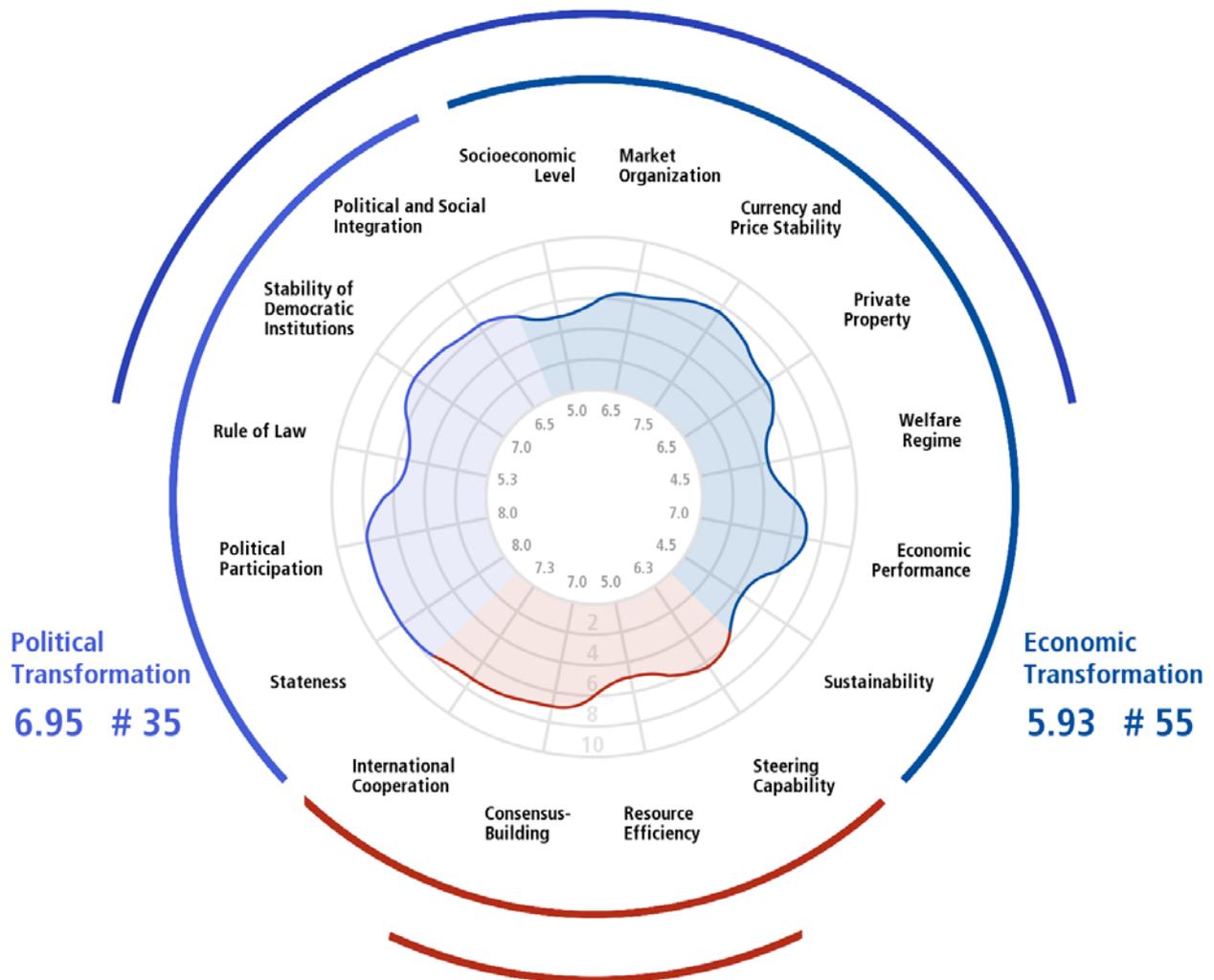


Dominican Republic

Status Index

6.44 # 40

on 1-10 scale out of 129



Political Transformation
6.95 # 35

Economic Transformation
5.93 # 55

Governance Index

5.57 # 44

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. 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	10.6	HDI	0.722	GDP p.c., PPP \$	15209
Pop. growth ¹	% p.a.	1.1	HDI rank of 188	99	Gini Index	44.9
Life expectancy	years	73.7	UN Education Index	0.652	Poverty ³	% 6.9
Urban population	%	79.8	Gender inequality ²	0.470	Aid per capita \$	26.4

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The period under review has been dominated by President Danilo Medina's many successes in the political and economic arena. After many months of internal and public struggles, Medina beat ex-president Fernández in the battle for a constitutional reform to allow for immediate reelection, and at the same time became the de facto leader of the Dominican Liberation Party (PLD). In the 2016 elections, Medina was handsomely rewarded as he and his party won by solid margins against the struggling new opposition party, the Modern Revolutionary Party (PRM). The election was rightfully criticized for its poor organization, the government's excessive use of public resources, and while the election was not fraudulent, as the opposition argued, it constituted a reason for concern when it comes to the quality of democracy in the country.

While President Medina entered government as a breath of fresh air in 2012 and delivered early on allocating 4% of the budget to education, in this current period, the government has been entangled in the usual day-to-day politics, which means the fight for political positions. In this game, Medina has proven to be a very effective player, but the period has also demonstrated that the transformation his government promised will come second to securing political positions and power, and as such not only did these conflicts partly thwart Medina's reform agenda, they also proved that the Medina-government was not the transformative agent it promised to be. However, having won every battle, and improved relationships within his party, the government ends this period best positioned to take up the initial reform agenda. The period has also been marked by the weak performance of the new party PRM. Despite its name, the party has proven to be a disappointment to voters expecting a new and modern opposition, as it not only was filled with old excluded party elites of the PRD party, but also behaved like the PRD with in-fighting, offering few political proposals and lacking coherence. Through its poor performance, the opposition has indeed helped the PLD in installing itself as a party dominating the state.

Economically, the government has been very successful, building on the relatively healthy macroeconomic growth experienced in previous periods. Given the negative regional context, the

economic results under President Medina have been downright impressive, and explain to a large extent his success at the polls. Nevertheless, economic growth has not been inclusive, and the country's challenges when it comes to social inequality and health have not been addressed. Education reform has constituted the corner-stone of Medina's transformative project, and the government has maintained its commitment to education. Medina has rightfully been praised for the efforts, but the increased resources have still only produced weak to moderate results. In sum, despite economic growth, the social stagnation of previous periods remains palpable.

Corruption still poses a serious problem in the country, and international and domestic exposés of corruption scandals marked the latter half of 2016. The government's actions in addressing corruption have been meager. On the international arena, and in particular regarding its relation to neighboring Haiti, Medina and his refreshed foreign service were successful in refurbishing the country's tarnished image after the country's Constitutional Court 2013 decision to divest Dominican-Haitians of their Dominican nationality.

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 military 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 fraudulent 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 in 1978. 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./Organization of American States (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 frequently politicized 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. The implementation of free trade policies unleashed a cycle of protests that began with an uprising that lasted three days in April 1984. The cycle extended until the early 1990s, but it had limited gains. 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. In the aftermath of the 2003 banking crisis, free trade zones have declined as many companies left the country for China and other destinations, but together with mining (in particular gold), free trade zones (FTZs) still constitute an important part of the export sector. 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 the executive's ability to act, but in turn force each new government to slow the pace of transformation. These obstacles have worked at full force, weakening results of education reform and hindering progressive transformation in other areas during the current Medina administration.

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

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.

The legitimacy of the nation-state is rarely questioned. However, there is a large minority of 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. The 2014 Law of Naturalization (169/14) aimed to alleviate the consequences of the 168/13 sentence by restoring citizenship to some of the groups affected by the retroactive application of the 2010 constitution, but has not been effectively implemented.

Roman Catholics make up between 57% and 64% of the population. Protestantism and Evangelicalism constitute between 12 and 18% 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 surveys hold 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,

Question
Score

Monopoly on the
use of force

9



State identity

7



No interference of
religious dogmas

9

and it exercises influence in Congress as demonstrated by Congress’s continuous effort to uphold the total ban in the penal code. In this regard, the Church receives the support of traditional Protestants and Evangelicals, but increasingly the Evangelicals are becoming a religious force on their own. President Medina vetoed the new penal code both in late 2014 and 2016 in order to legalize abortion in cases of rape, incest or a serious threat to a woman’s life. The Catholic Church protested heavily on both occasions and continues to exert power over elected officials on these matters. Freedom of religion is generally respected.



1

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 despite a series of laws over the last 10 years to broaden the tax base and improve tax collection. The current Medina administration initially tried to professionalize staff in various ministries, but the battle for reelection has compromised these efforts. 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 initially delivered on its promise to almost double the resources granted, but has concentrated spending on building and repairing school classrooms rather than on teacher training, and even here the administration is short of meeting its own goals. Tangible results in improvement of quality of education are therefore negligible.

Basic administration

7



1

2 | Political Participation

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 are a concern since they effectively block minor parties from participating on a fair basis. In addition, extensive clientelism and vote-buying place constraints on fair competition.

Free and fair elections

7



1

2016 saw the first concurrent congressional and presidential elections since 1994, and the elections was heavily criticized as fraudulent by the opposition. Although declared free and fair by national and international observers, the 2016 election marks a new low in a downward spiral when it comes to electoral integrity and quality. The 2016 mega-elections presented much greater organizational challenges than previous

elections, and demonstrated the deteriorating ability of the Junta Central Electoral (JCE) to organize free and fair elections.

Rather than fraudulent, the elections were marred with problems due to poor organization and planning by the JCE, in particular with respect to faulty technical equipment and poor training of electoral staff, which generated many problems at the voting stations on election day and slowed down the vote count. President Medina's (PLD) clear victory over Abinader (PRM) prevented the controversial elections from becoming a democratic crisis, but the poor organization of the elections gave the opposition reason to question their legitimacy.

The institutional backdrop for the poorly organized 2016 elections is the 2010 constitution that 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 continues to be a matter of concern despite what may be considered a positive restructuring of the JCE in the fall of 2016.

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 natural resource extraction, 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. The Medina administration renewed its solid majority in both chambers in 2016, and there should be fewer obstacles to his agenda in his second term. During his first term, Medina's popularity helped him win control over the PLD party despite fierce resistance from ex-president Fernández. This control gained him a constitutional reform to allow for presidential reelection and secure stable support in Congress. The Supreme Court and the Constitutional Tribunal may indeed be obstacles to issues of corruption, and matters related to citizenship and migration, but at the elite level the dust has settled on these issues. Although the Catholic Church has no veto power, it still exerts influential power on moral issues such as abortion, where the current administration holds a somewhat more liberal agenda.

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. Isolated incidents of deadly violence related to political activities also occur. During the 2016 election for instance six people were killed. Anti-government protests are generally tolerated. Civil society organizations and researchers working for the rights of Haitians and

Effective power to govern

8



1

Association / assembly rights

9

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 pressured by the Catholic Church, and LGBTQ people are at times victims of hate crime.

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. Investigative journalism is still rare but gaining broader attention and impact on political life. Formal restrictions on freedom of opinion in the 1962 law 6132, such as penalization of defamation and insults with prison sentences and cascade liability for the publication of insults, were declared unconstitutional by the Constitutional Tribunal in 2016. 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, and it is generally understood that the government tend to have many journalists on their payroll in order to receive positive press. The written press is also reluctant to interfere with the economic interests of its owners or economic elites. With a few notable exceptions (e.g., TV journalists Nuria Piera, Alicia Ortega, independent journalist Marino Zapete, and Juan Bolivar Diaz Santana), critical and investigative journalists are rare and struggle to make a living. In the print media, independent investigative journalism is performed by the digital newspapers Acento.com.do and 7dias.com.do, and some independent websites. But electronic media do not reach a large audience outside the urban middle classes. Access to the internet is not restricted but still somewhat underdeveloped outside of urban areas. There are isolated cases of threats against academics and journalists from state officials accused of corruption, and the issue of nationalism and anti-Haitianism are also topics which, due to the hate-rhetoric used, hinder liberty of opinion.

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 not at the levels practiced until the 1990s. 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



Freedom of expression

8



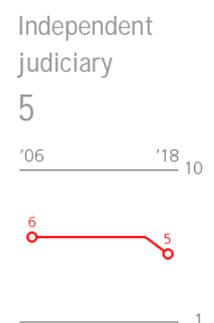
Separation of powers

6



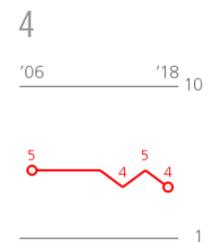
reform was influenced by political interests of the Fernández faction of the PLD as well as Vargas Maldonado (PRD). Interestingly, with the 2016 elections, Medina took control of the party and government from the Fernández's faction. He weakened Fernández's group politically and imposed his control over the party. Fernández still has certain influence in congress, the Supreme Court, and the Camara de Cuentas (government auditing chamber), but Medina has progressively consolidated his control over all political institutions, which typically has negative effects on separation of powers and increases the risk of abuse of power. Medina, however, needs to make concessions to the Fernández's faction in order to get his legislation passed. The opposition represented by the PRM is weak, which explains why Congress is not likely to perform any systematic check on power, and only oppose the president in isolated cases.

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. There is slow improvement, however, in particular due to improved education and the presence of more legal scholars, lawyers and judges with international education and experience. 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 professionalization and protection of judges, regularized budget allocations and increased budget autonomy for the judiciary (and other state dependencies). On the one hand, the 2010 constitution, and supporting laws, provide for a higher degree of a differentiated organization, 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, and there have been few internal conflicts between the new and old high courts. Under the new constitution, the courts, in particular the Constitutional tribunal, has increased its autonomy to interpret and review existing laws, and at least in certain cases, pursue its own reasoning. 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 since 2012. The presidents of the two high courts have long political trajectories in the two parties in government (the PLD and the PRD), and the new high courts are clearly less independent from political influence than the previous one, which has been demonstrated in cases of high-end corruption (in particular the case of Senator Bautista), rulings favoring the political parties in power and in the area of migration and citizenship for the Dominican-Haitian minority.



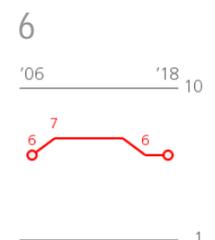
The first two years of the Medina administration saw a series of serious investigations of high-end corruption under previous administrations. These were politically motivated however, and the efforts to fight corruption ended with the reunification of the Fernández and Medina factions of the PLD behind Medina's presidential candidacy. This current period has seen less exposés of government abuse than previous periods. There is reason to believe that the level of corruption indeed has decreased under the Medina administration, from what was perceived as record-high levels under President Fernández (2004-2012). Recent revelations from the Odebrecht scandal and the ostensibly illegal sale of the neighborhood "Los tres Brazos" to a private party, however, have brought high-end corruption to the nation's attention yet again. Corruption and systematic conflicts of interest of centrally placed politicians, harm the rule of law and the ease of doing business. The politically pliant Supreme Court is a serious obstacle to the prosecution of previous and current office holders (but not necessarily in other cases), who rarely go to jail. The prosecutor general is a political appointee and can be removed by the president, and has held a reduced role in fighting corruption during this review period. Revelations of corruption still receive very high and negative attention in the press, in turn influencing and holding officeholders to account to some degree, most recently demonstrated by President Medina's suspension of the sale of "Los tres Brazos." The rule of law, however, is still not upheld in most cases of corruption, and is clearly weakened by officeholders' abuse of their positions.

Prosecution of office abuse



Civil rights and liberties are guaranteed, and on paper, 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 the legal protection of civil rights.

Civil rights



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 sometimes becomes institutionalized, if not legalized, when it is politically convenient for the incumbent government.

In spite of legislation and government action plans, women's civil rights remain a serious problem. CEPAL statistics show that violence against women (feminicidios) is the highest in all of Latin America (alongside El Salvador). The Medina administration supports 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), but is receiving strong resistance from the Catholic and Evangelical churches, as well as Congress which refuses to pass the penal code. 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. The

appointment of openly gay U.S. ambassador, James “Wally” Brewster, in 2013 has brought the issue of LGBTQ rights to the nation’s attention, but also increased the level of conflict in this area, with some church groups demanding Brewster be declared persona non-grata in 2016.

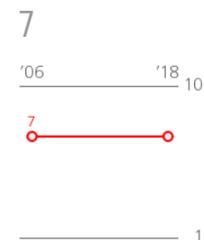
In political disputes (e.g., opposition efforts in social mobilization and demonstrations), there are still some sporadic and serious violations by government security forces. Police violence continues to be a serious civil rights problem in the country despite a slow and steady decrease of police killings since 2013. Groups such as Dominican-Haitians and LGBT people are particularly vulnerable to police abuse. President Medina has promised and delivered on comprehensive police reform with a new organic law (590/16) passed in July 2016, which establishes important principles for the police’s role in protecting citizens’ civil rights. The successful implementation of the law, however, will depend on economic resources, for the institution as well as improved salaries for the members of the police force.

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 modern framework for the country’s political institutions. During the period of review, early inter-branch conflicts were laid to rest after Medina was able to defeat the Fernández faction and win support for his plans to reform the constitution so as to allow his re-election. The unification of parliamentary and presidential elections together with Medina’s reelection have given the administration a longer-term perspective in its formulation of policies. The inter-branch conflicts, seen earlier in the reporting period, were the result of an intra-party fight for control over the PLD. Although these conflicts negatively affected the Medina administration’s agenda, conflicts never reached levels that harmed institutional stability. With a relatively more united PLD in alliance with the PRD, the current administration has few institutional obstacles to implementing its political program, at least until the contest for the next presidential candidacy starts. The improved relations within PLD has helped Medina pass the potentially important police reform, among others, and with no elections until 2020 and a growing economy, the administration should have time and resources to work effectively.

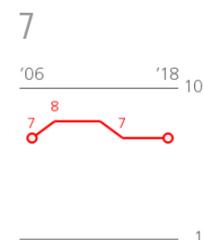
Within the public administration, there have been some positive signs of reform which may improve the administration’s ability to implement policies, but the general impression is still that clientelism and patrimonialism affect government performance. Local political institutions function adequately.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

Performance of democratic institutions



No major state, societal or political actors are committed to the overthrow of democratic institutions or hold veto power, and all relevant actors generally accept democratic institutions and the minimal rules of the game. The controversial and criticized 2016 elections, however, led the opposition to boycott President Medina's swearing in ceremony, and for the first time since the 1990s, led to the questioning of the president's democratic legitimacy. The 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. Although poorly organized, elections were free and fair, but the PLD's long stint in power and establishment as the dominant party are decreasing the legitimacy of the political system in the eyes of the opposition, which is a concern. The opposition, however, is not a veto player, and despite protests and posturing, accepts the rules of the game.

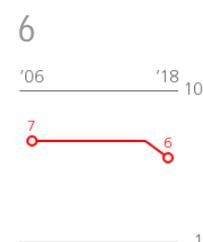
Commitment to democratic institutions



5 | Political and Social Integration

The Dominican party system has for years been relatively stable (at least in a regional context), but shows increasing signs of fragmentation. Opposition 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 been effective in winning voter favor. Since 2006, however, the PLD has secured itself the majority of votes, and the party has won four consecutive presidential elections, whereas the PRD and the PRSC have suffered severe losses and splits. In effect, the PLD has established itself as a dominant party, and managed through coalitions with either the PRSC or the PRD to hold super-majorities in Congress and simultaneously fuel conflicts in other parties. The PRD's popularity was quickly displaced by its splinter party the PRM (founded in 2014), under the leadership of presidential candidate Abinader and ex-president Mejía. Therefore, for the first time since 1974, the PRD did not run a presidential candidate in the 2016 elections, opting to support President Medina (PLD). The PRD has now, as the PRSC, been reduced to a minor party whose importance is upheld by any coalition it may make with either of the two major parties. After a split between the ex-president Fernández's faction and president Medina's faction, Medina imposed his de facto leadership and won a constitutional reform to allow for presidential reelection.

Party system



The parties are anchored in society, primarily through patronage networks in a political system considered 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 17 years, makes it unlikely that these negative factors will change any time soon. Ideological polarization is still very low, of the lowest in Latin

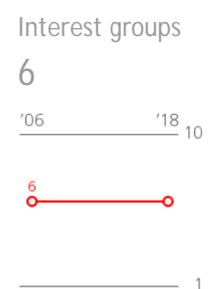
America, and the bitter conflicts and high temperature within and between parties are anchored in patronage and fight for positions, not ideology. The three/four parties and much of the electorate are situated at the center-right of the ideological spectrum. Moving from a previous alliance with the anti-Haitian FNP (under leadership of the Castillo family) and the conservative PRSC to an alliance with the slightly more progressive PRD, the governing PLD can be said to have moved slightly to the left. Finally, the FNP's exit from government meant that the most xenophobic and anti-Haitian party in the country no longer held representation in congress or positions in government.

Within the Latin American context, the Dominican Republic's civil society, labor and business organizations are relatively well organized, but 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 organized xenophobic attempts to vilify the migrant and Dominican-Haitian minority as well as Haiti as a nation occur from time to time. And, Catholic and Evangelical churches in various alliances seek to halt progressive developments and effective protection of rights for LGBTQ persons and women on the issue of abortion.

The extent of participation in civil society groups is low, but arguably increasing. Issues such as corruption, the environment (esp. mining), migrant and women rights manage to mobilize groups in society. Although such groups are not very effective in lobbying or having their interests influence the preparation of policies, they are at times successful in stopping unpopular policies and government decisions when these are met with popular protest after media exposés. Latinobarómetro data indicates that Dominicans are the people in Latin America most willing to demonstrate to defend democracy, improve health and education, and protect the environment from exploitation of natural resources.

Except for transportation organizations in the cities, labor organizations are weak, and cooperation between labor and business organizations is not very developed. 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, most recently in stopping the sale of the area "Los tres Brazos" to private interests.

In general, civil society groups have not been successful in accessing any of the established channels of mediation, but, from time to time, manage through coordinated actions to set and influence the political agenda. 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. 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 seriously declining, although it may be challenged or accompanied by leaders of the Evangelical churches.

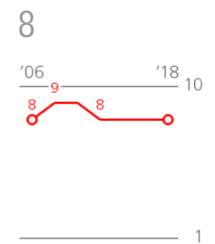


The data from Latinobarómetro show that citizen consent to democracy, and support for important democratic institutions, are relatively high (varying between 60% to 73% depending on the question). In the last few years, support has been stable or slightly decreasing. Although in a longer time-perspective support for democratic procedures and norms is somewhat declining, stability is the more pronounced trend. At the same time, in 2016, 57% stated that they would tolerate a non-democratic government if it resolved citizens' problems. Satisfaction with democracy, however, has increased under the Medina administration compared to previous years, and according to Latinobarómetro data, more than half the population is at least somewhat satisfied with the functioning of democracy (in 2015). 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 2015 (55% 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 these institutions is low. However, low trust in government is not necessarily negative, because it is an indicator of the citizens' readiness to pressure government into fulfilling its obligations. From a regional perspective, data from Latinobarómetro shows that Dominicans' confidence in civilian, democratic institutions is higher than average, while confidence in the police and the army is lower than the regional average.

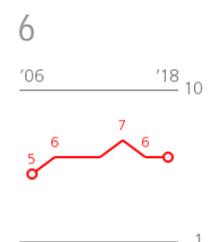
Survey data (Latinobarómetro) show that in 2016, 17% of the population said they could trust the majority of their fellow citizens; which is exactly the regional average in Latin America. Trust as measured by Latinobarómetro has declined considerably over the last five years, which probably is connected to increased feelings of insecurity due to issues of crime and increasing and more visible drug trafficking. Other recent survey data, however, indicate that Dominicans are the most willing in Latin America to demonstrate in order to improve democracy, salaries, health and education, and protect the environment. Although violent deaths in society have decreased, the perception of crime, violence and insecurity is very high and affects solidarity and social life negatively. In fact, 35% of the population sees crime as the country's most important problem (up 20 points from 2013).

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, the most recent case being Gold Quest's gold mining project in San Juan de la Maguana. Even though these groups have not been entirely successful, in several cases over the last five years, the self-organization has brought national attention to these issues and also affected the outcome. 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.

Approval of democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

According to the UNDP's HDI 2015, the Dominican Republic is placed in the category of high human development (the Dominican score was 0.715, up from 0.668 10 years ago, the range for high human development is 0.698-0.790). The country was ranked 101 out of 187 countries. 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. Despite continuous high economic growth in the last few years, social exclusion due to poverty, education and gender discrimination is quantitatively and qualitatively severe and structurally ingrained. The World Bank has reported on the weak links between growth and equality in the country and the extremely low levels of upwards mobility.

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 CEPAL reports that while 29% of women do not have personal income, this is true for only 13% of the men. 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. There has been a slight reduction in the gender inequality index over the last few years (from 0.508 in 2012 to 0.477 in 2014), but the country is still the fourth worst country in the region when it comes to gender equality.

Poverty is pronounced and partly structurally ingrained. CEPAL's 2015 Social Panorama report (data from 2014) holds that 37.2% of the population live in poverty, and 17.9% in indigence (based solely on income), which compares to regional averages of 28.2% and 11.8%, respectively. The government, however, has reported a decrease in poverty and indigence in 2015 (down to 32% and 7%, respectively). Poverty figures are quite stable, but have slightly improved over the last 10 to 12 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 45% poor, compared to 30% in urban areas, based on official poverty rates. Despite strong growth, income inequality remains relatively unchanged over the last 10 years, with a Gini coefficient of 52 (survey year 2014; 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 fifth or sixth highest level of inequality in Latin America.

Question
Score

Socioeconomic
barriers

5

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1

Economic indicators		2013	2014	2015	2016
GDP	\$ M	61965.9	65231.0	68102.6	71583.6
GDP growth	%	4.7	7.6	7.0	6.6
Inflation (CPI)	%	4.8	3.0	0.8	1.6
Unemployment	%	15.0	14.5	14.4	14.4
Foreign direct investment	% of GDP	2.6	3.7	3.3	3.5
Export growth	%	8.5	7.3	2.5	6.7
Import growth	%	-3.6	4.1	11.0	5.0
Current account balance	\$ M	-2536.7	-2170.2	-1280.3	-977.6
Public debt	% of GDP	34.3	33.7	33.0	35.0
External debt	\$ M	23957.8	26265.3	26657.1	28030.9
Total debt service	\$ M	2842.0	3220.4	5227.3	3899.3
Net lending/borrowing	% of GDP	-3.1	-2.7	0.3	-
Tax revenue	% of GDP	13.7	13.8	13.4	-
Government consumption	% of GDP	9.4	10.1	10.9	11.0
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	2.6	2.9	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.6	0.7	0.7	0.6

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

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.

Market-based
competition
6

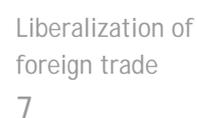
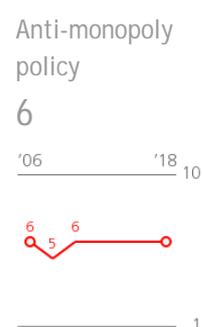
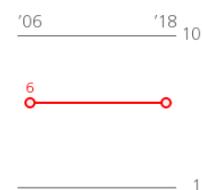
President Medina has followed up on and improved these policies, and continued strong growth, lending credibility to these policies. Early in President Medina's administration, private companies reported that costs (corruption) related to demands by state officials have decreased. This positive development has slowed down or been halted, and corruption is still considered to be the greatest obstacle to market-based competition in the Global Competitiveness Report. The World Bank's Doing Business also reports a slight deterioration in the country during the period under review after an initial improvement during the first years of the current administration.

The informal sector of the economy is estimated to account for about 50% of both the GDP and the urban labor force. 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.

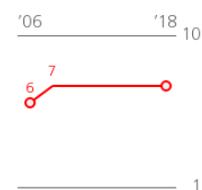
The executive branch, nevertheless, still exercises some patronage-based control over the economy, which holds a negative effect on a free-market competition. There are still price controls on some products (including electricity, gas for private households, gasoline, sugar and agricultural products), but the administration substantially reduced the subsidies in electricity taking advantage of lower oil prices, and removed some subsidies of fuel for the transport sector. 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, but are not at risk.

Monopolies and oligopolies encounter resistance only in some cases. Legally, anti-monopoly provisions and equal opportunities for domestic and foreign investors are regulated by the General Act for the Reform of Public Enterprises of June 24, 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 in some sectors, while receiving benefits and advantages in sectors that are a priority for the administration, such as mining. Foreign direct investment remains high (between 5.6% and 3% of GDP in 2012-2015). Collusion is less of a problem than corruption when it comes to bidding for public contracts. Most evidence indicates that corruption went down after Medina took power in 2012, but may have increased significantly during this period after the administration concentrated on securing president reelection. Regardless, patronage and corruption networks still pose a serious impediment to free competition for public contracts and in particular foreign bidders.

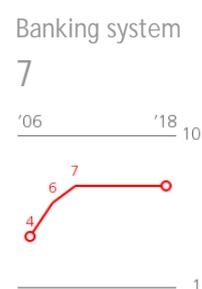
Traditionally, the most important features of Dominican foreign trade policy have been high tariffs, protectionism for local enterprises and a heavy dependence on the United States. The latter may be a risk factor given the uncertainties surrounding trade policies under the Trump administration. Important 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 still halted despite intense and increasing Canadian investment in the country. In December 2007, the Dominican Republic and the Caribbean Community and Common Market (Caricom) states signed a full Economic Partnership Agreement (EPA) with the European Union. The U.S.-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) was negotiated and signed in 2004, and is in force since 2007. From 2015, almost all imports from the CAFTA area will be exempt from any import tariffs. There have been informal talks with Mexico on a free trade agreement, but with no tangible results, 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 6.3% 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. Free trade zones (FTZ) still receive export subsidies, although these should have ended in 2015 according to terms in the Subsidies and Countervailing Measures (SCM) agreement. Exporters outside FTZs 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.



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, and have remained relatively strong since then. 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 1.5% in 2014, down from 3.5% in

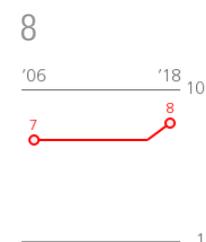
2012. The regulatory agency of Dominican banks report 1.7% of non-performing loans in early 2016. The bank capital-to-assets ratio has remained stable since 2007 at around 9-10%. Though less developed, the foundations for a capital market are in place. The investment climate has been good since the country came out of the banking crisis around 2004, helped by both stable economic growth and political stability. Further, the Medina administration managed to handle the large public deficit of 2012 in a reasonable and transparent manner, reducing public deficits until reaching a budget surplus in 2015. Growing public debt has received strong criticism throughout the period, and additional loans of about \$250 million were required to cover budget deficits toward the end of 2016. There are thus concerns amid record GDP growth, but these should not affect the banking system.

8 | Currency and Price Stability

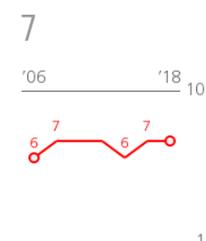
Price and currency stability are acknowledged goals of economic policy. The central bank is equipped with a professional and competent staff, and is autonomous in principle. Its policies are influenced by government decisions, although its autonomy seems to be respected by the current Medina administration. The weakness of the central bank is especially apparent during electoral periods, as evidenced strongly in 2012, and to a certain degree also in 2016. Thus, 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, been kept low and under control since then. In 2015, the World Bank reported record low inflation of 0.8% (CPI) down from 4.8% in 2013, and the central bank reported a 1.7% inflation in 2016, which is relatively impressive in an election year. The exchange rate has remained stable against major currencies since the banking crisis of 2003 to 2004, and the central bank implemented important measures to counteract a sudden fall in the Dominican peso to the dollar in 2014 to 2015.

Recent government policies have, with the exception of an electorally motivated lapse in 2012, been successful in preserving macroeconomic stability. Despite some concerns over electoral spending in 2016, these do not seem to have affected macroeconomic stability as in 2012. Most macroeconomic indicators demonstrate stability since 2012, and reserves have increased, while the cash deficit has been reduced in the period under review. 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. The Medina administration was rewarded electorally largely due to its ability to maintain macroeconomic

Anti-inflation / forex policy



Macrostability



stability and growth, which augurs well for protecting against the temptation of populism. Further, despite increased spending in relation to the elections, this did not reach 2012 levels and does not seem to have harmed macroeconomic stability, which is also an improvement over previous periods.

Despite stability and growth, there are reasons for concern, such as the level of public debt, the low quality of public spending and investments, and the use of new debt to cover current expenditures and to sustain an inefficient and bloated state rather than for investments that reduce economic vulnerability. Although no longer increasing as share of GDP (in fact it is stable at around 34% to 36% in the period, but indications are it increased somewhat in 2016), public debts may become problematic should interest rates rise or the economy slow down.

9 | Private Property

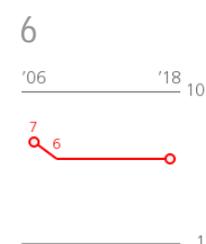
Property rights and the regulation of the acquisition of property are defined by law (108/05, in effect since 2007), and protected in the constitution. Considerable problems with the implementation of laws persist due to corruption, inefficient administration of justice and political intervention. There are also significant variations in the implementation of laws regulating property rights within the country, in particular between rural and urban areas, but also along socioeconomic divides between rich and poor. Large enterprises, national as well as foreign in some cases, face fewer problems than local small businesses. Nonetheless, recent years have seen fewer problems related to property rights, with exception of the case of Los Tres Brazos where the property rights of residents in a poor neighborhood were at risk due to an ostensibly corrupt sale of government land.

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 14.5 days and seven procedures according to the World Bank Doing Business Report, which is a slight improvement over previous periods. The privatization of state enterprises, however, has only occasionally been transparent or proceeded consistently with market principles, but is not an issue during this period of review.

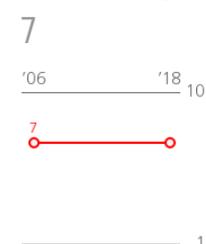
10 | Welfare Regime

Although macroeconomic figures have been very solid for many years, recent and current 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,

Property rights



Private enterprise



Social safety nets

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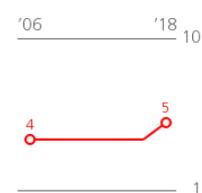
transportation, water and electricity), subsidized loans (mainly for agriculture), subsidized housing (for a few) and subsidized jobs in the bureaucracy. Some of these social measures are actually economically regressive rather than progressive.

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 1.2 million people. This program, however, has also been used for clientelistic purposes, evident during electoral campaigns such as the latest in 2016.

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 2.9% in 2014, which is below average in Latin America (3.7%). Although the Mejía administration (2000–2004) began the implementation of a social health care system, some of the administrative reforms were only implemented in 2015 with the creation of the Servicio Nacional de Salud. The coverage of the health care system has expanded steadily, and the subsidized system for the poor now covers 31% of the total population, while the contributive/private system covers 33% of the population. The middle and upper classes then rely on private health insurance and private doctors to meet their needs. While coverage for the poor has increased, the quality of state provided health services is poor and the family still remains an 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 over 50% of the workforce, are still not included in the program. The pension program covers 50% of the economically active population, but only 32% of the economically active population contributes to the pension system. The most recent official figures (2014) 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, it is regressive, and the value of the pension compared to contributions is the lowest in Latin America (at 22.8% compared to a 63% regional average).

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, LGBTQ persons, Haitian migrants or Dominican-Haitians is not the norm.



Equal opportunity
4

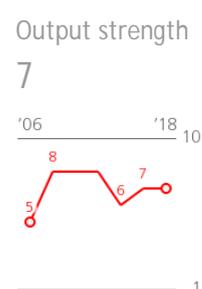
In fact, the 2010 constitution bars children of Haitian immigrants from obtaining citizenship, which in turn excludes them from health services or education. To make matters worse, the Central Electoral Board and the Constitutional Tribunal have through various rulings made the constitutional change in 2010 retroactive, and stripped many Dominican-Haitians of their Dominican citizenship. Observers likened these procedures to apartheid at the time. A naturalization law (169/14) secured residency status for various groups of migrants and Dominican-Haitians (who constitutionally should be entitled to regular citizenship), but its implementation has been slow and is being obstructed by the Central Electoral Board. Thus, it has benefited fewer people than intended so far.

Although many more men than women are killed each year, femicide is a huge problem, with around 200 murders in each of the recent years. Women in most occupations outside the public sector also receive considerably lower salaries than men, less women are included in the pension system, and women account for twice as high a rate of unemployment. Enrollment is quite high for primary and secondary education, at 100.7% and 78.49%, respectively, but relatively low for tertiary education, at 47.5%. Enrollment has improved in the period under review as a result of Medina's efforts in education, but as mentioned elsewhere, particularly the quality of public education system is very poor, undermining effective equality of opportunity for the poor. A reversed gender gap is however apparent in terms of secondary and, especially, tertiary education, with a female to male enrollment ratio of 1.1 and 1.6, respectively.

11 | Economic Performance

In a very negative regional context the Dominican Republic has performed incredibly well in terms of stable and strong growth (between 6-7% annually since 2014) and low inflation (0.8% in 2015, around 2% in 2016), the value of exports increased somewhat in 2016 compared to 2015, and the fiscal deficit has been reduced as the result of fiscal reforms in 2012. The situation, however, is still vulnerable due to very inefficient and poor tax collection (tax revenues at 13.7% of GDP in 2015, much lower than regional average), poor quality of public spending and investments, high level of informality in the economy and although debt is manageable and stable, interest payments have increased as share of GDP in the current period.

The Dominican economy is clearly vulnerable to external, in particular U.S., developments and to patronage and corrupt domestic politics. Therefore, the uncertainties of a Trump presidency may influence performance in the short term. The United States is the main trading partner, receiving 39% of all Dominican exports, and providing 44% of all imports, and the country is very exposed to any negative changes in the terms of trade with the United States. Unemployment is quite high from a regional perspective and is a concern, remaining steady according to



World Development Indicators data at around 14% to 15% during the period under review, while the government and CEPAL have reported a small reduction in the unemployment rate in 2015 and 2016. The balance of trade deficit has decreased to one-third of 2011 level, while FDI has remained relatively stable (3.3% of GDP in 2015). Due to foreign investment, minerals, and gold in particular, have become a very important part of the export sector. Exports of fruits and vegetables suffered a heavy loss in 2015 with a temporary U.S. prohibition of imports due to the discovery of the Mediterranean fruit fly in warehouses of the airport of Punta Cana, and demonstrated Dominican vulnerability due to exposure to the U.S. market. Although farmers to a certain degree managed to find alternative markets for their products in CAFTA-area, the country still fails to take full advantage of the CAFTA-DR agreement, which further exposes the country to risks. Thus, the country's external position remains vulnerable.

Considering the low capacity to generate income through taxes, the level of debt and increasing toll on budgets by loan and interest payments is still a growing concern. Poor tax returns in 2016 forced the government to take up extra loans to cover current expenditures. The consolidated public debt has increased somewhat in the last two years, reaching 50% of GDP (when including debts of the central bank, and 35% excluding central bank debts). It is controllable, but debt payments have increased with increased interest rates, and puts the economy in a vulnerable position for external shocks.

12 | Sustainability

Environmentally compatible growth is paid lip service at the institutional level, while 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 often reach the agenda of both the administration and Congress.

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. 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 58 out of 180 countries in the 2016 Environmental Performance Index.

Environmental
policy

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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. The Medina administration has concentrated many efforts in encouraging large mining projects as part of its strategy for economic growth. In this strategy, environmental concerns are clearly subordinated, but not fully ignored. The mining industry in the country 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.

In particular, two big mining projects, Barrick Gold's gold mines in Cotuí (already operating) and the proposed nickel mines in Loma Miranda close to Bonao, raise considerable environmental concerns for the fragile eco-system in the country. The Loma Miranda mines are not operating yet, and the situation of the project is unclear after changes in ownership of the project, UNDP studies declaring the project deficient in terms of the environment, and an unclear legal situation after Congress declared the area a national park (later vetoed by the president). Loma Miranda accounts for much of the nation's biodiversity and is an important water reserve for the Cibao valley. In Cotuí, Barrick Gold operates, and while environmental concerns are not fully ignored either from the company or the authorities' side, the local population complain of poor water quality, deteriorating health situation, and degradation of the nature in the area.

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.

Education has been 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. Under the current period, however, results in terms of quality are still negligible, while enrollment has increased somewhat.

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 92.5% (men and female), but as high as 97.5% in the age group of 15 to 24 (CEPAL data). School enrollment is up at secondary and tertiary level, reaching 47.5% for tertiary education (up from 33.5% in previous period). 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).

Under the Medina administration, the education ministry has undergone many positive changes, formerly dysfunctional and entangled in a range of corruption scandals. Medina kept his promise 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 3.8% to 4% of the GDP and the country has entered the PISA-test system. 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, 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 toward alphabetization. The education sector is still deficient, which the 2016 PISA results and other regional comparisons of education quality clearly demonstrate. Results in terms of improved quality will still take time to materialize, but the Medina administration, despite many deficiencies, has launched the country's first serious attempt to modernize and improve education for the majority of its citizens. Most of the investments in education has hitherto gone to construction, such as building (over 11,000 new classrooms, which still is considerably less than promised) and repairing classrooms. Reforms to improve teacher training, improve the quality of teaching, increase teacher salaries, and extend schools days (an extended school day program now reaches 46% of pupils) have commenced and may yield positive results in the period to come. A final concern is curriculum reforms, which also is required to improve performance.

Education policy /
R&D

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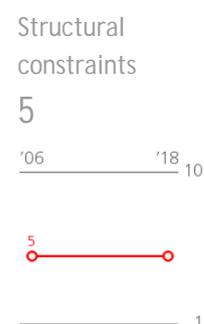
Governance

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. Further, the country's deep economic relationship with the United States may turn into a serious constraint given the uncertainties surrounding the Trump presidency. Although Dominican society is not particularly ethnically fragmented, a new and strong Protestant Evangelical identity has emerged and challenged the Catholic domination, but more often than not the two religious groups ally and constrain the government's slightly progressive agenda on moral issues. 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. Continued migration flows, in addition to the poor socioeconomic outlook of neighboring Haiti, which also constitutes the Dominican Republic's second export market, pose considerable structural constraint.

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, but flooding in the northern part of the country in the fall of 2016 demonstrated climate change is bringing higher risks and constraints. Population growth in both Haiti and the Dominican Republic is an additional constraint and challenge for the administration when it comes to maintaining a sustainable environment on the island.

Poverty and inequality continue to be important structural constraints on social and economic development. According to UNAIDS estimates from 2015, the prevalence of HIV in the adult population (15-49 years) is 1%, 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, and the more recent Zika virus.

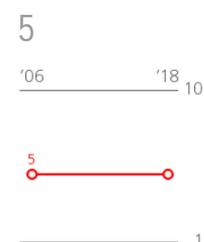


Civil society traditions are relatively weak following decades of neo-patrimonial presidential rule, and are still affected by select and strategic cooptation by the government. Intermediary entities therefore find it difficult to maintain effectiveness and autonomy from parties and the government given the latter's access to state resources and patronage networks. The importance of political parties, however, as a system for interest representation is decreasing, and leaving open a potentially larger role for civil society to create an autonomous space. Prior to the Medina administration, ad-hoc groups dominated by the middle class and students in urban areas were 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). But President Medina's popularity combined with successful strategies of inclusion and cooptation have decreased the independent role of civil society somewhat. Yet, the power of the media and civil protest, was again demonstrated when President Medina stopped the (illegal) sale of the neighborhood Los Tres Brazos after considerable social pressure. Further, more non-urban organization of civil society has been visible in the period, often in connection with and protests against large-scale mining projects and protection of the environment.

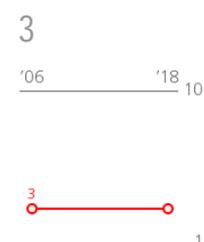
Thanks to the 1994 pact for democracy and a stable democratic period since then, improvements in civil society structures have been steady. It is much harder today for political elites to ignore the demands of social groups, which are technology-savvy, use new social media actively, and get more attention in the press. Concerns from local groups in Cotuí for instance made Congress demand investigations into reported environmental damages from the gold mines in the area. In particular, civil society has managed to increase the awareness and attention to environmental protection (beaches, natural reserves and protesting recent mining projects), state corruption, women's rights (including abortion), police reform/violence, and education. These activities are still relatively new in the Dominican political system, but have now become a more permanent feature and should be seen as enriching the quality of the democratic debate. Anti-Haitian mobilization spurred by xenophobic politicians has decreased during the period under review, but is a concern and may rise again.

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. 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. With the exit of radical, xenophobic actors from the administration (the FNP/Castillo family), there is less potential for mobilization against the Haitian/Dominican-Haitian minorities.

Civil society traditions



Conflict intensity



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. Politics in the country is not very ideological. Positions and access to patronage resources are more important than social cleavages and ideologies.

II. Governance 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 examples of this being excessive government spending in connection with the 2012 presidential elections (and also partly in 2016) and President Medina's drive to reform the constitution to allow for consecutive presidential reelection in 2015. Compared to previous administration, the current Medina administration demonstrates a slight improvement regarding attention to strategic priorities.

Unifying congressional and presidential elections have eliminated mid-term elections disruptive to long-term strategic priorities. Further, allowing for an immediate presidential election should also facilitate the potential for long-term planning, despite constituting a clearly disruptive element in the period under review.

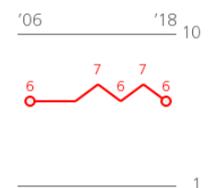
The Medina administration includes a mix of reform-seekers and defenders of status quo. While the overall priorities of the administration correspond quite well with the BTI's framework for democracy and market economy, status quo defenders strengthened as part of the alliances Medina made to win his constitutional reform and reelection. Among reform drivers are the president, the education ministry and professionals connected to the economic team and the president. The entrance of PRD president, Vargas Maldonado, as foreign minister is likely negative for the ongoing process of professionalizing the foreign ministry, and the nomination of Alejandrina Germán (PLD) as minister for higher education is worrisome considering her stint as education minister when she was involved in several exposés of corrupt activities.

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. A new Central Electoral Board should alleviate some of the troubles, but will remain a questionable actor due to the politicized character of the members of the board. 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.

Question
Score

Prioritization

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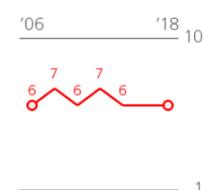
The reunification of the PLD after the conflicts surrounding the constitutional reform to reelect President Medina and removing the xenophobic party FNP from the administration coalition should give the administration room to focus on its strategic priorities such as education, and the proposed drive in Medina's second term to create more jobs and more inclusive growth. Medina has several tools available to set and maintain strategic priorities, building on the macroeconomic stability secured in part by far-reaching reforms of the banking sector enacted by previous administrations. Despite a positive situation and potential for setting and maintaining strategic priorities, there is no guarantee that these will trump the drive for short-term benefits by political actors.

Although committed to democracy and a market economy, previous administrations enjoyed only limited success in implementing announced reforms. 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. The efforts and reforms in education is one typical example. Having doubled the resources for the education sector, results in terms of quality are still few. This is in part due to the lack of highly qualified personnel both in the administration and among teachers to implement reforms effectively (but admittedly also due to the inherited disarray of the education sector when reforms started). 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. A new status quo with concurrent congressional and presidential elections in addition to the recent presidential reelection may improve the state's ability to implement policies. Policy implementation also depends on the government's willingness to combat corruption within the state sector. Despite some improvements under the Medina administration, the administration has made few inroads into combating one of the more serious obstacles to implementing transformative reforms in the country. Despite the 2012 high fiscal deficit, the strong, technocratic economic team has been successful in achieving macroeconomic stability and growth. In this area, the current administration builds on successful economic reforms implemented under President Fernández (2004-2012).

Recent research shows that efforts to reform the patronage bureaucracy into a more professional bureaucracy is of moderate success. The new coalition with the PRD signals a return to the old method of doling out ministries, including most of its employees, as prizes for supporting the president. Although facing resistance in his own party, the Catholic Church, the High Courts and the Central Electoral Board, President Medina has shown that he is capable of overcoming obstacles to implement reforms. The latest example is clearly winning control over his party and securing reelection, but also confronting the Church on the issue of abortion, his drive to improve the education sector, removing the FNP from the government in order to improve (somewhat) the issue of citizenship rights for migrants, on so on. President

Implementation

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Medina is now, after reelection, in a better position to set strategic priorities and implement reforms. Whether or not he will succeed depends now on his and his team's ability to do so. History tells us that one should have moderate expectations despite a relatively unique opportunity to follow up on sensitive priorities that falls within the normative framework of the BTI.

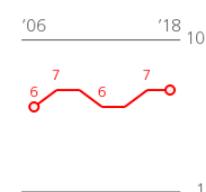
Despite bringing with him several officials from ex-president Fernández's team, and longtime PLD veterans, Medina had clearly learned from past experiences and found a new more moderate role for the presidency, which has proven popular among the population. The administration has constantly adapted to challenging environments in a non-confrontational manner, trying, and partially succeeding, in satisfying demands from civil society as well as from large business actors, for instance regarding mining. The administration has demonstrated that it has the flexibility required for policy learning, and often also the knowledge, but sometimes other considerations such as electoral, or those related to patronage, take the upper-hand. The new constitution also includes several articles designed to address previous organizational mistakes and aims to prevent short-sighted or politicized fundamental institutional decisions. Despite their indisputable improvements in recent years, the PLD-led reforms have, in practice, strengthened political control over other institutions such as the judiciary, and thus weakened oversight and democracy. One result of this was the poorly organized elections in 2016, which the opposition claimed as fraudulent. This tendency of power concentration, which started with the 2010 constitution and PLD's dominance, is strengthened by the PLD's clear victory in the congressional and presidential election.

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 (with some exceptions), and the current positive macroeconomic results in a very negative regional context bear witness to this. The current administration is trying to concentrate resource usage on strategic priorities, most visibly in education, an effort that has been lauded by UNESCO. But recent reports and student tests show that the increased resources still have not produced desired results. Although the government has professionalized its staff particularly with regard to economics, the inefficient use of administrative personnel remains a severe problem and form part of the political culture. 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 norm, and fair and competitive recruitment for state positions is weak. Budget improvements are notable, but prone to weak oversight and excessive spending in connection to elections (as demonstrated in 2016). The budget process is more transparent and predictable, and there is a low deviation of actual budget expenditures from planned expenditures, yet auditing

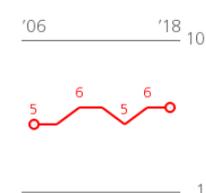
Policy learning

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Efficient use of assets

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remains a serious issue, which means there are few safeguards against a return to inefficient budget practices and corruption. The recent 2016 election confirms and strengthens PLD's dominance over the state, and is likely to have negative effects on oversight mechanisms. Fiscal reforms have only slightly improved the administration's ability to generate revenues, which remains weak.

For the 2016 election, President Medina and the PLD built a new coalition with its historical enemy, the PRD. This new coalition should improve policy coherence and reduce internal conflicts compared to the previous coalition with the anti-Haitian FNP and the conservative reformist party (PRSC). Policy coordination was a great challenge early in the period under review, but improved after the exit of the FNP from government and after the PLD mended its wounds following the reelection debacle. President Medina has proven to be a more pragmatic politician who lacks his predecessor's charisma and has toned down the centrality of the presidency. One example is that he preferred to sacrifice his party's long-standing coalition partner, the FNP, rather than sacrifice his policy agenda. 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, but these have been reduced tremendously with the exit of FNP and are less likely to reappear under the new coalition. There are no effective coordination mechanisms within government to avoid these conflicts, and they are solved at an ad-hoc basis. Although the visible role of the presidency is reduced under President Medina, coordination is still clearly centralized in the presidency and his two ministers (Gustavo Montalvo and José Ramón Peralta). Lack of internal coherence early in the period probably did not influence policy as much as obstacles outside the administration, but it clearly put limits on the president's agenda. Both internal conflicts and external obstacles, following the 2016 elections and the formation of a new coalition, have been reduced, which should improve policy coherence at least until the next electoral cycle.

Corruption is a fundamental characteristic of the administrative and state culture. Despite other positive improvements in the last period, this has not fundamentally changed. Nevertheless, the contrast between the almost daily exposés of corruption under the Fernández administration (2004-2012) and 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. Despite some improvements, it is important to underline that petty and high-end corruption remain important obstacles to an agenda of transformation, an observation acknowledged by surveys and expert assessments. 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 took the initiative to investigate Fernández's closest

Policy coordination

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Anti-corruption policy

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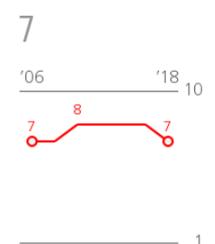
collaborator, Senator Bautista (also secretary of organization of the PLD). The anti-corruption drive was most likely driven by ambitions to secure a reform allowing for presidential reelection rather than a sincere effort to end corruption. The anti-corruption agenda is quiet again after Medina's reelection. The recent international court case against the Brazilian firm Odebrecht again demonstrated how public contracts are subject to high-end corruption in various Dominican governments. Recent international attention may force the Medina administration to perform a serious inquiry into the Odebrecht payoffs connected to the already heavily criticized Punta Catalina power plant construction, as well as payoffs from Embraer to the Fernández administration, but at the time of writing the outcome is uncertain. Media exposure and public attention to cases of corruption, however, is stronger than before, which is a necessary, although not sufficient, factor to seriously pressure the government to combat the problem. Outside the government, corruption seems unaltered. Police and armed forces are characterized by high levels of bribery, particularly evident and problematic in border areas and in drug trafficking. Political parties seem even less interested than the government in battling corruption as evidenced by the parties' effective blocking of a new law of political parties, which could provide long awaited transparency for party and campaign financing.

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 2016 election, however, raises concerns since the opposition, for the first time since the 1990s, did not recognize the victory of the president and boycotted President Medina's swearing in. The prolonged and strengthened dominance of the PLD is making the opposition more desperate and less patient, and some elements have started questioning the legitimacy of the democratic system. Despite this negative development, there are no extra-institutional actors aiming to dismantle the current form of democracy in the country. 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.

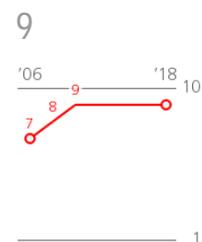
There is consensus in terms of the Dominican Republic's need to support a market economy. There was a general consensus of major market reforms in the mid to late 1990s and early 2000s that still exists today. In fact, as evidenced among political elites, the Dominican Republic is the country with the 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



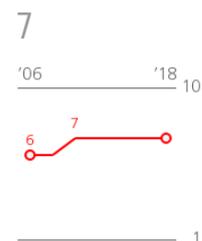
Anti-democratic veto actors are mostly under control, or at least their ability to cause obstruction seems to be negligible. Although the opposition questioned the democratic character of the 2016 election, they have not turned into, or are likely to turn into, anti-democratic actors. Of the actors who 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 desire to ease the complete 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



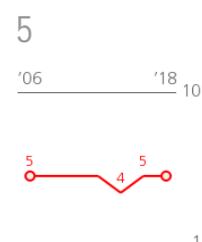
Because of the country’s high level of socioeconomic inequality, the potential for conflict has been high for decades, but has not materialized within a party system based on cleavage representation. In fact, there are only negligible ideological differences between the major parties, recently exemplified by the coalition between the PLD and Vargas Maldonado’s PRD (now a minority after the majority of PRD left and formed PRM), 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 in order to turn the issue into a cleavage that is manifested by political parties. Civil society is becoming more visible as an autonomous actor in the country, but the Medina administration’s popularity has helped keep any conflicts at a low level, and the administration has also been tremendously successful in co-opting parts of civil society and the media into his project.

Cleavage / conflict management



The political leadership formulates its policy autonomously and frequently ignores civil society actors. The degree of involvement of civil society actors in the formulation of policies holds more the character of co-optation rather than real interest representation. In sum, the influence of civil society on the formulation of policies and laws is low. Influence is more visible in reaction to policies and exposés of corruption scandals. For instance, in the recent effective blocking of the seemingly corrupt sale of state-owned land of Los Tres Brazos. Protests and media exposure made President Medina veto the sale. The success of civil society (and parts of the press) in this case and other similar cases demonstrate that with good organization supported by strong popular majorities and media coverage, civil society manages on an ad-hoc (and post-hoc) basis to influence the political parties in the administration and congress. On average, however, political leadership in congress and the presidency appear as relatively closed institutions insulated from civil society.

Civil society participation



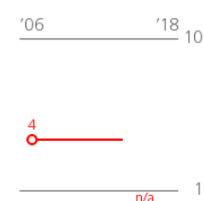
Although still weak, a qualitative change in the role of civil society is noticeable since the 2010 constitutional reform. A broad sector of civil society was involved in the initial stages of constitutional reform. Civil society’s input was to a significant degree ignored with regards to the actual 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 when effectively monitoring and protesting controversial decisions made by various administrations. Through the help of press and social media it has informed the attentive public on political decision-making. The expansion of civil society organizations to non-urban areas is new for this period, often in connection with projects of exploration of natural resources. 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, acknowledgment of government-perpetrated acts of injustice under the Balaguer regime may be difficult to achieve. As president, Leonel Fernández promoted the idea of exalting Balaguer as the “father of Dominican democracy” and the PRD leadership followed suit, demonstrating lack of interest in confronting past violations. 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 some minor attempts to address the past and its atrocities such as the Museum of Resistance and the efforts of historian Roberto Cassá as leader of the National Archives to document the violent past under Trujillo and Balaguer.

Reconciliation

n/a

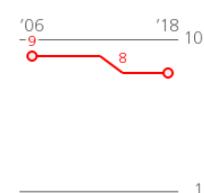


17 | International Cooperation

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 officially committed to the U.N. Millennium Development Goals, and has released laws in support of these goals. The government also seeks (and sometimes ignores) international assistance and advice on important agenda items such as the efforts in education. Internationally, political leaders are committed to the goals of pursuing

Effective use of support

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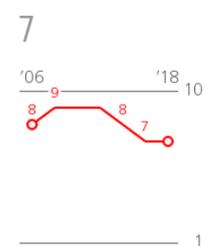
continued economic and political development, however, these are often subject to more short-sighted political or economic needs.

Undoubtedly, one of the strengths of the transformation process to date has been the willingness of state and non-state actors to cooperate internationally and transnationally. 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.

Macroeconomic stabilization achieved in the 1990s and revived after the 2003 to 2004 economic crisis remains an important reason why external actors have applauded their Dominican partners’ willingness to cooperate internationally. The current growth and stability at a time of regional uncertainty, strengthens the image of credibility of the government. 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 seriously damaged the state’s credibility in the international community when it comes to democracy and human rights. The current administration, however, has weathered the storm, and all major international actors have now effectively, even if reluctantly, accepted the new status quo. When it comes to investments and the economy, the country is regarded as a relatively safe business environment and attractive for foreign investments.

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). 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 counteract 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. With the Foreign Ministry now under control of PRD president Miguel Vargas Maldonado, the survival of these reforms is very much in question.

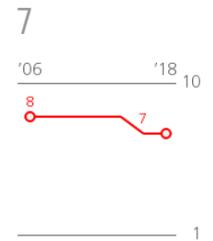
Credibility



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. The relationship with its neighbor Haiti is complicated, but aside from deep disagreements related to the issue of citizenship for Dominican-Haitians and Haitian migrants, the relationship between the two administrations have been generally cordial.

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, and even retracting, 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. Although the worst has passed, the Dominican leadership has not improved on these issues which caused harsh criticism of the country. The Dominican Republic for instance has withdrawn from the Inter-American Court of Human Rights, and is not set to re-enter any time soon. The issue of citizenship for migrants and Dominican-Haitians, however, is an exception to the political leadership's willingness and ability to cooperate on friendly terms with its neighboring countries.

Regional cooperation



Strategic Outlook

In this review period, President Medina successfully organized a constitutional reform to allow for his reelection, imposed his control over the PLD party, won the presidential and congressional election of 2016 handsomely and has managed to continue steady economic growth in a region that is facing its worst economic downturn in decades. The success of the popular Medina may also provide the country's main challenges both in the political and economic arenas.

The continued, and increasingly strong dominance of the PLD is also weakening the opposition and checks and balances in Dominican democracy. Despite good intentions, weak oversight may deteriorate democratic processes, and the opposition's trust in democracy, and yet again increase the risk of abuse of power. Despite low risk that the opposition abandons the democratic game, opposition parties are becoming more desperate facing what it perceives as a "Party-State." In this context it is imperative that domestic actors, both the incumbent as well as the opposition, demonstrate moderation, and that the government opens institutionalized arenas for dialog for political reform in order to include the opposition. International actors supporting regional democracy should encourage such efforts, when relevant, and push for reforms that level the political playing field. In particular, an inclusive reform of the law of political parties could become an important tool to increase trust between government and opposition, and should receive support regionally among experts in the area.

Economic success and growth in this period partly have been built on and financed by international loans. The relative debt burden has increased moderately, but the country is becoming increasingly vulnerable should the economy slow down or be affected by external shocks. Further, the government has not prioritized inclusive growth, or addressed structural problems of inequality, unemployment or poverty. The implementation of education reforms has lacked quality so far, and although positive results may still materialize, the ability to advance transformation is still relatively weak. For the upcoming period, the government of President Medina has promised to prioritize social inclusion and job creation, but despite control over key institutions, this promised transformation will face many of the same structural challenges as previous reform efforts, and risk poor implementation unless underlying structural problems are addressed. Medina will also face the additional challenge of maintaining party support and unity as in-fighting for the 2020 presidential candidacy will increase and may interrupt government priorities. Education reforms and promised social reforms are necessary and positive steps, however, and should still be encouraged and supported by domestic as well as international actors. However, it is imperative that the government also advance its reform efforts to increase its ability to successfully advance transformation. On the economic side, the state's low ability to collect taxes is a considerable obstacle to financing current and future social reforms. Reforms to broaden the tax base and improve the quality and effectiveness of tax collection should be important goals for the government. Further, broader state reforms aimed at professionalizing state bureaucracy are required to implement successful reforms in the education and social sectors. Such reforms, although often elusive, have been successful in the past regarding economic oversight institutions. The government needs to build on these prior successes if it wants its current project of transformation to succeed.