

BTI 2014 | Dominican Republic Country Report

Status Index	1-10	6.35	# 43 of 129	
Political Transformation	1-10	7.20	# 32 of 129	➔
Economic Transformation	1-10	5.50	# 67 of 129	➔
Management Index	1-10	5.41	# 52 of 129	

scale score rank trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. 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	10.3	HDI	0.702	GDP p.c.	\$	10203.6
Pop. growth ¹	% p.a.	1.3	HDI rank of 187	96	Gini Index		47.2
Life expectancy	years	73.0	UN Education Index	0.625	Poverty ³	%	9.9
Urban population	%	70.2	Gender inequality ²	0.508	Aid per capita	\$	21.9

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

With Danilo Medina's victory against Hipólito Mejía of the Dominican Revolutionary Party (PRD) in the May 2012 presidential elections, the Dominican Liberation Party (PLD) maintained its dominance in Dominican politics. The party is now set to govern until 2016. The PLD continues to hold its absolute majority in the House of Representatives, as well as 31 of 32 seats in the Senate, and will rule the country almost uncontested as the main opposition party, the PRD, yet again is split between two factions. With 47% of the vote, the PRD's results were still impressive, considering the party's split and the lingering memories of Mejía's unsuccessful presidency (2000 – 2004) among the electorate. The election result also demonstrates that many had grown tired of the PLD, after eight years of continuous rule with Leonel Fernández as president. Medina ran with Fernández's wife, Margarita Cedeño, as his vice-presidential candidate, which should help keep the two factions behind Medina and Fernández united, and secure continuity, rather than change, in the presidential palace.

Medina's electoral victory however had its costs, as state resources were used heavily by the PLD to maintain its power. International observers criticized the amount of state spending and the cost in general of the 2012 elections. Such spending as well as the costs of infrastructure projects completed before the elections, electricity subsidies and lower state tax revenues led in 2012 to a record public deficit of 8.5% of GDP. Already in 2011, the government could no longer meet the requirements of its standby agreement with the IMF, and it was thus discontinued. On the one hand, this benefitted the PLD to the extent that there was essentially no oversight on electoral spending, yet on the other hand the newly elected president had to face hard economic facts immediately after taking up his post in August 2012. With solid control within in the National Congress, Medina managed to pass an unpopular fiscal reform bill which increased taxes, yet goes a long way in dealing with the country's deficit. Medina holds a weak position within his party compared to his predecessor Fernández, and his fiscal reform did not include any measures to control state spending; a move that would have been unpopular with the party machine that lives

on the state and state contracts. The reform however was extremely unpopular, and generated protests all over the country to an extent not often seen. Citizens were outraged as it was evident that the outgoing administration had been hiding the real economic situation from the electorate during the campaign, and postponed necessary unpopular measures until after the elections.

Politicians have worked to implement the 2010 constitution and at the same time several new and important institutions have been created and staffed. The PLD and the Miguel Vargas faction of the PRD shared control over the election of new members to the Supreme Court of Justice, the Constitutional Court and the Supreme Electoral Tribunal, which all are now politicized. The political control over these judicial institutions is a setback for the ongoing transformation of Dominican democracy.

Civil society activity in general continued to grow during the review period, after having been stimulated by constitutional debates in 2009, yet such participation has led to little direct influence on final government policy even though there is clear evidence that the influence of civil society is higher than ever. However, progress toward addressing the country's many structural problems regarding education, health and social inequality was minimal, despite generally good macroeconomic performance. As during previous review periods, despite economic growth, social stagnation is constant and no serious improvements in the standard of living were achieved. Insufficient energy supplies remain a serious problem, as do corruption and discrimination against Haitians and Dominican-Haitians. The situation for Haitians and Dominican-Haitians has worsened as the constitutional reform denies this group citizenship; no change to this situation occurred in the review period. Even though under past Fernández administrations the Dominican Republic had proved to be a reliable international partner, Fernández's image as a regional leader suffered in 2012 as he was implicated in several corruption scandals, some of which had international ramifications. Despite these incidents, the country and its new leadership is very well respected in the region.

History and Characteristics of Transformation

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

president six times in his career. Personality-based internal conflicts and frequent splintering weakened opposition parties.

The United States has played a decisive role in encouraging the transformation process in the Dominican Republic. This began with external pressure from the administration of U.S. President Jimmy Carter, which forced Balaguer to recognize the opposition's electoral victory in 1978, which in turn initiated a short-lived surge of democratization. However, the transformation process stagnated once again after Balaguer returned to power in 1986. In 1994, the administration of U.S. President Bill Clinton and the Organization of American States (OAS) applied additional pressure on the Dominican Republic, which helped make extensive institutional reforms possible and facilitated the end of the Balaguer regime two years later. Since then, there has been significant progress in transformation, not only in establishing the country's first credible regulation of political competition, but also in improving the human rights situation, favoring the development of a civil society and significantly reducing neopatrimonial power over business.

The government in 1994 could guarantee competitive elections by implementing institutional reforms that were based on a pact among party elites and went unhindered by key actors, such as military and church leaders. Thanks to the pact, political contenders and relevant social groups were more inclined to properly observe the electoral process and recognize its results. Modernizing the judiciary and state administration also helped to enhance electoral and government credibility among the population. Despite this progress, the ability of the national election commission (Junta Central Electoral, JCE) to control government spending in the promotion of official candidates remains a concern.

The first important steps toward free trade were taken by President Salvador Jorge Blanco, Dominican Revolutionary Party (PRD, 1982 – 1986) in the 1980s by liberalizing the exchange regime. In the early 1990s President Balaguer only implemented some free trade measures, whereas most of the economic transformation involving policies of privatization and free trade gained traction under President Leonel Fernández in the late 1990s. These important steps toward free trade by facilitating regional integration have been continued by subsequent governments.

By the 1990s, the country relied much less on sugar exports compared with exports from free trade zones, tourism and remittances from overseas migrants. However, since the 2003 banking crisis, free trade zones have declined and many companies have left the country for China and other destinations. Similarly, since the 2008 financial crisis, remittances from Dominicans in the United States have declined, but still remain an important source of revenue. Similarly, many Dominicans in Spain stopped sending remittances because of the country's economic crisis.

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 neopatrimonial system and the patronage-based operating mechanisms of parties not only limit executives' ability to act but in turn induce each new government to slow the pace of transformation. Despite promises of change, it is unlikely that the more technocratic PLD President Danilo Medina, elected in May 2012, will change the way of doing politics and business in the country.

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; there is no full state control over the country's border with Haiti.

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 hampered by both formal and informal barriers. The new constitution puts new restrictions for obtaining citizenship on this group. For example, children born to Haitian parents residing illegally in the Dominican Republic are now constitutionally denied registration as citizens and are effectively stateless. Thus what was largely de facto practice in the past has now been formalized in the constitution. Furthermore, state authorities deny the renewal of birth certificates to Dominican-Haitians already registered as Dominicans, thereby effectively depriving a large group of people their citizenship and converting them into illegal aliens.

Roman Catholics make up at least 64% of the population, but the separation of church and state is generally effective in practice. The Catholic Church is traditionally one of the most important and respected institutions of power in the country; a recent survey holds the Catholic Church as the most trusted Dominican institution (69.7% express trust in it). Even though religious dogma plays a subordinate role in day-to-day political life, according to the Americas Barometer 2010, 60.5% of interviewees participated in meetings of religious groups. The local Catholic Church influences politics; for example, it lobbied effectively to include a ban on abortion in the 2010 constitution, yet remained non-partisan in the presidential elections of 2012. The Catholic Church also continues to play an arbiter role in the political system. Freedom

Question
Score

Monopoly on the
use of force
9

State identity
7

No interference of
religious dogmas
9

of religion is generally respected; however, Haitian immigrants' religions, with their African origins, have been openly suppressed.

Despite a weaker presence in rural areas, the state is fundamentally present throughout the country with respect 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. After the transfer of power in August 2012, several civil servants whose careers are protected by law were removed by the new administration, and some cases were brought to court. The quality of state administration is thus still compromised by a high degree of political clientelism, insufficient human capital and corruption, which clearly hampers effective tax collection. With the exception of some state institutions, such as the Central Bank and the president's economic team, recruitment or selection of government personnel carries with it a precarious legitimacy, and patronage networks and corruption generally face little internal opposition. The quality of basic services such as water and sanitation is much poorer in rural areas and among poor barrios in the cities, but are still accessible to a large majority of the population.

Basic
administration
7

2 | Political Participation

Although elections have been held regularly for more than 50 years, electoral fraud and manipulation are a hereditary burden of the Dominican Republic's political system. However, since 1996 national and local elections have generally been free, fair and multiparty contests, mainly thanks to increasing civil society engagement, particularly that of the NGO Participación Ciudadana (PC, established in 1994). Despite the death of three people during the campaign, the presidential elections of 2012 were also declared free and fair by national and international observers. Nevertheless, the electoral campaign and the national election commission's (Junta Central Electoral, JCE) role in organizing the elections demonstrated some reasons for concern. Until 2010, the JCE had combined the roles of organizing and conducting elections, as well as being the court of final appeal for all electoral judicial matters. These simultaneous roles have been the root cause of many issues of electoral controversy over the years, and the situation has been heavily criticized by national and international electoral observers. The 2010 constitution split the JCE into two separate bodies, one for organizing elections (Junta Central Electoral) elected by the Senate, and one electoral court (Tribunal Supremo Electoral, TSE) elected by a multiparty council. These arrangements may be legal, but are not regarded as legitimate in the eyes of the politically active population. The political autonomy of the JCE has also been a matter of concern as its members are elected by the Senate for four-year terms. Additional controversy was raised in the organization of the 2012 elections, as the JCE president until recently was a member of the central committee

Free and fair
elections
7

of the PLD. The majority of the members of the JCE inclined heavily in favor of the PLD's presidential candidate, Danilo Medina, and this was reflected in several questionable decisions during the campaign. The JCE arbitrarily disqualified one of the minor parties in alliance with the PRD, tried until the last minute to block Participación Ciudadana from observing the elections, and failed (yet again) to address the rampant use of state resources in the campaign. Former President Fernández campaigned heavily in favor of Medina by inaugurating virtually hundreds of public works, including the second line of the new Santo Domingo Metro, in the months prior to the May election. The candidate for the vice presidency of the PLD was First Lady Margarita Cedeño; Medina's campaign manager was a minister of the government; and most other members of government also actively campaigned in favor of Medina.

Further problems include the enforcement of laws regarding campaign financing and equal media access. Participación Ciudadana calculated that the Medina candidacy received 69% of all publicity among major media outlets during the campaign period. The high cost of organizing an election and campaigning is a concern, since it effectively blocks minor parties from participating in elections on a fair basis.

Electoral laws such as the opening of polling places, the guarantee of a secret vote and the protection against intimidation have not always been adequately enforced, and insufficient organization and a lack of adequate equipment and information, such as missing data on voters' civil status, inadequately updated voter rolls and insufficient availability of voter identification cards, have also undermined proper electoral processes. Although these continue to have some impact on the holding of free and fair elections, they have largely constituted only minor problems in the last few contests, including the 2012 elections.

Democratically elected political representatives, essentially the president and the National Congress, have the power to govern, and there are no individual groups outside that hold de facto veto power. The military is not very politicized and has not been a threat to democratic politics since the early 1980s. Big landowners and business elites, particularly in key industries such as tourism and sugar processing, are clearly influential as they are in many Latin American countries, and often receive preferential treatment by elected politicians and the state, but they hold no veto over democratic decisions. Even though the Medina administration holds a solid majority in both chambers of the National Congress, the government's effective power to govern is weakened by the fact that the president's party and its representatives in Congress are controlled by former President Fernández. The administration is therefore unable to address the many serious allegations of corruption committed during the previous administration.

Effective power to govern

9

The constitution provides for freedom of association and assembly, and the government generally enforces these rights. There are few severe restrictions; yet protests and demonstrations are generally not met with state repression, but incidents of police violence during demonstrations are a concern. The unprecedented wave of protests during the fall of 2012 demanding investigation into corruption during President Fernández's time in office did result in two casualties. Protests were tolerated, but heavily criticized by government and PLD officials. Civil society organizations and researchers working for the rights of Haitians and Dominican-Haitians do at times encounter interference in their affairs and harassment from state officials and politicians. The same applies to groups working for the rights of gays and lesbians, which may encounter state interference often encouraged by lobbying from the Catholic Church. Despite some incidences of government clampdown, strikes are legally permitted and generally peaceful.

Association /
assembly rights
9

Freedom of opinion and the press are constitutionally guaranteed and generally respected. Nevertheless, during the period under review, there are conflicting tendencies. Investigative journalism is still rare but receiving broader attention, and generating a bigger impact on political life. Yet Congress is considering a new penal code that will restrict freedom of expression by making offensive language against the president, members of government and the National Congress, judges, and electoral authorities a criminal offense, punishable with up to three years in prison.

Freedom of
expression
8

Media companies are mostly private and pluralistic, though ownership is highly concentrated. There are more than 40 broadcast television stations, four national newspapers and a large number of local newspapers, the vast majority of which are owned privately. The structure of mass media provides for a relative plurality of opinions; however, self-censorship among journalists is not uncommon, and the government has many journalists on their payroll to secure good press. With a few notable exceptions, such as TV journalists Nuria Piera and Alicia Ortega, critical and investigative journalism is rare and difficult to maintain. During the presidential campaign, however, in particular Piera was able to set the agenda of the campaign by many exposés on corruption involving members of government and the PLD, which are receiving increasing attention in major media outlets. In the print media the only independent, investigative journalism is performed by the fully digital paper *Acento.com.do*, which helps to uphold a relative plurality of opinions in print media. Access to the Internet is not restricted but concentrated mainly in urban areas. There are isolated cases of threats against journalists from state officials accused of corruption, but it is unclear whether these threats have official support from the government. At times, state officials can take journalists to court on claims of defamation. During the electoral campaign, a senator from the PLD made unveiled threats against Piera in relation to her corruption exposés, and other PLD politicians harassed her. Such actions, in addition to links between media ownership and political elites, help generate self-censorship among journalists.

3 | Rule of Law

The independence and separation of government powers is established by the constitution, but in fact the executive branch has always maintained considerable predominance, in part because of patrimonial control over state resources and executive concentration of authority. Patronage practices were and are one of the government's most important tools of control. Although traditional government patterns of presidential dominance still persist, significant improvements have been made since the end of the 1990s. The judicial sector has become more, although not totally, independent from political influence; it has provided sentences in several high-profile corruption cases in recent years, which would have been unthinkable previously. Nevertheless, during the period under review the independence of the judicial sector was again at risk, after the political elections of the Supreme Court, the Constitutional Court and Supreme Electoral Tribunal. Furthermore, its effectiveness is hampered by the fact that the attorney general is politically appointed and under the control of the president. This fact hinders any independent investigation into government corruption and other violations of the law committed by government officials. The current attorney general has been under pressure to investigate former President Fernández over corruption allegations, but has declined to do so with the excuse that the allegations lack legal merit.

Separation of powers

6

The National Congress at times has taken a more important role vis-à-vis the presidency in day-to-day politics than before, but still does not balance the powers of the presidency. The new constitution provides for the legislature to take a stronger role in the Dominican political system, but as long as the administration holds a solid majority in both chambers (which has been the case since 2006), the National Congress has not used its strengthened position to provide an effective check on the government. In terms of the power balance between the legislature and the president, the 2010 constitution has not made any serious impact.

Furthermore, the legislature is dominated by a large majority from the president's party, the PLD, in both chambers, and the PLD remains a very centralized party – all facts that might weaken government oversight.

Although the constitution provides for an independent judiciary, the institution has long been politicized and is rife with corruption. Therefore traditions of the rule of law are not highly developed, whether in terms of the rule of law proper or of due process. Since the late 1990s there have been both locally and internationally supported attempts to reform the judiciary. These reform efforts have had partial success. As with many developing countries in the region, the judiciary continues to suffer from weak institutional organization, professionalism, career stability and efficiency. Despite improvements, the judicial sector still experiences a lack of financial resources. Reforms, however, such as the Criminal Procedures Code of

Independent judiciary

6

2004, provided for greater efficiency and guaranteed additional protections to suspects; the Organic Law of the National Budget from 2006 and the Public Administration Law of 2008 have regularized budget allocations and increased budget autonomy for the judiciary (and other state dependencies). The new 2010 constitution and its supporting laws provide for a higher degree of differentiated organization and institutional autonomy, and create a judicial council to safeguard career stability, professionalism and merit-based recruitment. The Judicial Council and the Constitutional Tribunal have been in operation since 2012, and the Constitutional Tribunal has now taken over the role of judicial and constitutional review from the Supreme Court. The new constitution however also opened the door to increased partisan influence in the selection of Supreme Court and Constitutional Tribunal judges. The election of new judges to these institutions in late 2011 confirmed these concern and was criticized for elections based on political, rather than professional, criteria. The presidents of the two high courts have long political trajectories in the PLD and the PRD, and the new Supreme Court is clearly less independent from political influence than the previous one. As such, the new constitution must be considered a setback in terms of judicial independence.

During the period under review there has been a continued increase in media exposés of government corruption. For the first time these exposés, involving close collaborators of former President Fernández, have generated public uproar resulting in popular demonstrations and demands for investigations and prosecutions. A wave of protests, with participants from the country's middle-class in the main urban areas, has put the Medina government under considerable pressure to investigate corruption and abuse of office during the previous government under President Fernández. Protesters argue that corruption under Fernández is partly the reason for the deficit in the public sector of 8.5% of GDP in 2012, and demand prosecution in exchange for accepting higher taxes to cover this deficit. The 2011/12 Global Competitiveness Report by the World Economic Forum puts the Dominican Republic last among 142 countries in wastefulness of government spending, and as 140th of 142 in the diversion of public funds. Forced to speak on the issue of abuse of office under his predecessor, President Medina publicly stated that it was more important to look ahead than to recent history, indicating that the president has little interest in persecuting office holders among his own party, many of whom hold positions in his administration.

Despite the increased awareness of abuses, prosecution of abuse of office is still extremely rare, and if it occurs, prosecutions are often politically motivated. An example is the corruption investigation of Senator Amable Aristy Castro of the Social Christian Reformist Party (PRSC), a long-standing and important political figure and former presidential candidate whose power base sits in the east of the country. Aristy Castro was an ally to the PLD government until the electoral campaign of 2012, when he decided to join PRD candidate Hipólito Mejía. Not long after Aristy Castro

Prosecution of
office abuse
4

abandoned the ruling PLD, the attorney general initiated an investigation, looking into reports alleging corruption from the auditor general from 2006 and 2009, when Aristy Castro led the Municipal League.

A more politically pliant Supreme Court may become a serious obstacle to holding office holders to account. The prosecutor general is a political appointee and can be removed by the president, which makes it unlikely that any serious investigation of abuse of office will be initiated. Anti-corruption efforts also receive little financial and government backing, and neither the prosecutor general's office nor the state's anti-corruption agency have de jure or de facto authority to investigate public officeholders' misconduct. The Supreme Court has for instance blocked the prosecutor general's timid efforts to investigate PLD Senator Felix Bautista over corruption allegations. The Bautista case is highly politically sensitive, since Bautista became very rich during past Fernández administrations, working within the ministry of public construction while doling out construction contracts to his own companies. The case has international ramifications, involving, among other things, reconstruction contracts in Haiti financed by the Dominican state after the 2010 earthquake, and has received international attention in U.S. and French media. Bautista, organizational secretary of the PLD, is one of the closest allies of Leonel Fernández, current leader of the PLD, and Bautista's fall would constitute not only hard blow for the party but also for Fernández. It is a test case of the new administration's willingness to prosecute office abuse that it is currently failing.

Civil rights and liberties are guaranteed, and on paper they are considerably strengthened under the 2010 constitution. Citizens can claim their rights through institutional channels, but access is not equal for all groups, and civil rights are still violated in some cases and are not implemented in certain parts of the country. 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. A recent typical example involved the illegal arrest of two black Dominican-Haitians when they visited the central electoral board to renew their Dominican identification papers. Accused of being Haitian, they were arrested and scheduled for deportation. In this case a local NGO managed to get the two out of detention; yet others often cannot avoid the arbitrary arrests or deportation by migration officers.

In spite of legislation, women's civil rights remain a serious problem, and statistics show that violence against women (feminicidios) has increased during the review period. The civil rights of gays and lesbians are also a serious concern, as these groups are often harassed by police and discriminated against in society at large.

In political disputes (e.g., opposition efforts in social mobilization and demonstrations), there are still some sporadic violations by government security forces. During demonstrations against tax increases in November 2012, police killed

Civil rights

7

two protesters in separate events in Santo Domingo and Bonao. These incidents may not be dictated by government or high-level police or military authorities, but press reports indicate that the number of extrajudicial killings by the police is too high to be attributed simply to poor police training or low levels of professionalism in the police and military corps. Police violence is a serious civil rights problem; in 2011 alone police officers killed 289 persons, an increase from 2010 and preliminary statistics for 2012 confirm the increasing trend. After the police violence during anti-tax demonstrations and the execution by police of three prison escapees – an execution that was taped and aired on national television – President Medina has promised a thorough police reform.

4 | Stability of Democratic Institutions

Democratic institutions perform their functions adequately, and the 2010 constitution offers a new, modern framework for the workings of the country's political institutions. In the period under review, the National Congress has passed several implementation laws that regulate these new institutions, a process that is far from perfect but that has progressed satisfactorily as the PLD holds a solid majority in both chambers and controls the government. There is still however no reason to believe, at this early stage, that the new framework will have any serious adverse effects on the stability of the country's democratic institutions.

Inter-branch conflicts rarely, if ever, reach levels that may imperil democratic institutions. There is, nevertheless, at times a high level of inefficiency due to tensions between institutions and the existence of corruption and patrimonialism, but no more than may be expected in any developing democracy. Since the 2006 mid-term elections, the Dominican Liberation Party (PLD) administrations (Fernández 2006 – 2012, and Medina since 2012) have been able to rely on a majority in both houses (including a two-thirds majority in the Senate). Due to the comfortable majority, the government has been able to fast-track important legislation and to avoid friction between institutions, often, however, at the expense of dialogue and democratic debate. This was evidenced during the fall of 2012 when the government fast-tracked important tax increases to deal with the fiscal deficit. The controversial initiative, which only increased taxes without curbing state spending, passed without any debate in a matter of minutes.

The performance of the Medina administration, however, relies on the president's ability to stay on good terms with his predecessor, Leonel Fernández, who is the president of the PLD and controls the majority of the party's legislators.

Performance of
democratic
institutions
7

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. A concern is that the governing party during the review period, the PLD, in power since 2006, has been able to define and bend the rules of the game in its favor and fill newly created and important institutions such as the Supreme Court, the Central Electoral Board and the Constitutional Tribunal with their own candidates. With the election of President Medina, power seems to have shifted toward the political committee of the Dominican Liberation Party, where Leonel Fernández is the undisputed leader. As such, the party and Fernández are veto players in the system, and many argue that Fernández is the real power behind the throne. This is a sort of “dual presidency,” where Fernández can exert considerable influence on government action.

Commitment to democratic institutions

7

5 | Political and Social Integration

The party system remains only slightly fragmented, and compared to the Latin American region as a whole, it is relatively stable. Despite longtime dominance by the three biggest parties, the Dominican Revolutionary Party (PRD), the Dominican Liberation Party (PLD) and the Social Christian Reformist Party (PRSC), since the mid 1990s only the first two have proven to be effective in winning voter favor. The parties are anchored in society, primarily through patronage networks in a political system that is considered by scholars to be one of the most clientelistic in Latin America. The 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.

Party system

7

Since the 2006 congressional elections, the PLD has been the majority party, winning three consecutive presidential elections. In 2010 the PLD strengthened its majority in both chambers of the National Congress, and in 2012 Danilo Medina (PLD) won the presidency in a close and bitter contest with former President Mejía (2000 – 2004) of the PRD. In the same period, the PRD and particularly the PRSC have suffered severe losses, yet Mejía won 47% of the votes in the 2012 presidential contest, up from 40.5% four years earlier. Ideological polarization continues to recede, and the bitter tenor of the 2012 elections was attributed to personal attacks and animosities, not ideology. The three parties and much of the electorate are situated at the center-right of the ideological spectrum, and all three parties create shifting alliances among themselves. In the 2006 elections, the historic enemies PRD and PRSC created an electoral alliance; in the 2010 and 2012 elections, the PLD was able to run shared electoral lists with the PRSC; and in the constitution writing process of 2009 – 2010, the PLD and the PRD joined forces. While the PLD is united behind the leadership of Leonel Fernández, the PRD has divided into two factions: one led by Miguel Vargas Maldonado, and the other by Hipólito Mejía. The division plays to the

advantage of the PLD and Fernández, who seems to be supporting Vargas Maldonado as he leads the weakest faction but has legal control of the party apparatus. Vargas Maldonado did not campaign for Mejía, however, a fact that hindered a victory for Mejía. Vargas Maldonado has, so far, refused mediation by the Catholic Church, arguing that Mejía is not trustworthy. Unless the PRD is able to solve the bitter rivalry between the two factions, the party stands few chances of providing a coherent opposition to the governing PLD. The tendency toward intraparty splintering or personality cults, however, is typical of a milieu with a patronage-patrimonial bent.

Within the context of Latin American countries, the Dominican Republic's civil society organizations are, despite a short tradition of involvement, relatively well organized; yet civil society groups are still less established than they are in European Union countries. There are no organized groups with the aim to undermine democracy or civil society in the Dominican Republic. Participation in civil society groups is increasing, especially among youth from the urban middle class, but still remains low. The most dominant civil society organizations, such as Participación Ciudadana and the Fundación Institucionalidad y Justicia (FINJUS), remain mostly elite organizations. Except for drivers' unions in the cities, labor organizations are weak. Yet the number and influence of NGOs, and in particular ad-hoc organizations and spontaneous group mobilizations, remain episodically important in Dominican society, especially in recent years. These new groups, however, have not been able to access any of the established channels of mediation, and thus their influence remains limited and sporadic. Nevertheless, through increased coordination and highly visible symbolic actions, the mostly urban, middle-class mobilizations have been able to set the political agenda on issues such as education, and more recently, corruption. During the 2012 presidential campaign, both candidates promised to uphold the law and allocate 4% of gross national income (GNI) to education following calls from social groups. President-elect Medina thus had no other choice but to stick to his campaign promise, and included the promised allocations in the 2013 budget. Notwithstanding the gains obtained by the "4% movement" and anti-corruption mobilizations, the organizations that support these causes are still in their infancy and it remains to be seen whether they can sustain their challenges to the government. In terms of mediation between society and the political system, and between actors within the political system, the unchallenged mediator still is the Catholic Church, represented by Monsignor Agripino Núñez Collado, rector of the Pontifical Catholic University.

Latinobarómetro data shows that citizens' support for democracy and important democratic institutions is high. Support for democracy in 2011 varied between 65% and 80%, depending on the framing of the question; 75% of respondents stated they would not under any circumstance accept a military government. Data for previous years shows that popular support for democracy remains relatively stable. Compared to other Latin American countries, support for democracy in the Dominican Republic

Interest groups

6

Approval of
democracy

8

is somewhat above average, although satisfaction with democratic performance is below average (33% compared to a 39% regional average). Although the National Congress and political parties are considered to be indispensable to democracy by a large majority of citizens (69% and 73%, respectively) trust in these democratic institutions is relatively low (in 2010: 32% for the legislature, 28% for political parties). The 2010 constitution, which was written and approved in a process that respected democratic norms, should also prove to be more legitimate than the previous version from 1966, which was created under an authoritarian regime. A new, democratic constitution, however, seems to have raised citizens' expectations of government, expectations that may prove difficult to satisfy. As a result, citizens' trust in government was only 25% in 2011, well below the regional average of 40%. However, low trust in government is not necessarily bad, as it shows citizens' readiness to pressure government into fulfilling its obligations.

Survey data from Latinobarómetro shows that in 2011, 35% of the population said they can trust a majority of their fellow citizens; this percentage represents the highest score among Latin American countries, and is up four points from 2010. In absolute terms, however, the number is still not very high. Dominican society remains highly unequal, limiting autonomous organization, though people do have the ability to organize and episodically mobilize, as has been clear in several instances during the period under review and previously. Although most attention has been given the urban-based organization of voluntary associations that focus on corruption and education reform, groups in rural areas have also successfully organized against several mining projects that pose negative environmental consequences, such as the Xstrata Nickel project north of Santo Domingo and the Barrick Gold mining project near Cotuí. At the time of writing these events were still in flux and it was unclear whether the groups would succeed in their aims. The protest groups were demanding the revision of the contract between Barrick Gold and the government. Despite the support the protest groups enjoy with some congressional members, the Universidad Autónoma de Santo Domingo and the Academia de Ciencias, as well as receiving widespread media coverage, the protest's outcome was still in question. The protests have been fueled in part by recent substantial increases in the price of gold in the world market. Protestors are also asking the government to reject Xstrata's request for permission to start mining operations in Loma de Mirand, near Bonao. The government requested a feasibility study from the UNDP; at the time of writing the results had yet to be released and the Medina administration had yet to issue the mining permit.

Social capital

7

II. Economic Transformation

6 | Level of Socioeconomic Development

According to the UNDP's HDI 2011, the Dominican Republic's human development score is median (with a score of 0.689; the median range is 0.52-0.698), and was ranked 98 of 181 countries, down eight places from 2009. The country's level of development does not permit adequate freedom of choice for all residents, and there is a large gap in development between urban and rural areas. Social exclusion due to poverty, education and gender discrimination is quantitatively and qualitatively severe and structurally ingrained. The approximately 1 million Haitians living in the Dominican Republic as an ethnic minority are hit particularly hard by these exclusions. The country's unemployment rate is 14.3%, more than twice the registered regional average and the highest registered rate in Latin America (based on Economic Commission for Latin America and the Caribbean (CEPAL) data). There is a large, stable gender gap in employment, with female unemployment twice as high as male unemployment. 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. Exclusion from education, however, occurs more as a result of poverty and is higher in rural areas. Despite some improvements to social welfare over the last decade, poverty assessments make clear that around 9.9% (2010) of Dominicans live in poverty (under \$2 a day), down from 12.3% in 2007. CEPAL's 2011 household survey, which measures poverty according to a measurement based on food prices, holds that 42.2% of the population lives in poverty, and 20.3% at indigence levels, which compares to regional averages of 29.4% and 11.5%, respectively. Income inequality remains relatively unchanged over the last 10 years, with a Gini coefficient of 56 (survey year 2011; in 2002 Gini was 53.7, based on CEPAL data), and constitutes the third-highest level of inequality in Latin America. These social economic barriers require long-term solutions, but none of the liberal democratic governments elected since 1978 has seriously addressed them. Governments instead have been concerned with short-term solutions and have only paid lip service to issues of poverty and inequality.

Question
Score

Socioeconomic
barriers

5

Economic indicators		2009	2010	2011	2012
GDP	\$ M	46710.1	51653.9	55668.6	58951.2
GDP growth	%	3.5	7.8	4.5	3.9
Inflation (CPI)	%	1.4	6.3	8.5	3.7
Unemployment	%	14.9	12.4	-	-
Foreign direct investment	% of GDP	3.6	4.1	4.1	-
Export growth	%	-7.4	11.6	8.8	5.4
Import growth	%	-9.8	14.4	2.9	1.0
Current account balance	\$ M	-2330.9	-4329.5	-4499.0	-
Public debt	% of GDP	28.4	29.0	30.3	33.5
External debt	\$ M	11275.3	13357.0	15394.8	-
Total debt service	\$ M	1291.3	1310.7	1501.2	-
Cash surplus or deficit	% of GDP	-3.6	-2.9	-	-
Tax revenue	% of GDP	13.1	12.7	-	-
Government consumption	% of GDP	7.8	7.7	7.4	8.1
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	2.6	2.8	2.6	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.7	0.7	0.6	0.6

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

Competition in the market economy remains, to some degree, severely over-regulated, and in practice there are often no rules that apply uniformly to all market participants; however, the government promotes market-based competition. The prior Fernández administration passed a series of laws that promote and regulate free-market competition, such as the General Law of the Defense of Competition in 2008 and an Industrial Competitiveness and Innovation Law in 2007, both of which should, if implemented effectively, strengthen the institutional framework of market competition. President Medina plans to follow up these policies. The informal sector of the economy is significant and has been estimated to account for about 50% of

Market-based
competition

6

GDP in recent years. The informal sector includes everything from small businesses, family workers, domestic servants and self-employed people. Macroeconomic and currency stability during the two Fernández administrations have decreased costs and general insecurities of investing in the country. The country has therefore been able to attract important foreign investments in industries such as mining, from Canada-based Barrick Gold and Swiss-based Xstrata. Although growth is likely to suffer from the 2012 fiscal reforms, a result of a record public deficit of 8.5% of GDP in the same year, macroeconomic stability and investment-friendly policies is a high priority for President Medina. The executive branch, nevertheless, still exercises patronage-based control over the economy, which holds a steady, negative influence on free market competition. There are still price controls on some products (including electricity and gas for private households, gasoline, sugar and agricultural products). There is relatively low discrimination based on ownership, although international investments in critical sectors, such as in the electricity sector, have at times come under government and popular criticism.

Monopolies and oligopolies encounter resistance only in some cases. Legally, antimonopoly provisions and guarantees of equal opportunity for domestic and foreign investors are regulated by the General Act for the Reform of Public Enterprises of 24 June 1997, and the General Law in Defense of Competition (Law 42/08). Both, however, lack effectiveness. Foreign investors still face more difficulties than Dominican enterprises, but this is not a great concern as FDI is quite high (above 3% of GDP). In isolated cases, nationalist arguments may be used to exclude foreign access to markets. Collusion is less of a problem than corruption when it comes to bidding for public contracts, but patronage and corruption networks are a serious impediment to free competition for public contracts, and in particular, foreign bidders.

Traditionally, the most important features of Dominican foreign trade policy have been high tariffs, protectionism for local enterprises and a heavy dependence on the United States. Important steps toward free trade were taken during the first presidential term of Leonel Fernández (1996 – 2000), and these policies have been strengthened since then. Since 2002, free trade agreements have been put into effect with Costa Rica and El Salvador, and also a commercial treaty with Panama. Free trade negotiations with Canada are ongoing. In December 2007 the Dominican Republic and the Caribbean Community and Common Market (Caricom) states signed a full Economic Partnership Agreement (EPA) with the European Union. The U.S.-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) was negotiated and signed in 2004. The free trade agreement entered into force for the Dominican Republic on 1 March 2007. The two Fernández administrations worked with some success to reduce trade barriers and continued with liberalization of trade, policies that under President Medina are likely to continue. Customs procedures have been streamlined, tariffs reduced in some areas and some import and

Anti-monopoly
policy
6

Liberalization of
foreign trade
7

export taxes have been eliminated. On the other hand, there has been a process of tariff dispersion during the period under review, which puts new products under tariff protection. Agriculture especially receives protection through subsidy measures and higher tariffs. During the economic crisis of 2002 – 2004, a transitional tax of 5% was put on all exports of goods and services from the country. Today, Free Trade Zones (FTZ) receive export subsidies, scheduled to last until 2015, and exporters outside FTZs still receive fiscal concessions, and are supported by government programs to promote export. The Dominican Republic is a founding member of the WTO, and has played an active part in the Doha round.

The 2003 banking crisis, in which one of the largest banks of the country, in addition to two other banks of considerable size, went bankrupt, demonstrated that the banking system was structurally worse off than generally believed. The Fernández administration at the time 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. Local banks are also facing increasing competition from international banks, such as Venezuela's Banesco, that have opened branches in the country and won important contracts in recent years. Data from the World Bank confirm that the reforms in the banking system have had the desired effect, as non-performing loans are at 3.1% and the banks' capital-to-assets ratio has remained stable since 2004. Though less developed, the foundations for a capital market are in place. The investment climate, although damaged by the banking crisis, improved considerably under the past Fernández administration, which is to some degree the result of the government's foreign investment policy, its ability to satisfy and meet the terms of the IMF agreement, and macroeconomic growth and stability. Investors also deemed President Medina's victory over Hipólito Mejía (president 2000 – 2004) positive. Lower growth in 2012 and a record-high fiscal deficit are however not likely to create any disruptions within the banking and financial sector.

Banking system

7

8 | Currency and Price Stability

Price and currency stability are acknowledged goals of economic policy, but the Central Bank, although equipped with a professional and competent staff, is autonomous in principle only. Its policies are influenced by government decisions, and its actions are not particularly transparent. The weakness of the Central Bank becomes especially apparent during electoral periods, such as during the period under review. While inflation policies and goals remain stable, political considerations still trump macroeconomic goals when stakes are high. The inflation rate was relatively low until 2002, and its volatility could not be categorized as especially severe. Inflation rose in 2003 and 2004 (to 27.4% and 51.5%, respectively), but was

Anti-inflation /
forex policy

7

successfully contained under the second Fernández administration, falling to just 5% in 2005. Inflation has been kept under control since then; in 2010 inflation was 1.9%, but rates peaked in 2008 (10.6%), and again in 2011 (8.6%) due to increased government spending in connection with presidential elections. Despite managing reduced inflation in 2012 (about 4%), inflation should increase somewhat due to fiscal reform (Law 253/12) to take full effect in 2013, which increases VAT and other general taxes. The exchange rate has remained stable since the banking crisis in 2003 – 2004.

Recent government policies have until mid-2011 largely been successful in preserving macroeconomic stability. Most macroeconomic indicators demonstrate stability, albeit a slowly weakened situation for the country during the review period. Successful policies were facilitated by ongoing IMF standby agreements established since 2004, and in effect until September 2011. This agreement limited the government's ability to spend money on populist measures; however, by mid-2011 the government was no longer able to meet the targets of the agreement. Public spending increased throughout 2011 because of increasing pressure to finalize public construction projects before the 2012 elections, and in particular because of increased costs related to subsidies in the electricity sector. The end of the IMF agreement also gave the government a freer hand in financially supporting PLD candidate Medina during the electoral campaign of 2012, a campaign that is believed to have cost around DOP 4.5 billion (\$115 million).

With a focus beyond short-term policies, previous governments have adopted a series of rules to create institutional safeguards, in particular in the banking sector, which is now more strictly regulated. With these measures in place, taken together with the current government's willingness to preserve macroeconomic stability, the risk of dramatic populist policy changes under the Medina government can be assessed as relatively low. That said, the government's considerable expenditures during the election campaign in 2012, and in previous campaigns, contributed to fiscal instability, increased public deficit and debt, which demonstrated that short-term political goals still trump long-term development goals. Some observers are particularly concerned about the growth of public debt stipulated by the IMF to reach 44% by the end of 2012 (up nine points the last five years), which additionally has been borrowed with little transparency and at unfavorable terms.

9 | Private Property

Property rights and the regulation of the acquisition of property are defined by law (Law 108/05, in effect since 2007), and protected under the 2010 constitution. There are considerable problems with the implementation of laws due to corruption, inefficient administration of justice and political intervention. There are also significant variations in the implementation of laws regulating property rights within

Macrostability
6

Property rights
6

the country, in particular between rural and urban areas. It is also noteworthy that large enterprises, national as well as foreign, face fewer problems and less red tape than small, local businesses. Nonetheless, in recent years there have not been major problems concerning property rights.

Private enterprise is the backbone of the economy; yet state and semi-state enterprises also exist, although the state's role as producer has declined considerably since the 1990s. Private enterprise is protected under the 2010 constitution, and is regulated under the General Law for Commercial Entities and Individual Limited Liability Companies from 2008. In a Latin American context, it is relatively easy to start a business, which on average takes 19 days and seven procedures, according to the World Bank's Doing Business Report. Under the Mejía administration, a portion of electricity distribution sector was nationalized when the government took control over the stocks in EDESUR and EDENORTE. The private companies however did receive the appropriate compensation, even though they had not lived up to the contracts they had signed with the government; the industry continues to be one of the Dominican economy's most problematic sectors, and is heavily subsidized. Under President Fernández, privatizations continued to constitute an aspect of economic policy. The privatization of state enterprises, however, has only occasionally been transparent or proceeded consistently with market principles.

Private enterprise
7

10 | Welfare Regime

Although macroeconomic figures have been promising, the previous Fernández administration did not prioritize combating poverty. Measures to avert social risks remain rudimentary and are usually used as populist, short-term social policies. Such short-term gestures include subsidized prices (for food, transportation, water and electricity), subsidized loans (mainly for agriculture), subsidized housing (for a few) and subsidized jobs in the bureaucracy. There has been an expansion in the Solidaridad conditional cash transfer (CCT) program, targeted at the poorest sectors of the population, but this program is also used for clientelistic purposes, which became evident during the 2012 electoral campaign. The 2010 constitution grants the population a right to health services, including the right to medical assistance, free access to hospital services and medicine. At present, around 56% of the workforce is considered self-employed; the government has yet to come up with a method that permits them to make contributions to the welfare system. Public health expenditures have grown slowly but steadily since 2005, but their share of GDP as of 2010 is still very low at 2.7%, which is somewhat below average among Latin American countries. There is no effective government social health care system, although the Mejía administration (2000 – 2004) did begin the process of implementing one. The middle and upper classes can count on private health insurance and private health providers to meet their needs, while for the majority of the population, the family

Social safety nets
4

remains the most important safety net. The Mejía administration in 2001 also reformed the pension system, which was implemented in 2003, from a pay-as-you-go social insurance program to a mandatory individual accounts program based on the Chilean model that aims to cover all private sector workers and employers, yet is voluntary for public-sector workers. All reform elements are not yet implemented; for example, the self-employed are still not included in the program. The country's pension program covers only about 21% to 25% of the economically active population (figures from 2007 – 2010). Recent official figures indicate that coverage has increased to cover by mid-2012 about 45% of members, up 6.5 points from 2011. The pension system, however, does not provide a social safety net for the unemployed, the self-employed or workers in the informal sector.

The population of the Dominican Republic is distinctly heterogeneous and in general, equal opportunity is rare. There are great discrepancies in social development between urban and rural areas. State institutions try to compensate for gross social differences, but these measures are not very effective. Equal opportunity for women is now protected in the 2010 constitution, but in practice equal opportunity for women, Haitian immigrants or Dominican-born children of Haitian parents is not the norm. In fact, the 2010 constitution bars children of Haitian immigrants from obtaining citizenship, which in turn excludes them from health services or education. The government has pledged to provide other types of identity cards and residence permits for these groups, but two years after the new constitution took effect, these policies had still not been implemented. Far more women than men are unemployed, and more women emigrate to cities or to other countries. Female murder (femicide) is a huge problem, with more than 230 women killed in 2011, most often by their husbands, ex-husbands or men in their close families. Women also receive considerable lower salaries than men, and while only 14.2% of men are without personal income, 32.6% of women are in the same situation (CEPAL, 2010). Enrollment is quite high for primary and secondary education, 108.5% and 76.4%, respectively, but relatively low for tertiary education, at 34%. There is a reversed gender gap in terms of secondary and, especially, tertiary education, with a female-to-male enrollment ratio of 112.5 and 158.8, respectively.

Equal opportunity
4

11 | Economic Performance

From 1996 to 2000, the Dominican Republic enjoyed strong economic growth at an average rate of 7.7% per year. The collapse of one of the country's largest banks followed by the collapse of two others, lower tourism rates and depressed demand for Dominican manufactured goods caused a major financial, economic and social crisis in 2003 and 2004, from which the country recovered during the second administration of President Fernández (2004 – 2008). Thanks to a renegotiated stand-by agreement with the IMF in 2004 and the government's efforts to facilitate economic growth,

Output strength
6

macroeconomic performance has since improved significantly. Economic growth reached an average around 5% per year between 2008 and 2011, somewhat down from growth rates of 8% to 10% from 2005 to 2007 before the world financial crisis, but still well above the regional average for Latin America. The inflation rate has on average increased somewhat during the review period, but is considered relatively low and under control (6% in 2010, 8.5% in 2011), and far below the levels reached at the end of the Mejía administration. Unemployment is quite high within a regional perspective and is a persistent concern, but levels have remained steady at around 14% to 15% of the working population during the review period. The balance of trade deficit continues to increase steadily. The deficit in the current account balance dropped significantly from 2008 to 2009, but the deficit increased in 2010 and 2011 (-\$4.3 billion and -\$4.5 billion, respectively), and was projected to increase considerably in 2012. The external current account deficit closed at 7% in 2012, which is twice the historic level, and the country's external position remains vulnerable. Foreign direct investment has remained stable but has fallen somewhat from the record levels in 2008. Debt has been increasing steadily, reaching 44% of GDP in 2012, and is a growing concern. The private banking sector, however, seems to be solid despite the economic downturn. Remittances by Dominicans living abroad continue to be an important inflow for the country yet is unstable as it is based on the performance of the U.S. economy. Altogether, economic performance has deteriorated during the period under review, in particular in 2012 due to a record public deficit of 8.5%. The public debt (from uncontrolled spending in 2011 and 2012) and poor revenue performance, in addition to harsh fiscal reform that has increased consumer taxes, will probably affect growth negatively in the immediate future, pushing levels lower than in previous years.

12 | Sustainability

The main agencies responsible for environmental protection are the Ministry of Environment and National Resources (which includes a sub-secretary of protected areas and biodiversity, among others) and the Ministry of Agriculture. Environmental problems in the Dominican Republic include deforestation (although this has been limited by national laws), water supply, soil erosion and coral reef degradation, caused by eroding soils flowing into the sea. Moreover, by giving preference to economic growth projects, mass tourism has had the effect of fostering unmanaged development and swelling coastal populations, which affects over half of the Dominican Republic's reef areas. The continued development of infrastructure projects, such as the building of highways, threatens the borders of naturally protected areas. Furthermore, two large mining projects – gold mines in Cotuí managed by Barrick Gold and nickel mines near Bonaó managed by Xstrata – have raised considerable environmental concerns for the country's fragile ecosystem. In particular, environmental groups fear contamination of the region's drinking water.

Environmental
policy

4

Although both companies pledge to uphold the highest environmental standards, it is doubtful that the country's weak environmental protection agencies can effectively oversee these projects. Tax and energy policies do not take environmental goals and measures into account. The previous administration took 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 tree-felling has been prohibited since 1967, many farmers continue to cut trees surreptitiously to clear land for cultivation, even in natural reserves and protected areas. Environmentally compatible growth is paid lip service at the institutional level, but environmental concerns are clearly subordinated to economic growth both at the macro- and micro-level. The 2010 constitution includes a number of collective rights and civil duties regarding the protection of the environment. The state is thus now also constitutionally obliged to take environmental concerns into account when considering developmental projects, and promote the development of clean energy. The public has paid increasing attention and has been more aware of environmental issues during the review period, in particular the Barrick Gold and Xstrata mining projects. In January and February 2013, protests in Santo Domingo demanded a revision of Barrick Gold's mining contract. Protestors have received the support of some congressional members, the Universidad Autonoma de Santo Domingo and the Academia de Ciencias, and enjoyed widespread media coverage. Barrick Gold however has a signed contract with the government and it remains to be seen whether the government will renegotiate. Regarding the Xstrata pending mining project, the government asked the UNDP to conduct a study of its environmental impact, but as of the timing of writing the study has not yet been concluded. The Dominican Republic is ranked 72 (down from 36) of 132 countries on Yale University's Environmental Performance Index (EPI).

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 stable, at 88% for both men and women. School enrollment at 34% is low for tertiary education, yet still somewhat higher than the Latin American average. Government spending has traditionally been low, among the lowest in the region, and programs are of poor quality. There are no available figures on R&D expenditure; R&D is supervised by the Ministry of Higher Education, Science and Technology, created in 2002. During the period surveyed, the education ministry has been exposed to several corruption scandals involving high officials. Corruption here as well as in other ministries affects policy implementation. Most of the ministry's budget is used toward administration costs, and in general it does not finance research and development projects but rather offers stipends and scholarships to send talented students abroad. The Dominican Republic clearly suffers from "brain drain," as many talented researchers find better opportunities abroad. State expenditures on education have remained around 2% to 2.5% of gross national income (GNI), down from 3% at the beginning of 2000 and remains clearly

Education policy /
R&D
4

below the Latin American average of 3.5% to 4%. Since the Education Law of 1997 stipulates that at least 4% of GNI should be spent on education, the low fiscal commitment in 2010 generated widespread protests and mobilized large groups that demanded that the then Fernández administration abide by the law. These protests have continued well into the period under review, albeit with somewhat lower intensity; yet during the review period popular pressure has led to an increase in spending. For 2012, the government assigned almost 3% of GNI to education, and President Medina kept his campaign promise to assign 4% of GNI to education as part of the 2013 budget. Traditionally Dominican governments have spent less than they have assigned to education in the budget. It remains to be seen, therefore, whether the higher assignment leads to more spending, and whether increased budget allocations to the inefficient education ministry would increase quality. Higher public awareness, nevertheless, has already influenced education policy in a positive direction. Last, but not least, implementation of the law will be linked to the capacity of the “4% movement” to keep the issue on the public agenda. Otherwise, it is unlikely that President Medina would enforce the law.

Transformation Management

I. Level of Difficulty

Although still substantial, structural constraints on government in the Dominican Republic cannot be considered high when compared to many other transformation countries. However, structural distortions of a political and socioeconomic nature, in particular the legacies of the patronage and patrimonial systems, continue to exert a negative influence even amid a relatively stable electoral democracy. The country has a medium level of income. Although Dominican society is not particularly ethnically fragmented, a new and strong Evangelical Protestant identity is beginning to emerge. The 2003 Endesa (Encuesta de Demografía y Salud) reports that 9.1% of Dominican identifies themselves as Evangelical Protestant. If other Protestants are added to the figure, the total increases to 12.1%. Endesa also reported that in 2003, only 64.3% of Dominicans identified as Catholic, while 22.8% claimed no religious identification. In addition, the country's Haitian minority, which includes seasonal workers in agriculture and construction, long-standing legal and illegal immigrants, as well as Dominican citizens of Haitian background, remain poorly integrated and exposed to extensive informal and formal discrimination. This situation has actually been cemented institutionally and legally with the 2010 constitution, which creates a legal framework for the continued discrimination of these groups. Social polarization and associated latent social conflicts are still high. Increased popular mobilization observed during the review period, especially among middle class citizens and students in urban areas, may increase the constraints on political leadership, yet may also at the same time put pressure on government for more effective public policies and increase oversight over government actions. The recent popular and media attention to the issue of corruption and education has pressured the Medina government to take these issues more seriously. Although President Medina during his first month in power has seemed set to battle clientelistic structures and corruption, he may only do so by attacking the power base of PLD President Fernández and his own party. President Medina, therefore, is more constrained by the patrimonial political system, and that he is not in control of his own PLD party, which is still under Fernández's tight control. The country is situated in the hurricane belt, and each fall experiences storms and hurricanes. Only rarely however do these storms have grave consequences for infrastructure and the economy; the comparison to Haiti is apt as it shows that the Dominican Republic can better weather these

Structural
constraints

5

natural disasters. Poverty and inequality continue to be important structural constraints on social and economic development; the latest available Gini coefficient from 2011 (from the Economic Commission for Latin America and the Caribbean, CEPAL) was 56.0, which indicates a weak negative trend over the last nine years (53.7 in 2002). According to the Joint United Nations Program on HIV/AIDS (UNAIDS) data from 2011, the prevalence of HIV in the adult population (15-49 years old) is 0.7%. The country has managed to contain potential pandemics such as cholera, which at times after the Haitian earthquake has spread across the border to the Dominican Republic.

Civil society traditions are relatively weak, following decades of neopatrimonial presidential rule. Intermediary entities have found it difficult to maintain effectiveness and autonomy, above all against political parties, considering parties' access to state resources and patronage networks and their traditional dominance of political life in the country. Under the period of review, ad-hoc groups dominated by the middle class and students in urban areas have been able to generate an autonomous political space and become important agenda setters in the political debate. Improvements in civil society have been observed since the mid-1990s, but the situation has recently changed in nature. Improvements since the mid-1990s are mostly due to the Pact for Democracy in 1994, which made the political system more participatory and transparent, and the NGO Participación Ciudadana (PC), which helped establish new forms of active civil participation, especially with regard to electoral procedures. The government also encouraged active participation in the writing of the new constitution. Although the process itself was controlled by political parties, the National Congress and the presidency, debates on many issues were vital and have spurred a higher level of activity in civil society. Most organizations within civil society, however, were disappointed with the outcome, as the constitution seemed to favor conservative forces and the viewpoints of the Catholic Church. In particular, the middle classes in urban areas organize more frequently and effectively to voice their opinions on political matters, the results of which help to set or alter the political agenda. It is much harder today for political elites to ignore the demands of social groups, which are technologically smart and use social media actively. In particular, civil society has been active in environmental protection (beaches, natural reserves and protesting recent mining projects), state corruption, women's rights (including abortion), police reform and education. The increased level of civil society action has consisted of peaceful action, but has been confronted at times by police violence, which has led to casualties and more social protests. These activities are relatively new in the Dominican political system, and should be seen as enriching the quality of the democratic debate. In addition, except for the a few NGOs such as Participación Ciudadana that receive funding from abroad, most groups are weakly organized, do not receive funding from abroad and cannot challenge those who hold power in a sustained manner for a significant period. The anti-corruption, the "4% movement" and environmental groups are media savvy,

Civil society
traditions

5

but this is not enough to sustain a challenge to authorities. Social trust measured in absolute numbers is relatively low, but data from Latinobarómetro shows that the country in recent years shows the highest level of social trust in Latin America.

Dominican society is divided according to conditions of economic and social inequality. Religious or ethnic cleavages, apart from those affecting Haitian immigrants, do not play an important role in society. The recent earthquake in Haiti improved in the short run the relations between the nations, but has not led to any long-term effect on the situation of the country's Haitian minority. 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. However, social cleavages are a constant issue, albeit latent on 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. The 2010 constitution created a more difficult legal situation for the Haitian minority and illegal migrants, but does not seem to have had any real effect on living conditions or the level of conflict between ethnic groups.

Conflict intensity
3

II. Management Performance

14 | Steering Capability

The political leadership does pursue long-term aims but sometimes delays them in favor of short-term political benefits; excessive government spending in connection with the 2012 presidential elections, which doubled the fiscal deficit and contributed to the end of the IMF stand-by agreement in 2011, is the most recent example. In 2009 the government and the National Congress came together to write and approve a new constitution, a document which provides a new, modern basic set of laws that could last for some time. It is too early to conclude whether the new constitution has had any positive effects in terms of changing the underlying political culture that hinders long-term policy planning. It is unlikely, however, that the constitution will have an adverse effect on the government's steering capabilities. The 2012 presidential elections have demonstrated that the government's pattern of seeking short-term political benefits still trumps long-term policy goals, and can have long-term negative effects. Reform seekers have been hard to spot within government circles, and by turning great parts of state bureaucracy into a campaign machine, policy implementation has suffered. During this full period, all cabinet members and the actions of government have been geared toward the PLD maintaining presidential power. The construction of public works, populist-inspired salary increases, electricity subsidies, and campaign spending generated a public deficit of 8.5% of

Question
Score

Prioritization
6

GDP, increased the debt burden of the country, and will severely hamper developmental policy goals in the short- and medium term. Such outrageous spending was primarily inspired by the fear on behalf of the PLD leadership of losing the elections. On the other hand, the previous administration enacted far-reaching reforms within the banking sector, which has not been affected by the current economic downturn, and proved that it was able to learn from the mistakes of earlier administrations and propose policies that accurately address problems. The previous administration also passed several budget and administrative reforms to help in planning and pursuing long-term policy goals, should these become prioritized under the Medina administration. The Medina administration, inaugurated in August 2012, was forced to make tough priorities at the outset given the public deficit, and managed to pass an important fiscal reform to increase tax revenues. The fiscal reform, however, demonstrates the dilemmas of short-term political benefits and long-term goals. While increasing the tax base and state revenues, the reform makes no attempt to curb public spending, which itself is vital to securing political support amid a patrimonial political system. The picture in terms of steering capability is therefore certainly mixed.

Although committed to democracy and a market economy, the previous Fernández administration enjoyed only limited success in implementing announced reforms. As was the case with his first administration from 1996 to 2000, President Fernández's second and third terms prioritized state reforms, including reforms in the banking system, a (short-lived) tax reform, budget reforms, state administration reforms and a complete rewrite of the constitution. The successful implementation of reforms depends very much on the competence of the administration and state agencies, and the government's ability to avoid prioritizing short-term political strategies over long-term policies. During the period under review, policy implementation suffered through a focus on the presidential elections, a substantial decrease in tax revenues, rampant corruption, and an increase in public spending aimed at securing an electoral victory. Policy implementation also depends on the government's willingness to combat corruption within the state sector, and remains a great concern. The World Economic Forum's Global Competitiveness Report 2011-2012 places the country either as the worst or second-worst of 142 countries in terms of "public waste," "deviation of public funds," and "bribes." The previous Fernández administration was hit almost weekly with media exposés detailing high-level corruption, often involving close collaborators of Fernández. Government reaction to these scandals was tepid, and President Medina does not seem to be in a position to combat corruption within his own party effectively. Thus, it remains to be seen whether Medina will be able to do anything on this front. Despite the high fiscal deficit in 2012, the government's strong, technocratic economic team has been successful in achieving macroeconomic stability and growth. The 2012 economic downturn also forced the government to pass long-awaited fiscal reform, the successful passage of which was guaranteed by it not curbing government spending. The government has

Implementation

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also been successful in following through on major infrastructure projects, such as the much-criticized subway lines in the capital and major express highways. A major achievement was the rewriting of the constitution in early 2010, but much work still remains in implementing the ambitious goals of the new basic laws. The Medina administration enjoys a comfortable majority in both legislative chambers, and even a two-thirds majority in the Senate, which should prevent deadlocks as long as President Medina and PLD President Fernández remain on good terms. Fernández can count on the full support of his own party, and remains an important power figure to the extent that many see Fernández as the real power behind the throne, and President Medina as his puppet.

To a certain degree, the political leadership responds to mistakes and failed policies, yet policymaking overall is often stuck in similar routines, dominated by a patrimonial logic and by the seeking of short-term political and personal benefits. President Medina kept large parts of former President Fernández's governing team, and thus benefits from a team of advisors that has long and valuable governing experience. This also means that, despite electoral promises made by Medina, a radical change or new way of doing politics is unlikely. The new 2010 constitution includes several articles designed to address previous organizational mistakes, for instance by splitting the Central Electoral Board into one administrative organ and one judicial organ, and aiming to prevent short-sightedness or politicizing in fundamental institutional decisions, such as naming the state ombudsman. These reforms, however, do not seem to have had the desired effects. Despite their evident willingness and indisputable improvements in recent years, the PLD-led reforms have, in practice, strengthened the government's control over other institutions such as the judiciary, and as such weakened oversight and democracy.

Policy learning

6

15 | Resource Efficiency

Despite the lack of options to further rapid socioeconomic development and a shortage of available resources to speed democratic transformation such as expanding the rule of law, increasing political participation and reducing corruption, previous administrations have been able to use part of its resources rather efficiently; wasteful excesses have not severely damaged political and economic stability. However, much potential remains untapped and the government does not focus its energies enough on these tasks. Although the government has professionalized its staff particularly with regard to economics, the inefficient use of administrative personnel remains a severe problem. Recent budget and administrative reforms aim to streamline the organization of the state and its use of budget resources. Administration reforms, however, lack progress in part due to internal resistance and the traditional use of state administration posts for patronage purposes. Therefore the competitive recruitment for state positions is negligible. Budget improvements are notable, but

Efficient use of assets

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the improved situation is vulnerable due to weak oversight and institutions. The budget process is more transparent and predictable, and there is a low deviation of actual budget expenditures from planned expenditures; yet auditing remains a serious issue, which means there are few safeguards against a return to inefficient budget practices and corruption.

The previous Fernández administration was lauded by the international community for its efficient use of budget resources and good leadership, but they tended to overlook reality on the ground and dismissed allegations of corruption. High costs surrounding election campaigns, demonstrated again in 2012, handing out public contracts to party cronies, payments to party faithful and coalition partners and plans for costly infrastructure projects, however, raise serious doubts as to the government's sense of responsibility. Even though the 2010 constitution opens up options for a responsible decentralization of powers, the state is still very much centralized and controls the resources of local administrations. There are not any indications that President Medina will make any change that might alter this state of affairs.

The previous Fernández administration coordinated conflicting objectives and interests quite well, but success has been limited in presenting or promoting coherent policy. President Medina holds a much weaker political position than did Fernández, and faces a much greater challenge than his predecessor on this matter. The Medina government, however, rests on the same, stable coalition that supported President Fernández and includes the minor party National Progressive Front (FNP), a conservative anti-Haitian party, and what remains of the Social Christian Reformist Party. The government has held a solid congressional majority since 2006. Despite several attempts to rationalize and coordinate the government and administration, the leadership style remains centered in the personality of leaders. This might change with President Medina, who is a more pragmatic politician with little of his predecessor's charisma, but six months into his presidency (at the time of writing) is still too early to judge. Intra-party friction has created problems in coordinating policies within the government and between government and the National Congress. Former President Fernández is in strict control of the Dominican Liberation Party (PLD) that holds an overwhelming majority in the Senate and a comfortable majority in the House of Representatives, and the coordination of conflicting objectives will become more difficult now that President Medina controls the government. It is not given that Medina's expressed goals of curbing corruption and streamlining the state apparatus is shared by Fernández, the PLD, or even Medina's own government ministers, who may value different political objectives. Given the traditional patronage-oriented patterns of control, President Medina faces a difficult challenge balancing his own political goals with those of party leader Fernández. This will only be a problem if Medina were to exercise any degree of autonomy vis-à-vis Fernández.

Policy
coordination
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As long as Medina remains on the same track as Fernández, policy coordination issues will be substantially reduced.

Corruption is a fundamental characteristic of the administrative and state culture, and this has become increasingly apparent to the public with almost weekly media exposés of corruption scandals, involving ministers and state bureaucrats during the review period. The police and armed forces are characterized by a high level of corruption, which is especially evident and problematic in border areas, and in the area of drug trafficking. The state's battle with corruption cannot be won as long as the government itself continues to benefit from the traditional mechanisms of corruption. As did his predecessor, President Medina has pledged to curb corruption, but his first months in government indicate that this government also functions under the logic of, "for my friends anything, for my enemies the law." This became very apparent with an exposé in 2012 of an intricate and international corruption scheme organized by PLD Senator Félix Bautista, one of the country's most powerful and richest politicians, who came to economic and political power on lucrative public construction bids. While the media, public and independent observers demanded a public investigation, the Dominican Senate organized a public hearing that ended in exonerating the senator and lauding him as a democrat. Thus, nothing will happen under Medina because his hands are tied; he came to office because of Fernández's support. Previous programs of austerity have not been effective in curbing state excesses and spending. Extensive payments to Dominican Liberation Party (PLD) partisans, government ministers and the financing of Medina's electoral campaigns in 2012 through considerable public spending reveal that austerity has not been prioritized. The previous and current government has lacked both the will and ability to curb spending even when facing tough economic priorities such as a record public deficit in 2012. Altogether, the battle against corruption and the enhancement of state financial transparency has deteriorated during this period. A transparent public procurement system exists in law, but is not implemented, and many of the nouveaux riches in Santo Domingo have earned their fortunes on government contracts. There is a department authorized to combat corruption, but it needs more political and financial support from the government to be effective. Lacking this type of support, this department exists only for window dressing.

Anti-corruption
policy
2

16 | Consensus-Building

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

Consensus on goals
8

transformational goals of democracy and a market economy, and there is nothing to indicate that this has changed with the Medina government coming to power.

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

Anti-democratic
actors
9

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

Cleavage /
conflict
management
7

The political leadership formulates its policy autonomously and frequently ignores increasingly vociferous civil society actors. Although increasingly able to set the political agenda, civil society actors are seldom invited to discuss public policy and its participation in politics is more dominated by confrontation than dialogue. With a few exceptions, civil society actors are not formulators of policies or used to aid policy implementation. Nevertheless, a broad sector of civil society was involved in the initial stages of constitutional reform and was active in reform deliberations in the National Congress. However, civil society's input was to a significant degree ignored as the political parties kept tight control of the actual writing of the constitution. Civil society has in the review period albeit marginally strengthened its position as partial agenda setters, and has also helped, with the help of media and use of new social media, inform elements of an attentive public about political decision-making. This increased civil society activity; however, participation has so far been restricted to the urban and middle-class. Civil society is only to a limited degree active in, much less influential regarding, policy implementation and performance monitoring. An important exception is the case of election monitoring, above all by NGO Participación Ciudadana (PC). PC's activities have helped secure open and

Civil society
participation
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transparent electoral processes throughout the last decade, and the group has worked as a safeguard against a return to old practices of electoral fraud. During the review period, the Central Electoral Board's deliberate attempt to discredit the PC and keep the organization from effectively observing the 2012 presidential elections, raised serious concerns as regards civil society's role in monitoring elections and democracy. In this sense, PC is not comparable to the various civil society-based new social movements that do not have the sophisticated organization capacity and financial support from abroad. Additionally, these new social movements do not have friends "in high places" that can help them convert contentious issues into legislation. Again, this speaks clearly to the weakness of civil society in the country.

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

Reconciliation
4

17 | International Cooperation

The political leadership works with bilateral or multilateral international donors and tries to make use of international assistance, but this does not always facilitate significant policy learning or policy improvement. The political leadership is committed to the U.N. Millennium Development Goals, and at least internationally, is committed to the goals of pursuing continued economic and political development. Normally, however, these goals are forgotten amid politicians' desire to address more short-sighted political or economic needs. Undoubtedly, one of the strengths of the transformation process to date has been the willingness of state and non-state actors to cooperate internationally and transnationally. The first Fernández administration (1996 – 2000) and the Mejía administration (2000 – 2004) were highly committed to advancing the Dominican Republic's integration into the world market. The previous Fernández administration (2004 – 2012) stayed this course, and it is expected that the

Effective use of
support
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current Medina administration will do the same, however, with less international visibility than former President Fernández. In addition, presidents have made use of their partners' skills (e.g., election observers' advice on institutional reforms) and material resources (e.g., technical and financial cooperation) to facilitate transformation even though successful implementation of needed reforms often has been lacking as a final outcome. The implementation of such policies, however, may often reflect local actors' more personal goals just as much as the goals of broader development, to which the government is committed internationally.

Macroeconomic stabilization achieved in the 1990s and revived after the 2003 – 2004 economic crisis remains an important reason why external actors have applauded their Dominican partners' willingness to cooperate internationally. Credibility, however, has slipped somewhat in the period under review due to the failure to satisfy the IMF stand-by agreement, and corruption scandals with international ramifications. The Dominican Republic belongs to the United Nations and many of its specialized and related agencies, including the World Bank, the International Labor Organization, the International Atomic Energy Agency and the International Civil Aviation Organization. Furthermore, the United States signed a free trade agreement with the Dominican Republic (CAFTA-DR), even though the smaller partner was in the midst of a recession, and the country has signed various other bilateral trade agreements throughout this last decade. Despite the country's failure to renew the stand-by agreement with IMF in 2011, the country's reputation for reliability and credibility remains relatively solid in international and transnational opinion. President Medina is likely to play a smaller international role than his predecessor Fernández, but should enjoy the respect of his peers. Several corruption scandals with international ramifications hit the Fernández administration during the electoral campaign of 2012, involving for instance illegal donations to President Martelly's electoral campaign in Haiti. Another scandal was that 50% of Dominican humanitarian aid and construction projects in Haiti after the 2010 earthquake ended up benefitting PLD Senator Felix Bautista's private construction companies. This scandal also involved former President Fernández directly and damaged much of the "good neighbor" image created immediately after the earthquake.

Credibility
8

The political leadership under several administrations has worked actively and successfully to establish and broaden as many cooperative relations as possible. It is unlikely that this will change under the administration of President Medina, even though Medina probably will play a smaller international role than his predecessor. This strategy has already led to several successes, including the signing of free trade agreements with the Caribbean Community (Caricom), Central America, Costa Rica, El Salvador and the United States, and a commercial treaty with Panama. In December 2007 the Dominican Republic and Caricom signed a full Economic Partnership Agreement (EPA) with the European Union. Free trade negotiations with Canada are ongoing since 2007, but are currently on ice and not likely to resume

Regional
cooperation
8

soon. Although the country's quick reaction and help offered to Haiti in the aftermath of the 2010 earthquake have improved relations between the countries, especially on the elite level, the relationship is still complicated. The Dominican Republic has been criticized by the Organization of American States (OAS) and the Inter-American Commission of Human Rights, among others, for its treatment of Haitian immigrants, and in particular for not granting citizenship to children of Haitian immigrants born in the country, a practice in clear violation of the previous constitution. The 2010 constitution restricts the right to citizenship for Haitian immigrants and their children born in the Dominican Republic, a popular change locally, and now codifies current and prior practice. It is unlikely, however, that this change will quiet international criticism unless local authorities take up policies to register and formalize the situation of the illegal aliens in the country.

Strategic Outlook

The review period has seen the implementation of a new constitution. Although this has led to many institutional changes, it is safe to conclude that politics goes on as usual. Economically, the review period has seen two more years of economic growth, but the economic outlook is considerably darker than it was two years ago. The costs of elections and the subsidies of the electricity sector more than doubled the public deficit in 2012 and increased the debt. Growth is substantially lower than previous years, and fiscal reform, which increased taxes, is likely to dampen growth over the next few years. As in previous review periods, the government has not prioritized the work needed to reduce social inequality or address structural problems. Many challenges remain in achieving democracy under the rule of law and a market economy with sociopolitical safeguards, and these tasks have become more demanding since the top judicial institutions have been politicized during the review period.

Newly elected President Danilo Medina (PLD) therefore faces many challenges. Medina can count on support from his party, which holds a majority in both chambers of the National Congress, and the PLD party has demonstrated willingness to act responsibly after plunging the country into economic trouble. The PLD in power has demonstrated its ability to maintain macroeconomic stability and growth as cornerstones of its success, and with a new agreement with the IMF high on the government's agenda, that is likely to continue. Medina's greatest political challenge, however, comes from within his own party, especially as the opposition remains occupied with constant infighting. The PLD is controlled by former President Leonel Fernández, a political leader who still has ambitions, and who is likely to run for the presidency in 2016. Fernández's shadow already looms large over the presidential palace, and in order to set his mark on the presidency and keep to his electoral promises of a clean government, Medina will need to distance himself from Fernández and the PLD. If Medina sets out on this path, there is a risk that he would soon lose friends within his own ranks. So far, however, the relationship between Medina and Fernández has been good and cordial, and Medina has sought continuity rather than change in his first six months in power.

The government still needs to address key problems such as the country's energy supply (and the drain on the economy constituted by the subsidies of the energy sector), the quality of health care and education, and high unemployment. The Medina government has answered with increased funding for the education sector, but it remains to be seen whether this alone improves quality. If the government fails to address the country's structural challenges, it might face stronger popular pressure and possibly civil society protests. During this period, mobilization against corruption, taxes and lack of social policies has increased and put pressure on both the previous and current government. Government policies should focus much more on structural problems rather than short-term, clientelistic-oriented measures which in 2012 generated an enormous public deficit. The government has also done too little to improve the country's energy supply and address the general problems of the energy sector, and this challenge, one that has persisted for years,

continues to be a top issue for this and future governments to come. Considering the volatility of petroleum prices, diminishing the Dominican Republic's dependence on oil is also a key related task, together with an unpopular reduction of subsidies of electricity prices. The government also needs to come up with solutions for the Haitian immigrant population that meet human rights standards and accept that treatment of Dominican-Haitians and of Haitian immigrants is frequently inhumane. These groups are in a legal limbo as long as the 2010 constitution deprives these groups of the right to citizenship and other social rights, and new legislation as regards residence status is still not in place. New solutions and policies should include, but should by no means be limited to, better living conditions, integration measures and revised legislation on access to citizenship, health care and education. Furthermore, the political authorities should focus their efforts on fighting corruption and strengthening anti-corruption efforts by providing appropriate political and financial support.