Given the dominance of the PLD in the current period, the relationship between Fernández and Medina (and their respective factions) has been key to governance. Forged by the vice presidential position occupied by Fernández's wife, Margarita Cedeño, the relationship has been solid and secured Medina a majority on key issues such as the budget. Nevertheless, Medina being more progressive and liberal, political differences between the factions on issues such as corruption, foreign policy, migration and abortion (i.e., the penal code) have presented obstacles to the transformation process. Conflicts within the party have increased considerably in the latter half of Medina's period due to the corruption charges against Senator Bautista, Fernández's prime ally and financial support, and Secretary of Organization of the PLD. Medina's veiled interests in reforming the constitution to allow for his re-election subjected him to controversy.

Medina's first initiative in his presidency was the introduction of a largely unpopular fiscal reform aimed at improving the dire economic situation. Despite economic problems, Medina managed to deliver on his greatest electoral promise, and allocate 4% of GDP budget to education. The sudden increase in spending, almost doubled in comparison to previous presidencies, has clearly led to some corruption and misuse, but has on the other hand increased salaries for teachers and improved infrastructure for students, a welcome change in a sector that had been neglected for decades.

Although the program for alphabetization can be considered a moderate success, it is too early to judge whether quality in education has improved. Nevertheless, the additional resources to education are necessary, however insufficient, if real transformation is to materialize. Progress toward addressing the country's other structural problems in health and social inequality has been minimal, despite a generally good macroeconomic performance. Despite economic growth, the social stagnation of previous periods remains palpable. Insufficient energy supplies pose a serious problem, as do corruption and in particular discrimination against Haitians and Dominican-Haitians. The situation for Haitians and Dominican-Haitians worsened after the constitutional reform in 2010. In 2013, thousands of Dominican-Haitians were divested of their Dominican nationality by a controversial Constitutional Tribunal resolution. This decision has in fact tarnished the country's image abroad, soured relations with Haiti, and culminated with the country's de-facto withdrawal from the Inter-American Court of Human Rights.

## 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 Joaquin Balaguer, but democratic development remained stagnant for decades as neo-patrimonial structures dominated both the state and the economy. 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. Personality-based internal conflicts as well as ideological and political differences led to frequent splintering of weakened opposition parties.

The United States has played a decisive role in encouraging the transformation process in the Dominican Republic, but it is worth recalling that a dramatic decline of international market prices for traditional Dominican exports substantially limited Balaguer's political power. He lost the support of the middle class and the popular sectors who gave their votes to Antonio Guzman of the PRD. Balaguer's departure initiated a short-lived surge of democratization. However, the transformation process stagnated once again after Balaguer returned to power in 1986. In 1994, formidable local pressure exerted by the PRD and civil society supported by U.S./OAS political pressure on Balaguer 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 neo-patrimonial power over business. Modernizing the judiciary and state administration also helped to enhance electoral and government credibility among the population. Notwithstanding this progress, the lack of appropriate legislation and ability of the Junta Central Electoral to control government spending in the promotion of official candidates remain a concern.

The first important steps toward free trade were taken by President Salvador Jorge Blanco, Dominican Revolutionary Party (PRD) from 1982 to 1986, by liberalizing the exchange regime. 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. However, since the 2003 banking crisis free trade zones have declined and many companies left the country for China and other destinations. In the early 1990s, President Balaguer implemented a limited number of free trade measures, and 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 through regional integration were continued under 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 neo-patrimonial system and the patronage-based operating mechanisms of parties not only limit executives' ability to act, but in turn force 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 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Question  
Score

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, especially as criminal elements seem to be infiltrating both police and military; this situation is worse along the border with Haiti, but the state seems to retain control of the situation.

Monopoly on the  
use of force  
9

The legitimacy of the nation-state is rarely questioned. However, there is a large minority of

State identity  
7

Haitian immigrants and of Dominican-Haitians whose political and socioeconomic participation is increasingly hampered by both formal and informal barriers. In 2010, their chances of obtaining citizenship were restricted by the constitution. Furthermore, the Central Electoral Board regularly denies a renewal of birth certificates to Dominican-Haitians which register them as Dominicans. The Constitutional Tribunal has retroactively enforced the 2010 constitution and thus deprived many Dominican-Haitians of their Dominican citizenship through sentence 168/2013. A recent law of naturalization (169/14) aimed to alleviate the consequences of the 168/13 sentence by restoring citizenship to everyone affected by the retroactive application of the 2010 constitution, but has had little tangible effect.

Roman Catholics make up between 57% and 64% of the population. Protestantism and Evangelicalism constitute around 12% of the population's confessions. The separation of church and state is generally effective, and religious dogmas play a minor role in political life. The Catholic Church is traditionally one of the most powerful and respected institutions in the Country, and a recent survey holds the Church as the most trusted Dominican institution. The local Catholic Church influences politics and lobbied effectively to introduce a total ban on abortion in the 2010 constitution. In this regard, the Church receives the support of traditional

No interference of  
religious dogmas  
9

Protestants and Evangelicals, but increasingly the Evangelicals are becoming a religious force on their own. When President Medina vetoed a new penal law in late 2014 in order to legalize abortion in cases of rape, incest or a serious threat to a woman's life, the Catholic Church protested heavily, and withdrew its envoy to the government. Freedom of religion is generally respected; however, Haitian immigrants' faith, with its African origins, has been openly suppressed.

Despite a weaker presence in both rural and border regions, the state is largely present throughout the country thanks to administrative institutions, officeholders and the basic administration of justice. The principle of a civil service career path was introduced by law in 1991, and reinforced by law in 2008, but the laws are not always observed. The quality of state administration is still compromised by a high degree of political clientelism, insufficient human capital and corruption, which clearly hampers effective tax collection. The current Medina-administration has tried to professionalize staff in various ministries, but it is uncertain whether these positive processes will last beyond the current administration. Despite moderate improvements, in many state institutions recruitment or selection of government personnel still carries with it a precarious legitimacy, and patronage networks and corruption generally face little internal opposition. The quality of basic services such as water and sanitation is much poorer in rural areas and among poor barrios in the cities, but reach the large majority of the population. In the field of education, the Medina administration has delivered on its promise to almost double the resources granted, but has concentrated spending on building and repairing school classrooms rather than on teacher's training.

Basic  
administration  
7

## 2 | Political Participation

No elections took place during the review period. The country has held elections for the last 50 years, but only since 1996 have national and local elections generally been free and fair multiparty contests. The high costs of organizing an election and campaigning in the country are a concern since they effectively block minor parties from participating in elections on a fair basis. In addition, extensive clientelism and vote-buying place constraints on fair competition. The 2012 presidential elections were declared free and fair by national and international observers, but the electoral campaign and the Junta Central Electoral's (JCE) role in organizing the elections demonstrated some reasons for concern. 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. The 2010 constitution split the JCE into two separate bodies, one for organizing elections elected by the Senate, and one electoral court (Tribunal Supremo Electoral, TSE) elected by a multiparty council. While this reform should be regarded as positive, it also opened the way for further political influence over the electoral authorities. Therefore, political autonomy of the JCE has been a

Free and fair  
elections  
7

matter of concern during this period as much as during the 2012 presidential elections. The new TSE has also been involved in various cases of electoral litigation, and shadows have been cast over its autonomy, too. The new TSE has consistently ruled in favor of PRD president Miguel Vargas Maldonado against an opposing faction in that party. Both the content of the TSE rulings, and the close relations between Vargas Maldonado and Fernández (both PLD), indicate that the TSE may react to political interests just as much as the electoral law. The TSE rulings have provoked a split in the PRD and the creation of a new PRM (Partido Revolucionario Mayoritario) led by the previous PRD candidates for president and vice-president, Hipólito Mejía and Luis Abinader. PRM polls much stronger than the PRD and seems to be the greatest contender alongside the ruling PLD for the 2016 elections.

Democratically elected political representatives, essentially the president and the National Congress, have the power to govern, and there are no individual groups outside holding de facto veto power over politics in the state. The military 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. Even though the Medina administration holds a solid majority in both chambers, the government's effective power to govern has been weakened during this period by the fact that a considerable part of the PLD and its representatives in Congress are controlled by former president Fernández. The split between these two factions has recently increased due to disagreements over the presidential candidacy for 2016, which has seriously affected the government's agenda. Furthermore, institutions such as the Supreme Court and the Constitutional Tribunal, whose judges were elected by the Fernández faction of the PLD and Vargas Maldonado of the PRD, have become serious obstacles in the administration's agenda for migration and citizenship rights, and also in the investigation of corruption committed during the Fernández administration.

The constitution provides for freedom of association and assembly, and the government generally enforces these rights. There are few severe restrictions, and protests and demonstrations are generally not met with state repression, but incidents of police and thug violence during demonstrations are a concern. Anti-government protests are generally tolerated. The wave of anti-Fernández demonstration that began after the ex-president's exit from government in 2012 has continued and even increased as Fernández has expressed his intentions to run for president in 2016. These demonstrations have on occasion been confronted by degrees of violence and harassment. 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 equal rights of gays and lesbians, where the state may interfere if

Effective power to govern

8

Association / assembly rights

9

pressured by the Catholic Church. Despite some incidences of government clampdown, strikes are legally permitted and generally peaceful. However, several representatives of a driver's union in Santo Domingo were killed in late 2014. Union leaders claim that this was driven by political motives, but in general, there is freedom of organization and assembly for labor unions.

Freedom of opinion and the press are constitutionally guaranteed and generally respected. Freedom of information legislation is in place (law 200/04), but is only selectively effective. During the period under review, there has been less conflict between the press and government than in previous periods. Investigative journalism is still rare but gaining broader attention and impact on political life. The new penal code, yet to be released once agreement on the issue of therapeutic abortion has been reached, may slightly restrict freedom of expression by protecting civil servants and politicians against insults and "attacks on their dignity", but is still much more respectful of freedom of expression than the previous one. Media companies are mostly private and pluralistic, though ownership is highly concentrated. There are more than 40 broadcast television stations, some 300 radio 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. The written press is also reluctant to interfere with the economic interests of its owners or economic elites. With a few notable exceptions, such as TV journalists Nuria Piera and Alicia Ortega, critical and investigative journalists are rare and struggle. In the print media, independent investigative journalism is performed by the digital newspaper Acento.com.do only, recently joined by 7dias.com.do. But electronic media do not reach a large audience outside the urban middle classes. Access to the Internet is not restricted but underdeveloped outside of urban areas. There are isolated cases of threats against academics and journalists from state officials accused of corruption. The most recent was that of Senator Felix Bautista (PLD), who sued academic Jaime Aristy Escuder in the United States for making false corruption allegations in the book "El lado oscuro de la SunLand" about the Sun Land corruption affair during the Fernández administration. The issue of nationalism and anti-Haitianism are also topics which, due to the hate-rhetoric used, hinder liberty of opinion. In January 2015, four distinguished journalists received death threats by nationalistic-anti-Haitian organizations.

Freedom of  
expression

8



### 3 | Rule of Law

The independence and separation of 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, though recently in decline. Although traditional government patterns of presidential dominance still persist, significant improvements have been made since the end of the 1990s. The judicial sector did become more, although not totally, independent from political influence until the 2010 constitutional reform. The selection of judges to the Supreme Court, Constitutional Tribunal and Supreme Electoral Tribunal after the 2010 constitutional reform was influenced by political interests of the Fernández faction of the PLD as well as Vargas Maldonado (PRD). Due to a schism between the Medina and Fernández factions in the PLD, the high courts have demonstrated their independence from government, and constituted obstacles for the Medina administration's policies in several important cases. Although independent of the current government, in particular the Supreme Court seems under the influence of the Fernández faction, in particular in its protection of Senator Bautista of the PLD, an ally in financial and political matters within Fernández's career. The politically appointed attorney general, however, has been active and independent of the president in aiming to prosecute corruption under the Fernández administrations. In this matter, he enjoys the continuous support of the U.S. ambassador who visits him frequently. Despite a solid majority in both chambers, the National Congress has functioned quite independent of the Medina-administration. Again, this independence is due to the fact that former president Fernandez controls a large voting bloc within the PLD representation in Congress. The two leaderships within the PLD might explain congressional political behavior. The relationship between Congress and the administration has not increased the level of accountability or checks and balances, but rather hindered parts of the Medina administration's more progressive agenda (for instance in the case of therapeutic abortion).

Separation of powers

6

Although the constitution provides for an independent judiciary, that institution has been politicized for a long time and is rife with corruption. Traditions of the rule of law are not highly developed, whether in terms of the rule of law proper or of due process. As with many developing countries in the region, the judiciary continues to suffer from weak institutional organization, professionalism, career stability and efficiency. Despite improvements, the judicial sector still experiences a lack of financial resources. Reforms, however, such as the judicial career law (327/98) and 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 partly improved

Independent judiciary

6

professionalization and protection of judges, regularized budget allocations and increased budget autonomy for the judiciary (and other state dependencies). The 2010 constitution, and supporting laws, provide for a higher degree of a differentiated organization, institutional autonomy, and create a judicial council to safeguard career stability, professionalism and merit-based recruitment. The Judicial Council and the Constitutional Tribunal have been working since early 2012. The increased differentiation has not been a problem during this period, and there have been few internal conflicts between the new and old high courts. On the other hand, the new constitution also opened for increased partisan influence in the selection of Supreme Court, Supreme Electoral Tribunal, and the new Constitutional Tribunal judges, the consequences of which have been tangible during the period under review. The presidents of the two high courts have long political trajectories in the PLD and the PRD, and the new Supreme Court is clearly less independent from political influence than the previous one. In the Supreme Court, two profiled members of the PLD were put in charge of the corruption case against PLD senator Bautista, and in the Supreme Electoral Tribunal, sentences have repeatedly favored the Vargas Maldonado faction of the PRD (against the Mejía/Abinader faction). In the area of migration, the Constitutional Tribunal and the Central Electoral Board have been influenced by the more conservative Fernández faction and the nationalistic FNP rather than the Medina administration. This has been demonstrated in particular by the Constitutional Tribunal's declaration that the country's adherence to the Inter-American Court of Human Rights is unconstitutional. Although the judiciary is clearly independent from the current administration, it is not unpolitical. The period under review has demonstrated the negative effects of the constitutional reform and selection of judges in 2010-2012.

During the period under review, government corruption has been at the center of attention in the media. These exposés have not primarily focused on the current administration, but rather entrenched the impression of the high levels of corruption during the previous Fernández-administration. In fact, there are valid reasons to believe that corruption in the government has decreased substantially under the Medina presidency. This is reflected in the 2014/2015 Global Competitiveness Report by the World Economic Forum. The report confirms noticeable yet insufficient improvement on corruption-related indicators. In 2014, the Medina administration has started serious investigations into the high-profiled case of Senator Bautista. Although such efforts present a welcome change, political motivations related to the PLD candidacy for president in 2016 seem to influence such and other investigations. The more politically pliant Supreme Court has, however, proven to be a serious obstacle to the prosecution of office holders of the previous administration (but not necessarily so in other cases). The prosecutor general is a political appointee and can be removed by the president, but has acted independent of the president during the period under review, and held a strong role in fighting corruption. With the U.S. Ambassador's support, his fight against corruption improves Medina's

Prosecution of  
office abuse

5

image, while tarnishing that of former president Fernandez, his political rival within the PLD. The administration has proven surprisingly open to the prosecution and investigation of corruption, but has had little success other than media exposés, which in part may be explained by the more politically pliant Supreme Court.

Civil rights and liberties are guaranteed, and on paper they are considerably strengthened under the 2010 Constitution. The de-facto withdrawal of the Dominican Republic from the Inter-American Court of Human Rights in the Fall of 2014, however, should be considered a serious threat to civil rights.

Civil rights  
6

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. Unless individuals gather as a group and protest systematically, authorities do not pay attention to disempowered citizens. Discrimination against Haitians and Haitian-Dominicans is particularly serious and has become increasingly institutionalized, if not legalized, during this period of review. The latter part of 2014 has also seen bursts of mass expulsion of Haitian migrants and Dominican-Haitians without due process, actions the country has been condemned for by the Inter-American System of Human Rights previously.

In spite of legislation and government action plans, women's civil rights remain a serious problem, and statistics show that violence against women (femicidios) has maintained a high level. The Medina-administration supported the legalization of therapeutic abortion (to be performed in cases of rape, incest, and when the mother's life is threatened by the unborn child) through the new penal code, but the penal code was brought to halt in the Senate after heavy conservative and catholic pressure. The outcome here is still uncertain. The civil rights of gays and lesbians are also a serious concern and these groups are often harassed by police, and discriminated against in society at large. However, the appointment of the openly gay US ambassador, James "Wally" Brewster in 2013, may spur some protection and positive changes with respect to the rights of the LGBT-community.

In political disputes (e.g., opposition efforts in social mobilization and demonstrations), there are still some sporadic violations by government security forces, but this period has seen fewer anti-government demonstrations. Police violence continues to be a serious civil rights problem in the country. Despite a dip in police killings in 2013, figures for 2014 demonstrate a considerable increase (89 murders for the January-June period). Between 2011 and 2013, over 700 people were killed by the police, and Amnesty International reports that the police are responsible for about 15% of all homicides in the country. President Medina has promised and delivered on a comprehensive police reform, but due to lack of political will and extra-institutional interests against reform, the law initiative has stopped in the Senate.

#### 4 | Stability of Democratic Institutions

Democratic institutions at the central and local level perform their functions adequately, and the new 2010 constitution offers in theory a new, modern framework for the country's political institutions. During this period of review, it has been possible to observe more inter-branch conflicts which have obstructed the Medina administration's reform agenda. The unification of parliamentary and presidential election has given the administration a longer time perspective in its formulation of policies. While the conflicts have been handled well, and have not reached levels that may pose a threat to democratic institutions, they have negatively affected the performance of the administration. The performance of the Medina administration has relied on the ability to stay on good terms with former president Leonel Fernández, president of the PLD, who controls several of the party's legislators, and was influential in the selection of a number of members of all the high courts of the country. Throughout this period, frictions between the two factions have increased, mostly driven by competing political aspirations with regards to the presidential candidacy in 2016, resulting in an increase of impediments in passing legislation and necessary reforms. In the area of migration, penal code and police reforms, Congress has proven to be an obstacle, often supported by conservative forces such as the Catholic, Protestant, and Evangelical Church, against a slightly more progressive reform agenda of the administration.

Performance of  
democratic  
institutions

7

Within the public administration, there are some positive signs of reform which may improve the administration's ability to implement policies, for instance in the area of foreign policy, education and health, but the general impression is still that clientelism and patrimonialism affect government performance. Local political institutions function adequately. Despite increasing funds for distribution at the municipal level, local political institutions and actors are clearly subordinates at the national level.

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, despite increasing tensions between institutions under the current review period. A faction of the governing party PLD, in power since 2004, has been able to define and bend the rules and regulations in its favor and fill new, important institutions such as the Supreme Court, the Central Electoral Board and the Constitutional Tribunal with its own candidates. The performance of these institutions confirms this concern, with President Medina's more progressive and liberal agenda meeting undue resistance. As such, the Fernández-faction of the PLD is de facto a veto player in the system, in which in particular the agenda of the conservative (FNP and Catholic Church) and financial supporters (e.g. Senator Bautista) of Fernández have been protected.

Commitment to  
democratic  
institutions

7

## 5 | Political and Social Integration

The Dominican party system has been relatively stable, but shows signs of fragmentation. Political parties have experienced various splits, diminishing their ability to play a constructive role. 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 secured itself the majority of votes, and the party has won three consecutive presidential elections, whereas the PRD and particularly the PRSC have suffered severe losses. However, in the aftermath of the presidential elections, the PRD has split between the Mejía/Abinader faction and the Vargas Maldonado faction. On good terms with the Supreme Electoral Tribunal, Vargas Maldonado won control over the PRD, and Mejía and Abinader (Presidential and Vice presidential candidates for PRD in 2012) subsequently founded the new Modern Revolutionary Party (PRM). Polls show that the PRM will be a strong contender, unless the party is torn apart in the contest for the presidential candidacy between Mejía and Abinader. The PRD, in contrast, has been reduced to a minor party with less than 10% support. The PLD has traditionally been united under the leadership of Leonel Fernández, but the strong popularity of President Medina (lingering between 70-80% since 2012) together with strong middle-class resentment of Fernández has weakened the unity of the party. There are increasing tensions between the factions, but at this time of writing, it is too early to tell whether Fernández will be presidential contender for 2016.

The parties are anchored in society, primarily through patronage networks in a political system that is considered by scholars to be one of the most clientelistic in Latin America. The deteriorating party system offers few venues for interest representation, and the cost of elections and the parties' control of the state hinder emerging parties from taking hold. The parties' lack of will to pass a new electoral law, discussed in the National Congress over the last 15 years, makes it unlikely that these negative factors will change any time soon. Ideological polarization is very low, one of the lowest in Latin America, and the bitter conflicts and high temperature within and between parties that occur from time to time are anchored in patronage and fight for positions, not ideology. The three/four parties and much of the electorate are situated at the center-right of the ideological spectrum. Since 2006, the PLD has been allied in government with the anti-Haitian FNP (under leadership of the Castillo family) and the PRSC, both of which have turned the PLD into a more conservative, right-wing party, while the PLD has almost swallowed its minor partners (at least in the case of the PRSC).

Party system  
7

Within the Latin American context, the Dominican Republic's civil society organizations are, despite short traditions, relatively well organized, but civil society bares little structure in comparison to countries in the European Union. There are no organized groups that aim to undermine democracy or civil society, but during this period of review, we have seen organized xenophobic attempts to vilify the migrant and Dominican-Haitian minority as well as Haiti as a nation. This development is a grave concern for democracy and civil rights. The extent of participation in civil society groups is low, but increasing especially among youth from the urban middle class and with regards to environmental concerns over mining, or rights of migrants. Latinobarómetro data indicate that Dominicans are the people in Latin America most willing to demonstrate to improve health and education. During the period of review, however, mobilization has been less conflictive due to the popularity of the president.

Except for drivers' organizations in the cities, labor organizations are weak. However, the number and influence of NGOs, and in particular ad-hoc organizations and spontaneous group mobilization on issues such as corruption, remain episodically important in Dominican society, especially in recent years. These new groups, however, have not been able to access any of the established channels of mediation. Nevertheless, through increased coordination, and highly visible symbolic actions, the mostly urban, middle class mobilization has been able to set the political agenda on issues such as education, corruption, the environment and even migration. In terms of mediation between society and the political system, and between actors in the political system, the unchallenged mediator for many years was the Catholic Church, represented by Mons. Agripino Nuñez Collado, rector of the Pontificate Catholic University. Nuñez Collado retired in late 2014 as rector of the University, but remains active and ready to participate in mediations. Political and societal development, and the somewhat tense relations between the government and the Catholic Church (on the issue of abortion), should not lead us to believe that the role of the Church in Dominican political mediation is going to decline.

The data from Latinobarómetro show that citizen consent to democracy, and support for important democratic institutions, are relatively high (varying between 60% to 83%). However, support went down 5 points to 60% from 2011 to 2013, while indifference to regime type went up by 9 points to 18%. It is not unlikely that the scandals surrounding President Fernández when he left power in 2012, and the economic troubles generated by his administration, may have influenced these indicators. Nevertheless, data from previous years shows that popular support for democracy remains stable. In the Latin American context, support for democracy is somewhat above average, and satisfaction with democratic performance has turned from below average in 2011 (33% compared to a 39% regional average) to above average in 2013 (45% compared to 39% regional average), indicating satisfaction with the current Medina administration. Although Congress and political parties are considered to be indispensable to democracy by a large majority of citizens, trust in

Interest groups  
6

Approval of  
democracy  
8

these institutions is low. However, low trust in government is not necessarily bad because it is an indicator of the citizens' readiness to pressure government into fulfilling its obligations.

Survey data (Latinobarómetro) show that in 2011, 35% of the population said they could trust the majority of their fellow citizens; this percentage represented the highest score in Latin America. In absolute terms, however, the number is still not very high. More recent survey data confirm that Dominicans are the most willing in Latin America to demonstrate in order to improve salaries, health and education. One concern during the period were reports on drug-related crime increasingly affecting levels of trust and self-organization.

Although most attention has been given the organization of voluntary associations in the cities, which focus on corruption and education reform, groups in rural areas have also organized against several mining projects with potential negative environmental consequences, as well as for the protection of the natural park Los Haitises. Even though these groups have not been entirely successful, the self-organization has in several cases brought national attention to these issues and also affected their outcome. In 2014, civil society managed to pressure Congress into declaring the mountain area Loma Miranda in the Cibao Valley a national park. President Medina finally vetoed the law, in order to protect private property (or big corporation interests), and today the movement to protect Loma Miranda has almost disappeared. A year later, Medina was under similar pressure to halt nickel extraction carried out by Falcondo/Xstrata in the Cotuí area, following UNDP recommendations in a report ordered by the Dominican government. Such mobilization builds on previous positive development in civil society, and civil society has managed to organize autonomously of political parties and make an impact.

Social capital

6

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Question  
Score

According to the UNDP's HDI 2013, the Dominican Republic is placed in the category of high human development (the Dominican score was 0.700, the range for high human development is 0.698-0.790). The country was ranked 102nd out of 187 countries, down 8 places from 2008. The country's level of development, however, 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. A recent World Bank report points to the weak links between growth and equality in the country and the extremely low levels of upwards mobility.

Socioeconomic  
barriers  
5

The Haitian and Dominican Haitian ethnic minority living in the Dominican Republic are hit particularly hard by social exclusions, and studies show that salaries are depressed in sectors with high employment of this ethnic minority. There is also a large, stable gender gap in employment and female unemployment is twice as high as male unemployment (5 vs. 10%). In terms of education, on the other hand, the gender gap is minor, for instance, there is no gender gap in illiteracy, but women are highly overrepresented in tertiary education.

Poverty is pronounced and partly structurally ingrained. CEPAL's 2014 Social Panorama report (data from 2013) holds that 40.7% of the population live in poverty, and 20.2% in indigence (based solely on income), which compares to regional averages of 28.2% and 11.3%, respectively. These figures are quite stable, but have slightly improved over the last eight to 10 years. The pattern is confirmed by CEPAL's multidimensional poverty measure (includes housing, sanitary services, access to water, energy, etc.), which estimates 38% of Dominicans to be poor (down from 48% in 2006). The situation is worse in rural areas with 51% poor, compared to 32% in urban areas. Income inequality remains relatively unchanged over the last 10 years, with a Gini coefficient of 52 (survey year 2012; in 2002 the Gini score was 53.7, based on CEPAL data), but it is down from 57 in 2009. The Gini index constitutes the third or fourth highest level of inequality in Latin America.



Economic indicators		2005	2010	2013	2014
GDP	\$ M	33431.0	53043.0	61198.3	<b>63969.0</b>
GDP growth	%	9.3	8.3	4.8	<b>7.3</b>
Inflation (CPI)	%	4.2	6.3	4.8	<b>3.0</b>
Unemployment	%	18.0	12.4	14.9	-
Foreign direct investment	% of GDP	3.3	3.4	2.6	-
Export growth	%	-1.2	11.4	8.6	<b>7.8</b>
Import growth	%	11.3	17.5	-3.3	<b>4.1</b>
Current account balance	\$ M	-472.9	-4006.3	-2467.0	-
Public debt	% of GDP	21.3	23.8	34.6	<b>35.0</b>
External debt	\$ M	7751.8	13496.5	23830.9	-
Total debt service	\$ M	732.4	1423.3	2837.4	-
Cash surplus or deficit	% of GDP	-0.5	-2.8	-	-
Tax revenue	% of GDP	14.6	12.2	-	-
Government consumption	% of GDP	6.7	9.7	10.1	<b>10.9</b>
Public expnd. on education	% of GDP	-	-	3.7	-
Public expnd. on health	% of GDP	1.5	1.9	2.8	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.8	0.7	0.6	<b>0.6</b>

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

## 7 | Organization of the Market and Competition

Competition in the market economy remains to some degree over-regulated, and in practice rules do not apply uniformly to all market participants; however, the government promotes market-based competition. Previous administrations passed a series of laws that promote and regulate free-market competition, such as the General Law of the Defense of Competition in 2008, the Industrial Competitiveness and Innovation Law in 2007, and the law of small and medium business in 2008, providing the institutional framework for market competition. President Medina has followed up on and improved these policies. Private companies report that costs (corruption) related to demands by state officials have decreased. The informal sector

Market-based  
competition

6

of the economy is estimated to account for about 50% of both the GDP and the urban labor force. Macroeconomic and currency stability since the banking crisis in 2003 have decreased costs and general insecurities of investing in the country, but long-term financing may be hard to obtain since capital markets are underdeveloped. Currency convertibility is quite good, and has remained stable and at a relatively low risk over the last eight to 10 years. The country has therefore been able to attract important foreign investments, for instance in mining, from Canada based Barrick Gold and Swiss based Xstrata. Although growth suffered as a result of a politically induced public deficit of 8.5% of GDP in 2012, macroeconomic stability and investment-friendly policies have been a high priority under President Medina. The government has been successful in this regard, demonstrating a record 7.1% growth in 2014, in part driven by external investments in mining (which grew with 21% in 2014). The executive branch, nevertheless, still exercises some patronage-based control over the economy, which holds a negative effect on a free market competition. There are still price controls on some products (including electricity gas for private households, gasoline, sugar and agricultural products), but the administration has promised to take advantage of the low oil prices to reduce these subsidies in 2015. There is relatively low discrimination based on ownership, although international investments in critical sectors, such as in the electricity and mining sector, have at times come under both government and public criticism. The average tariff rate is 6.1%, but there are some additional import barriers on certain products such as used cars, and bureaucratic procedures at the ports also provide effective if not legal barriers to free trade.

Monopolies and oligopolies encounter resistance only in some cases. Legally, antimonopoly provisions and equal opportunities for domestic and foreign investors are regulated by the General Act for the Reform of Public Enterprises of 24 June 1997, and the General law in defense of competition (Law 42/08). Both, however, lack effectiveness. Foreign investors still face more difficulties than Dominican enterprises, but FDI remains high (above 6% of GDP in 2012). Collusion is less of a problem than corruption when it comes to bidding for public contracts. Most evidence indicates to corruption having gone down since Medina took power in 2012, but patronage and corruption networks still pose a serious impediment to free competition for public contracts and in particular foreign bidders.

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), and these policies have been strengthened since then. 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, ongoing since 2007, are halted despite intense Canadian investment in the country. In December 2007, the Dominican Republic and

Anti-monopoly  
policy  
6

Liberalization of  
foreign trade  
7

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, and is in force since 2007. From 2015, almost all imports from the CAFTA area will be exempt from any import tariffs. During 2014, there have been informal talks with Mexico on an FTA and President Medina is active in promoting international trade. Customs procedures have been streamlined, tariffs reduced in some areas and some import and export taxes have been eliminated before the period under review. Import tariffs vary (0-40%), but are 6.1% on average, based on the ad valorem price, and follow the Harmonized Tariff System. Some products have seen increased protection, especially agriculture which is subject to subsidy measures and higher tariffs. 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. Despite large trade deficits with the USA due to conditions in CAFTA-DR, inefficiencies in the Dominican Republic, and a tax regime benefiting imports rather than exports, the current administration is still favorable to trade liberalization. The Dominican Republic is a founding member of the WTO, and has played an active part in the Doha round.

The 2003 banking crisis 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. Although clearly affected by the 2008 financial crisis, the banking sector and the country's economy coped well and without major disruptions. The bankruptcy of the minor international bank Banco Peravia in late 2014 put the improved oversight capacity of the Dominican authorities into question, but did not affect the general banking system or the economy.

The Dominican Republic accepts and adheres to the Basel accords, the principles of Basel I are implemented under law 183/02 and the supervision of the bank superintendent, and are partially adhered to in practice.

Data from the World Bank confirm that the reforms in the banking system have had the desired effect, as non-performing loans are at 2.1% in 2014, down from 3.5% in 2012. The bank capital-to-assets ratio has remained stable since 2007 at around 9-10%. Though less developed, the foundations for a capital market are in place. The investment climate has been good since the country came out of the banking crisis around 2004. Investors, local and international, also deemed President Medina's victory over his competitor Hipólito Mejía (President 2000-2004) positive, and the Medina administration managed to handle the large public deficit of 2012 in a reasonable and transparent manner. Growing public debt during 2014 and continued

Banking system

7

public deficits (3.1% of GDP) are concerns amidst record GDP growth (7.1%, highest in the region in 2014), but should not affect the banking system.

## 8 | Currency and Price Stability

Price and currency stability are acknowledged goals of economic policy. The central bank is equipped with a professional and competent staff, and is autonomous in principle. Its policies are influenced by government decisions, although its autonomy seems to be respected by the current Medina administration. The weakness of the central bank is especially apparent during electoral periods, as evidenced in 2012. While inflation policies and goals remain stable, political considerations may still trump macroeconomic goals when stakes are high (such as during elections). Inflation escalated in 2003 and 2004 (to 27.4% and 51.5%, respectively), but has with some minor fluctuations (connected to elections in 2008 and 2012), been kept under control since then. In 2014, the central bank reported record low inflation of 1.6% down from 4.8% in 2013. A higher VAT for 2015 may increase inflation slightly next year, but this depends much more on whether the government will use financial resources to support a presidential candidate for the 2016 presidential elections. The exchange rate has remained stable against major currencies since the banking crisis of 2003/2004.

Anti-inflation /  
forex policy

7

Recent government policies have, with the exception of an electorally motivated lapse in 2011 and 2012, been successful in preserving macroeconomic stability. Most macroeconomic indicators demonstrate stability, and a slight improvement during the period under review (with regards to growth, export and reserves). Successful policies had been facilitated by ongoing IMF standby agreements established since 2004, but the ending of that agreement in 2011/12 for electoral purposes demonstrates that institutional safeguards against clientelism and patronage politics are weak. A new IMF agreement has not been signed by the current administration. With a focus beyond short-term policies, the previous and the current government have adopted a series of rules to create institutional safeguards, in particular in the banking sector. With these measures in place, taken together with the current government's willingness to preserve macroeconomic stability, demonstrated by the fiscal measures taken to recuperate from the high deficits in 2012, the risk of dramatic populist policy changes under the current government can still be assessed as relatively low. However, with elections coming up in 2016, this ability to control spending will be put to a test, particularly if the contest is tight among leading candidates. Observers have been and are still increasingly concerned about the growth of public debt, which reached 33.5% in 2013 (doubled in 7 years), and figures from the central bank indicate that public debt has increased even more in 2014.

Macrostability

7

## 9 | Private Property

Property rights and the regulation of the acquisition of property are defined by law (108/05, in effect since 2007), and protected in the constitution. Despite administrative improvements the last few years, considerable problems with the implementation of laws persist 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. Large enterprises, national as well as foreign, face fewer problems than local, small businesses. Nonetheless, recent years have seen fewer problems related to property rights. In fact, the strength of the protection of private property was demonstrated by President Medina's 2014 veto against converting Loma Miranda (mountainside and ecological reserve in Cibao Valley) into a protected national park. Medina defended the veto by reference in respect of private property, since part of the land belongs to Xstrata and the Falcondo/Falconbridge nickel mining project, which currently is brought to halt.

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 constitution, and is regulated under the General Law for Commercial Entities and Individual Limited Liability Companies from 2008. In a Latin American context, it is relatively easy to start a business, which on average takes 20 days and seven procedures according to the World Bank Doing Business Report. 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 have been promising, recent administrations have not prioritized the fight against 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, which now officially reaches around 800.000 people. This program, however, has also been used for clientelistic purposes, evident during the 2012 electoral campaign. However, CCT programs are not a prioritized policy under Medina, who prefers long-term investment in education, an area he considers highly important within social policy. So far, this policy has only focused on building and repairing classrooms. Teacher training and reform of school curriculum has not yet

Social safety nets  
4

been implemented. The 2010 constitution grants the population the constitutional right to health, including the right to medical assistance, free access to hospital services and medicine. To this date, these new rights have not had any measurable effect on the population. Public health expenditures have grown slowly but steadily since 2005, but their share of GDP is still very low at 2.7% in 2010, which is somewhat below average in a Latin American context. In 2014, the government spent less than 2% on health care. Although the Mejía administration (2000–2004) began the implementation of a social health care system, there is no effective governmental social health care system. The middle and upper classes rely on private health insurance and private doctors 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, implemented in 2003, from a pay-as-you-go social insurance program to a mandatory individual accounts program based on the Chilean model, which aims to cover all private sector workers and employers, yet is voluntary for public sector workers. Many aspects of the reform are not yet implemented; for example, the self-employed, which constitute 50% of the workforce, are still not included in the program. The pension program covers only about 21% to 25% of the economically active population (figures from 2007–2010). Recent official figures indicate that coverage is increasing, aimed by the end of 2014 to amount to about 49% of the potential members of the pension system, which is up four points from 2012. The pension system, however, 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 protected in the constitution, but in practice equal opportunity for women, Haitian migrants or Dominican-Haitians 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. To make matters worse, the Central Electoral Board and the Constitutional Tribunal have through various rulings made the constitutional change in 2010 retroactive, and stripped many Dominican-Haitians of their Dominican citizenship. Observers have likened these procedures to apartheid. The Medina administration, which has been critical towards the Constitutional Tribunal and the Central Electoral Board, managed to pass a naturalization law (169/14) in order to secure residency status for various groups of migrants and Dominican-Haitians. However, implementation of that new law is being obstructed by the Central Electoral Board, and has so far benefited very few people. Although many more men than women are killed each year, femicide is a huge problem, with a figure of 200-250 cases in each of the recent years. Women in most occupations outside the public sector also receive considerably lower salaries than men, and women account for twice as high a rate of unemployment. Enrollment is quite high

Equal opportunity  
4

for primary and secondary education, at 102.6% and 75.9%, respectively, but relatively low for tertiary education, at 33.3%. Statistics date to 2013 and it is still too early to judge whether the Medina administration's efforts in education have had any effect on enrollment in secondary and tertiary education. A reversed gender gap is however apparent in terms of secondary and, especially, tertiary education, with a female to male enrollment ratio of 112.5 and 158.8, respectively.

## 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 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 has been well above regional average since 2005, reaching 7.1% in 2014, the region's highest. The dips in growth are explained by the financial crisis in 2008 and government spending for electoral purposes in 2011 and 2012. The Dominican economy is therefore clearly vulnerable to external, in particular U.S., developments and to patronage and corrupt domestic politics. In 2014, inflation was a record low of 1.6%, down from 4.8% and 3.7% the two previous years. Unemployment is quite high from a regional perspective and is a concern, remaining steady at around 14% to 15% during the period under review (WDI data). The balance of trade deficit continues to increase steadily even though exports are up almost 6% in 2014. However, if one excludes gold from the equation, exports decreased with about 5% in both 2013 and 2014, and the country is still not taking advantage of the CAFTA-DR agreement, which could profit the export sector. The deficit in the current account balance dropped significantly from 2012 to 2013, bringing the country back to normal deficit levels. In sum, the Medina administration has managed to overcome the economic problems inherited from its predecessor. The country's external position, nevertheless, remains vulnerable. FDI has remained stable during the period under review, but has fallen from the record levels in 2008. A growing concern, the consolidated public debt has been increasing steadily, and reached 50% of GDP in 2014, up from 44% in 2012. Remittances by Dominicans living abroad continue to be an important inflow for the country, but can be an unstable income. The economic performance and outlook is therefore somewhat contradictory. Continued growth and controlled inflation remain positive aspects, while increasing public debt, deficit and poor export performance raise concerns. The greatest short-term risk for the economy, however, is political and related to the potential uncontrolled government spending on congressional and presidential elections in 2016.

Output strength

7

## 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 and quality, 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. The greatest current concern regards mining projects and their potential and negative effects on biodiversity, water quality and the environment more generally.

In particular, two recent, big mining projects, Barrick Gold's gold mines in Cotuí and Xstrata's nickel mines in Loma Miranda close to Bonaó, raise considerable environmental concerns for the fragile eco-system in the country. Although both companies pledge to uphold the highest environmental standards, it is doubtful that the weak environmental protection agencies in the country can effectively oversee these projects. The Loma Miranda mines are not operative yet. In order to halt the project and seek more information, the government asked the UNDP to conduct a study on its environmental impact, which has not yet been concluded. Loma Miranda accounts for much of the nation's biodiversity and is an important water reserve for the Cibao valley. In 2014, Congress protected Loma Miranda from exploitation by declaring it a national park, but despite 70% favoring the bill, President Medina vetoed it in defense of Xstrata and Falcondo's property rights in the area. The case highlights the dilemma of a developing nation caught between the desire to protect the environment and the need to foster projects that may engender economic growth. Medina's veto may be seen as a blow to environmental interests, but his strong position against Barrick Gold for renegotiation of its contract with the state, and his insistence on a UNDP environmental study on the environmental impact of Loma Miranda, indicate the importance of the environment for the current administration. However, Medina puts the defense of private property above environmental protection. The Loma Miranda project has been stopped for now until Xstrata Nickel presents a feasible solution to the issues at hand.

Tax and energy policies do not take environmental goals and measures into account. The previous administration took some small steps in encouraging the production of biofuels (based on sugarcane) to replace carbon-based fuels, but these have so far come to naught. Although felling has been prohibited since 1967, many farmers continue to clear land for cultivation, even in natural reserves and protected areas.

Environmental  
policy  
4



Environmentally compatible growth is paid lip service at the institutional level, and environmental concerns are clearly subordinated to economic growth both at the macro- and micro-level. Nevertheless, environmental concerns are receiving more attention in the media, and middle class-based social movements have become more effective in raising attention, awareness and mobilization for the environment. The 2010 constitution includes a number of collective rights and civil duties regarding the protection of the environment. Although not always able or willing, the state is now constitutionally obliged to take environmental concerns into account when considering developmental projects, and promote the development of clean energy. While the current government has yet to comply entirely with the constitution, the constitutional protection of the environment has supported groups in mobilizing for the environment. The Dominican Republic ranks 75th out of 178 countries in the 2014 Environmental Performance Index.

Education is President Medina's most important policy area, and the sector is undergoing considerable change, which if sustained beyond the current administration, may improve the quality of education significantly.

Education policy /  
R&D  
5

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 slowly increasing and is just over 90% (men and female), but as high as 97.5% in the age group of 15-24 (CEPAL data). School enrollment at 33.5% is low for tertiary education, yet still somewhat higher than the Latin American average. The Dominican Republic clearly suffers from so-called brain drain, as many talented people find better opportunities abroad. Government spending has traditionally been low, among the lowest in the region, and programs are of poor quality. Even though the Ministry of Higher Education, Science and Technology was created in 2002, spending in R&D has been extremely low and negligent (0.4% of GDP for 2015).

During the period surveyed, the education ministry has undergone many positive changes, formerly dysfunctional and entangled in a range of corruption scandals. State expenditures on education remained around 2-2.5% of GDP, clearly below the Latin American average of 3.5% to 4%. Medina promised to double spending on education and respect the 1997 education law which stipulates a minimum of 4% of GDP to education. Education now takes up 4% of the GDP, which accounts for about 20% of all state expenditures, and 49% of all social spending. A problem in the Dominican Republic is that there has been a discrepancy between allocated funds and spent funds, but the Medina administration has been able to decrease this gap (89% of allocated funds in 2013, 3.9% of GDP), which demonstrates the administration's commitment to education. There has been a concern of increased corruption with the sudden increase in budget allocations, but new funds have gone into increased salaries for public teachers, construction of new schools and a national drive towards alphabetization. The education sector is still deficient, and results in terms of

improved quality will take time to materialize, but the Medina administration has launched the country's first serious attempt to modernize and improve education for the majority of its citizens. Given the long-term aspects of investments in education, another concern is whether Medina will proceed from building and repairing classrooms to implementing teacher training programs and curriculum reforms, adapting to extended schooldays; and whether these efforts will be maintained by succeeding administrations.

# 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. Current improvements during the Medina administration may therefore prove to be short-lived. Although Dominican society is not particularly ethnically fragmented, a new and strong Protestant Evangelical identity is beginning to emerge and challenge the Catholic domination. In addition, 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. The latter has worsened considerably during the period under review. The continued migration flows, in addition to the poor socio-economic outlook of the neighbor Haiti, pose considerable structural constraint. Social polarization and associated latent conflicts are still high, and in 2014 have become much more manifest on the issue of migration and the Haitian and Dominican-Haitian minority. Sectors of the Dominican political elite tend to exploit this issue for political and electoral purposes.

Structural  
constraints

5

Increased popular mobilization observed since 2010 has continued during this period, and may increase the constraints on political leadership. At the same time, popular mobilization put more pressure on government for more effective public policies, and increased oversight over government actions. High-end (as well as petty) corruption is a structural constraint on the administration. The current administration has been careful in investigating and prosecuting corruption exposés, probably due to its relatively weak position vis-à-vis the Fernández faction in the PLD, but has been able to present itself as a relatively clean government. 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.

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 52.0 in 2012, which indicates stability over the last 10 years (53.7 in 2002). According to UNAIDS estimates from 2013, the prevalence of HIV in the adult population (15-49 years) is 0.7%, which means that the virus is kept under control. The authorities also deal relatively well with potential pandemics such as the cholera, which after the Haitian earthquake spread across the border to the Dominican Republic. However, the Ministry of Health was not adequately prepared to deal with the spread of Chikungunya in 2013 and 2014. This is a direct result of low levels of public spending on health care (below 2% of the GNP).

Civil society traditions are relatively weak following decades of neo-patrimonial presidential rule. Intermediary entities have found it difficult to maintain effectiveness and autonomy, above all against political parties, considering parties' access to state resources and patronage networks and their traditional dominance of political life in the country. During this and previous periods of review, the domination of parties has been decreasing together with a deterioration of the party system. In the last four to five years, ad-hoc groups dominated by the middle class and students in urban areas have been able to generate an autonomous political space and become important agenda setters in the political debate (in particular with regards to education and the environment). Their activity has been less pronounced during the Medina administration, which may be contributed to the president's high popularity, less corruption exposés, and his more modest appearance. Thanks to the 1994 pact for democracy, improvements in civil society structures have been steady, but have recently changed, as described above. 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. It is much harder today for political elites to ignore the demands of social groups, which are technology-savvy and use new social media actively. In particular, civil society has been active in environmental protection (beaches, natural reserves and protesting recent mining projects), state corruption, women's rights (including abortion), police reform, and education. The increased level of civil society action has consisted of peaceful action, but has been confronted at times by police violence, or private thugs, which has led to casualties and more social protests. These activities are relatively new in the Dominican political system, and should be seen as enriching the quality of the democratic debate. Increased anti-Haitian mobilization spurred by xenophobic politicians has remained a concern during the period under review. Social trust measured in absolute numbers is relatively low, but data from Latinobarómetro shows that the country has had the highest level of social trust in Latin America over the last couple of years.

Civil society  
traditions

5

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. Ethnic and religious cleavages have not led to serious social conflict, although sporadic incidents of protests and violence between the Haitian minority and Dominicans occur, in particular in border areas.

Conflict intensity  
3

However, social cleavages are a constant, albeit latent issue in the country's the political scene, as none of the liberal democratic governments elected since 1978 have made it a priority to address issues of poverty and inequality. Under the new constitution, decisions of the Central Electoral Board and the Constitutional Tribunal have created a more difficult legal situation for the Haitian and Dominican-Haitian minority. These groups supported by international NGO's have mobilized in defense of their rights, which has resulted in increased polarization on the issue and between the majority and minority populations. Radical groups both inside the government (the Castillo family's party, FNP) and in civil society have managed to mobilize on the issue, and despite the absence of a spread of violence, there are reasons for concern for the affected minority population.

## II. Management Performance

### 14 | Steering Capability

The political leadership does pursue long-term aims (for instance as expressed through the 2011 organic law of national development strategy for 2030) but often delays them in favor of short-term political benefits. The most recent example of this being excessive government spending in connection with the 2012 presidential elections, which doubled the fiscal deficit and contributed to the IMF ending its stand-by agreement with the Dominican Republic in 2011. In the absence of elections, the period under review has seen clear improvements in the attention to strategic priorities. In 2009, the government and the National Congress came together to write and approve a new constitution, a document which provides a new, modern, basic set of laws that could last for some time. It is doubtful that the new constitution has had any immediate positive effect on the underlying political culture which may undermine long-term policy planning. On the other hand, it is unlikely that the new constitution will have an adverse effect on the government's steering capabilities. In fact, unifying congressional and presidential elections have eliminated mid-term elections disruptive to long-term strategic priorities. The Medina administration includes many reform-seekers, and its priorities correspond quite well with the BTI's framework for democracy and market economy. Among these are the president, the

Question  
Score

Prioritization  
7

education ministry, the new foreign ministry, and professionals connected to the economic team. Even though the administration has been successful in some areas, its efforts have been frustrated by a reluctant and politicized Constitutional Tribunal and Central Electoral Board in the area of migration and foreign policy. The Catholic Church, and partly the president's own party in Congress, have proven hard opponents in the administration's attempts to ease the ban on abortion. Due to its electoral alliance with the conservative and xenophobic FNP, the administration itself is ambiguous in many policy issues. Furthermore, the increasing split between the Fernández and the Medina factions in the governing party, PLD, have frustrated a Medina administration reluctant to seriously challenge opponents in the PLD and other institutions, or implement what can be considered a relatively progressive agenda.

Nevertheless, current and previous administrations have had several tools to set and maintain strategic priorities. Previous administrations enacted far-reaching reforms of the banking sector, which helped weather the 2008/09 world financial crisis, and several budget and administrative reforms to plan and pursue long-term policy goals. Even though the current administration has prioritized long-term goals, short-term considerations may still overwhelm the administration until the next presidential elections. The picture in terms of steering capability is therefore certainly mixed.

Although committed to democracy and a market economy, previous administrations 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 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. During previous periods the focus on the presidential elections has hampered implementation of reforms, tax revenues decreased substantially, corruption was rampant, and public spending increased in order to secure electoral victory. Policy implementation also depends on the government's willingness to combat corruption within the state sector. The World Economic Forum's Global Competitiveness Report 2014/15 supports evidence of improvements in corruption made during the Medina administration. From 2012 to 2014, the country rose by 10 to 30 places in ranks of "public waste", "deviation of public funds," and "bribes." The Medina administration has proven to be less corrupt than its predecessors, but has been timid in investigating the wrongdoings of former administrations. Despite the 2012 high fiscal deficit, the strong, technocratic economic team has been successful in achieving macroeconomic stability and growth.

Recent research on the state administration shows that efforts to reform the patronage bureaucracy into a more professional bureaucracy is of moderate success. Any

Implementation  
6

improvement in this and related areas seems fragile, but does in the short-term facilitate the implementation of policies. The 2012 economic downturn also forced the government to pass a long awaited fiscal reform, the passing of which was aided by the fact that it did not aim to curb government spending. Congress and the PLD, controlled in large parts by former president Fernández, have frustrated the administration in obstructing a renewed penal code (issue of abortion) and the promised law on political parties. There was concern in the previous review period that Medina would become a puppet in the hands of former president Fernández. Even though President Medina has been careful in some areas (e.g., former government corruption), and his agenda has been frustrated by other institutions under Fernández's influence (Central Electoral Board and Constitutional Tribunal), the president has proven to be an independent actor with a strong agenda, and his popularity has helped the administration overcome several of the obstacles to implementation.

President Medina initially continued to work with some of former President Fernández's governing team, benefiting from a team of advisors with significant governing experience. Despite restrictions he faces, Medina has been able to learn from past experiences and found a new, more moderate role for the presidency. The administration has constantly adapted to challenging environments in a non-confrontational manner. It also demonstrated some flexibility in response to controversial rulings by the Constitutional Tribunal that are not commensurate with international human rights standards and led to the country's withdrawal from the inter-American system of human rights. The new constitution also includes several articles designed to address previous organizational mistakes and aims to prevent short-sighted or politicized fundamental institutional decisions. The period under review demonstrates that the reforms have not had the desired effects. Despite their indisputable improvements in recent years, the PLD-led reforms have, in practice, strengthened the political control over other institutions such as the judiciary, and thus weakened oversight and democracy.

Policy learning

7

## 15 | Resource Efficiency

Previous administrations have been able to use part of the resources rather efficiently; wasteful excesses have not severely damaged political and economic stability. The current administration is trying to concentrate resource usage on strategic priorities, most visibly in education, an effort that has been lauded by the UNESCO, but much potential remains untapped. 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. Administration reforms are making progress, but patronage appointments are still the

Efficient use of assets

6

norm, and fair and competitive recruitment for state positions is weak. Budget improvements are notable, but prone to weak oversight. The budget process is more transparent and predictable, and there is a low deviation of actual budget expenditures from planned expenditures, yet auditing remains a serious issue, which means there are few safeguards against a return to inefficient budget practices and corruption. Fiscal reforms have improved the administration's ability to generate revenues, but the level of public debt is ever increasing, taking up a larger share of the government expenses.

The Medina administration rests on the same, stable coalition that supported President Fernández and includes the minor party National Progressive Front (FNP), a conservative anti-Haitian party, and what remains of the Social-Christian Reformist party. Policy coordination has been a great challenge for the current administration. This is caused partly by an electoral coalition with the FNP, and partly by the increasing schism between a more conservative Fernández, president of the PLD, and the more progressive President Medina and his PLD faction. President Medina has proven to a more pragmatic politician who lacks his predecessor's charisma and has toned down the centrality of the presidency. Frictions with FNP, parts of the PRSC and the PLD, which all form part of the government, have been obvious in the area of foreign policy, migration, abortion, and the environment, to name but a few issues. The administration has managed the internal controversies relatively well, trying to avoid name-calling in the press (even when attacked directly and personally by coalition partners) and open conflicts. There are no effective coordination mechanisms within government to avoid these conflicts, and they are solved at an ad-hoc basis. Conflicts have increased as President Medina has carved out a more autonomous role, and speculations over the topic of a possible reform to reelect Medina have risen. Lack of internal coherence has probably not influenced policy as much as obstacles outside the administration, but it has put limits on the president's agenda.

Policy  
coordination  
5

Corruption is a fundamental characteristic of the administrative and state culture. Nevertheless, the contrast between the almost daily exposés of corruption under the Fernández administration (2004-2012) and the seemingly clean Medina administration could not be greater. Academics, businesses and journalists report that government corruption is considerably lower than before. The procurement system and oversight over contracts for public works have improved. This is the direct result of the current administration's will to implement already existing laws and regulations, but there is no guarantee that any successor will continue in this vein. The current administration initially did not investigate corruption under the Fernández administration, mostly because Medina came to power supported by Fernández himself. Mid-term, however, the prosecutor general has taken initiatives to investigate Fernández's closest collaborator, Senator Bautista (also secretary of organization of the PLD), whose case is representative of eight very corrupt years of

Anti-corruption  
policy  
3



Fernández rule. With the two Supreme Court judges on the case being members of the PLD, the administration's ambitions to tackle corruption were undermined by the system itself. Outside the government, corruption seems unaltered. Police and armed forces are characterized by a high level of bribery, which is especially evident and problematic in border areas, and in the area of drug trafficking. The recent 2014 scandal of DICAN (the anti-drug police), in which many members, including the top leadership of DICAN, were arrested for reselling confiscated drugs, is such an example. Although there are clear signs of improvement within the government, other actors (police, courts, Congress) are less interested in battling corruption, as evidenced in the awaited party law Congress ought to pass in order to provide transparency within party and campaign financing. It is unlikely that the new, positive winds that have entered the presidential palace will survive a change in government.

## 16 | Consensus-Building

There is consensus in terms of the Dominican Republic's need to support 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 country's history. Since then, the actors in question have essentially backed the transformational goals of an electoral democracy. The often hard internal battles over high-level public offices in the political parties have not affected the over-arching model of democracy or the benefits of having rules to regulate political competition. However, the strength of informal institutions and practices such as clientelism and patronage indicate a lack of commitment to democracy under the rule of law. There are no extra-institutional actors aiming to dismantle the current form of democracy in the country.

There is consensus in terms of the Dominican Republic's need to support a market economy. There was a general consensus of major market reforms in the mid to late 1990s and early 2000s that still exists today. In fact, as evidenced among political elites, the Dominican Republic is the country with the least ideological distance between political parties on the left to right scale across all of Latin America. There are no parties or major social actors that aim to disrupt the market economy model in the country.

Consensus on goals

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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 latter is exemplified by the Catholic and Protestant Church mobilizing against the government's plan to ease the ban on abortion. 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 high level of social polarization, the potential for conflict has been high for decades, but has not materialized within a party system based on cleavage representation. In fact, there are only negligible ideological differences between the major parties, and disagreements are more often based on positions than policies. The large minority of Haitian immigrants and of Dominicans of Haitian descent is discriminated against on a daily basis, but has not managed to mobilize or organize sufficiently. Nevertheless, conservative forces are taking advantage of the recent national and international attention on the migrant issue and Dominican-Haitian relations to mobilize over anti-Haitian sentiment. Therefore, it is not unlikely that the issue may lead to a cleavage in the run-up to the 2016 presidential elections. Civil society is becoming more visible as an autonomous actor in the country, but until now, this has not resulted in a conflict in any way threatening to the current political elites or party system.

Cleavage /  
conflict  
management  
7

The political leadership formulates its policy autonomously and frequently ignores civil society actors. Their influence on the formulation of policies and laws in return remains questionable. In some cases, civil society shows rapid and remarkable results as in its influence on environmental issues such as the declaration of Loma Miranda as a national park. Despite the fact that President Medina vetoed the law, the case demonstrates that with good organization supported by strong popular majorities and media coverage, civil society manages to influence Congress. On average, however, political leadership in Congress and the presidency appear as relatively closed institutions insulated from civil society.

Civil society  
participation  
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Nevertheless, 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. Civil society's input was to a significant degree ignored with regards to the actual writing of the constitution, but the process leading to the 2010 constitution is somewhat regarded a turning point for civil society mobilization (at least on ad-hoc basis). Civil society has since gradually strengthened its position as a partial agenda setter, and through the help of press and social media informed the attentive public on political decision-making. This increased civil society activity has in the period under review also expanded slightly from the urban and middle-class dominance to pro-environment mobilization outside the cities in the Loma Miranda and Barrick Gold mining projects. Civil society is only to a limited degree active in policy

implementation and performance monitoring. An important exception is the case of election monitoring, above all by the NGO Participación Ciudadana (PC), and partially corruption monitoring by Adocco (Alianza dominicana contra la corrupción). Both perform important monitoring tasks within their respective areas, and the PC in particular has had a long-term commitment to Dominican democracy and should be considered one of the more important transitional actors of the 1990s.

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 now very minor, coalition partner for the two other major parties. Leonel Fernández promoted the idea of exalting Balaguer as the “father of Dominican democracy” and the PRD leadership followed suit. None of the leading parties in the country have shown interest in promoting the investigation of past wrongdoings or opening a process of reconciliation. There 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

n/a

## 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 has released laws in support of these goals. Internationally, political leaders are committed to the goals of pursuing continued economic and political development, however, these are often subject to more short-sighted political or economic needs.

Effective use of support

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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. All administrations since the first Fernández administration (1996–2000) have been highly committed to advancing the Dominican Republic’s integration into the world market. In addition, presidents have 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 even though successful implementation of needed reforms often has been lacking as 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.

It must be added, however, that in the area of bilateral relations and migration, the state has not been willing to listen to international partners, organizations, or human rights courts. In fact, the Constitutional Tribunal's rulings in the area of migration and citizenship clearly defy basic human rights and the state has withdrawn the Dominican Republic from the Inter-American Court of Human Rights. Finally, the policy consequences of the Constitutional Tribunal rulings are clearly at odds with the best of international advice and the current administration's agenda on citizenship and migration.

Macroeconomic stabilization achieved in the 1990s and revived after the 2003-2004 economic crisis remains an important reason why external actors have applauded their Dominican partners' willingness to cooperate internationally. Credibility slipped somewhat during the Fernández administration due to the failure to satisfy the IMF standby agreement, as well as corruption scandals with international ramifications. The failure to protect human rights of the migrant minority, a key element to any democracy, is not necessarily the administration's fault, but has been a long-term concern in the relations between the country and the international community. The blatant attack on the human rights of Haitians and Dominican-Haitians by the Constitutional Tribunal and the Dominican exit of the Inter-American Court of Human Rights has seriously damaged the state's credibility in the international community when it comes to democracy and human rights. Even though the government is not to blame, these actions reflect very poorly upon the state as a whole. Despite strong reactions from CARICOM, these actions do not seem to have affected the Dominican Republic's ability to attract foreign investment. The country is still regarded as a relatively safe business environment.

Credibility

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The Dominican Republic belongs to the United Nations and many of its specialized and related agencies, including the World Bank, the ILO, the International Atomic Energy Agency and the International Civil Aviation Organization. Furthermore, the U.S. have signed a free trade agreement with the Dominican Republic (CAFTA-DR), even though the latter was in the midst of a recession. The country has signed various other bilateral trade agreements throughout the last decade. President Medina has internationally played a smaller role than his predecessor Fernández, but enjoys the respect of his peers. In order to counter-act the loss of credibility in the area of human rights, President Medina implemented several reforms to modernize and professionalize the foreign service. The Dominican foreign service had until 2014 been led by PRSC leader Morales Troncoso who had nominated unprofessional staff based on patronage interests. In the long run, these reforms should help restore the country's reputation as a credible and reliable partner.

Under several administrations, 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. Although the country's quick reaction and help offered to Haiti in the aftermath of the 2010 earthquake have improved relations between the countries, especially on the elite level, the relationship is still complicated. The Dominican Republic has been criticized by the Organization of American States (OAS) and the Inter-American Commission and Court of Human Rights, among others, for its treatment of Haitian immigrants, in particular for not granting citizenship to children of Haitian immigrants born in the country, a practice in clear violation of the previous constitution, and the American Convention on Human Rights. In 2013, the Constitutional Tribunal stripped many Dominican-Haitians of Dominican citizenship. As a result, the country was internationally condemned and relations with Haiti complicated substantially. CARICOM froze the talks with the Dominican Republic over membership and withdrew as observer to the binational dialogue between Haiti and the Dominican Republic. Later in the fall of 2014, the Constitutional Tribunal withdrew the country from the Inter-American Court of Human Rights, much to the embarrassment of the Medina administration and the nation as a whole. The paradox of the situation is that the current administration is probably the most willing of all recent administrations to cooperate internationally on the issue of migration and citizenship, but the Constitutional Tribunal promotes policies and an understanding of human rights that clearly damage the country's relations with its neighbors as well as international and regional organizations.

Regional  
cooperation

7

## Strategic Outlook

The review period has been one of contrasts. For the first time, a popular president has been willing to implement real changes and important transformations in the country. On the other hand, key democratic institutions such as Congress and politicized high courts have placed obstacles in Medina's transformation process.

Economically, the review period has seen two years of economic growth, and the economic outlook is, despite concerns over increasing debts, considerably more positive than that two years ago. As in previous periods, the government has not prioritized social inequalities or addressed structural problems other than education, and, partially, corruption. Challenges to democracy under the rule of law and a market economy with sociopolitical safeguards persist. The period under review has demonstrated that transformation has not become any easier with re-politicized courts under the new constitution, and that neo-patrimonial institutions provide real obstacles to change. Furthermore, considering the pool of possible presidential candidates for the 2016 elections, it is not likely that the Dominican Republic will see another reform-friendly president, as Medina is, any time soon.

The country and its leaders therefore face a range of challenges. The government needs yet to address key problems such as the country's energy supply, corruption, the quality of health care and education, environmental concerns, and migration as well as the human rights situation for migrants. The Medina government has granted increased funding for the education sector, but this remained the only social policy effort. In addition, Medina's investments have concentrated on building and repairing classrooms and have disregarded teacher training programs and the adoption of the curriculum to the extension of the school day. It is adamant that the government continues its efforts in education, but also broadens its focus in the social area to cover health and social insecurities. Previous governments have 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 the current and future governments. Medina's high popularity and a potentially near period of lower oil-prices could present a golden opportunity to reduce subsidies and stabilize them at a lower level, but the political costs could be high. The current and future administrations also face growing environmental challenges related to increased mining activities, and will need to balance economic interests with environmental ones. Environmental oversight agencies need support in order to set and uphold standards in accordance with the new constitution and withstand pressures from large-scale, international mining corporations.

The government should also devise solutions for the immigrant population that meet international human rights standards. The Medina-administration has been deadlocked on the issue, and the treatment of Dominican-Haitians and Haitian immigrants is frequently inhumane. New solutions and policies should include, but by no means be limited to, better living conditions, integration

measures and revised legislation on access to citizenship, health care and education. Despite his progressive policies, Medina remains a prisoner of his alliance with the Castillo family and its small political party, the FNP, which makes any policy change costly in political terms. In any case, political leaders should publicly distance themselves from xenophobic and racist anti-Haitian campaigns that have reached worrisome levels. Many of the challenges listed above, like the social, migratory and environmental issues, require cooperation with neighboring Haiti. The administration should therefore improve the ties and dialogue with Haiti in order to set a common agenda and solve the challenges it faces.