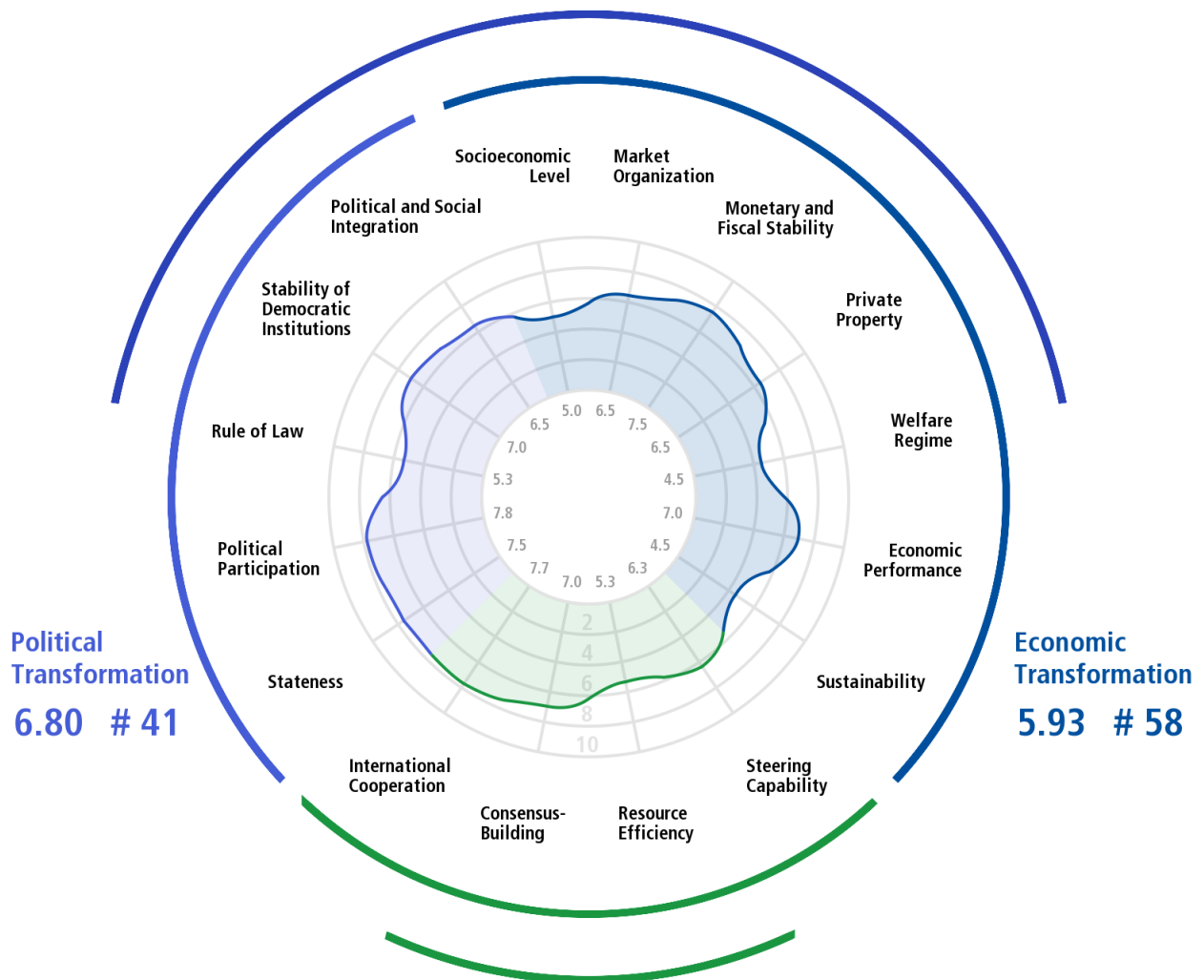


Dominican Republic

Status Index

6.36 # 45

on 1-10 scale out of 137



Political Transformation
6.80 # 41

Economic Transformation
5.93 # 58

Governance Index

5.75 # 39

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	10.6	HDI	0.745	GDP p.c., PPP \$	17799
Pop. growth ¹	% p.a.	1.1	HDI rank of 189	89	Gini Index	45.7
Life expectancy	years	73.7	UN Education Index	0.657	Poverty ³	% 5.9
Urban population	%	81.1	Gender inequality ²	0.453	Aid per capita \$	11.2

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The period under review has been one of relative tranquility for President Danilo Medina and his administration, which has continued its efforts in key areas such as education, expansion of the Plan Solidaridad (Conditional Cash transfer program) and continued stable economic growth. The government finally completed the Punta Catalina thermoelectric plant, which is the largest public investment project in years. With few exceptions, this period has been one of consolidation rather than launching new policy priorities. Medina in his seventh year as president has not only enjoyed full control of his party, but also strong popular support. In the 2016 elections, Medina won by solid margins against the struggling new opposition party, the Modern Revolutionary Party (PRM). Through its poor performance, the opposition has indeed helped the Dominican Liberation Party (PLD) install itself as a party dominating the state. This has helped Medina in this period manage to maintain this strong majority supported by a stable coalition to the Dominican Revolutionary Party (PRD). Toward the end of 2018 and start of 2019, Medina has been struggling to avoid a lame duck position as the 2020 presidential elections have come closer, and serious rifts within his party over the presidential candidacy has negatively influenced his control over the PLD. In an attempt to maintain control Medina has remained aloof regarding his own ambitions for another re-election, demonstrating that the fight for political positions still trump long-term strategies in Dominican politics.

Economically, the government has been very successful, building on the relatively healthy macroeconomic growth experienced in previous periods, but the increasing foreign debt over the last few years gives cause for concern. The long-standing economic growth has also finally given some timid results in this period when it comes to poverty reduction. This success can in part be explained by the expansion of the Solidaridad program, but also by job creation, reduced unemployment and general economic growth. Given the negative regional context, the economic results under President Medina have been impressive, and explain to a large extent his continued popularity. Nevertheless, economic growth is still not inclusive. Socioeconomic inequalities remain one of the country's major challenges, reinforced by poor health care and education

services for the poor. Education reform still constitute the cornerstone of Medina's transformative project, and the government has maintained its commitment to education. Medina has rightfully been praised for the efforts, but the increased resources have still only produced weak to moderate results. In sum, despite economic growth, the social stagnation of previous periods remains palpable.

Corruption still poses a serious problem in the country, and the Odebrecht scandal, in which the Dominican Republic was one of the top three recipients of corrupt money, demonstrated the levels of high-end corruption that still dominate politics. The government's actions in addressing corruption have been meager and selective, but popular mobilization around the issue has forced the government to take action at times. On the international arena, the Medina administration has seen its biggest successes in the period. It won a seat in the U.N. Security Council and opened diplomatic relations with mainland China.

History and Characteristics of Transformation

The assassination of General Rafael Leonidas Trujillo in 1961 ended 30 years of dictatorship; the 1963 military coup against the democratically elected Juan Bosch was followed in 1965 by a brief period of civil war and military intervention by the United States. In 1966, while the country was still under military occupation, civilian rule was restored with the election of Joaquin Balaguer, but democratic development remained stagnant for decades as neo-patrimonial structures dominated both the state and the economy. The conservative caudillo Balaguer succeeded in maintaining power from 1966 to 1996 (save for a period from 1978 to 1986), in part by exploiting largely fraudulent election processes with close and questionable results. Personality-based internal conflicts as well as ideological and political differences led to frequent splintering of weakened opposition parties.

The United States has played a decisive role in encouraging the transformation process in the Dominican Republic, but it is worth recalling that a dramatic decline of international market prices for traditional Dominican exports substantially limited Balaguer's political power. He lost the support of the middle class and the popular sectors who gave their votes to Antonio Guzman of the Dominican Revolutionary Party (PRD) in 1978. Balaguer's departure initiated a short-lived surge of democratization. However, the transformation process stagnated once again after Balaguer returned to power in 1986. In 1994, formidable local pressure exerted by the PRD and civil society supported by U.S./Organization of American States (OAS) helped make extensive institutional reforms possible and facilitated the end of the Balaguer regime two years later. Since then, there has been significant progress in transformation, not only in establishing the country's first credible regulation of political competition, but also in improving the human rights situation, favoring the development of a civil society and significantly reducing neo-patrimonial power over business. Modernizing the judiciary and state administration also helped to enhance electoral and government credibility among the population. Notwithstanding this progress, the lack of

appropriate legislation and ability of the frequently politicized Junta Central Electoral to control government spending in the promotion of official candidates remain a concern.

The first important steps toward free trade were taken by President Salvador Jorge Blanco (PRD) from 1982 to 1986 by liberalizing the exchange regime. The implementation of free trade policies unleashed a cycle of protests that began with an uprising that lasted three days in April 1984. The cycle extended until the early 1990s, but it had limited gains. By the 1990s, the country relied much less on sugar exports for its foreign exchange compared to exports from free trade zones, tourism and remittances from overseas migrants. In the aftermath of the 2003 banking crisis, free trade zones have declined as many companies left the country for China and other destinations, but together with mining (in particular gold), free trade zones (FTZs) still constitute an important part of the export sector. In the early 1990s, President Balaguer implemented a limited number of free trade measures, and most of the economic transformation involving policies of privatization and free trade gained traction under President Leonel Fernández in the late 1990s. These important steps toward free trade through regional integration were continued under subsequent governments.

The dynamic character of democratic transformation in the Dominican Republic is attributed primarily to a willingness and ability to cooperate and compromise on the part of political elites, and on the application of pressure from both civil society and international bodies. The government itself cannot really be credited as exercising profound influence on successful transformation, even though both President Fernández of the PLD during both stints in government (1996–2000 and 2004–2012), and the government of President Hipólito Mejía, PRD (2000–2004), supported several democratic and state reforms.

Nevertheless, the neo-patrimonial system and the patronage-based operating mechanisms of parties not only limit the executive's ability to act, but in turn force each new government to slow the pace of transformation. These obstacles are structurally ingrained and weaken the results of current policies to create progressive transformation in education, health and poverty reduction during the current Medina administration.

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

Transformation Status

I. Political Transformation

1 | Stateness

The state holds a monopoly on the use of force over the entire territory. The state’s authority is not threatened or challenged by local clan monopolies or guerrilla movements. However, problems connected to drug-trafficking and organized crime are a growing concern, especially as criminal elements seem to be infiltrating both the police and military; this situation is worse along the border with Haiti and in rural areas. Even though the state seems to retain control of the situation, there are indications that the problems related to organized crime have become worse under this period of review.

The legitimacy of the nation-state is rarely questioned. However, there is a large and slowly growing minority of Haitian immigrants and of Dominican-Haitians whose political and socioeconomic participation is hampered by both formal and informal barriers. In 2010, their chances of obtaining citizenship were restricted by the constitution. Furthermore, the relevant authorities, such as the Central Electoral Board, regularly denied a renewal of birth certificates to Dominican-Haitians, which register them as Dominicans or present obstacles to regulating Haitians’ migratory status. A 2014 law of naturalization (169/14) aimed to alleviate the consequences of the 2010 constitution and the retroactive application of the citizenship rules in a sentence (168/13) by the constitutional tribunal, but has not been effectively implemented. Constant politicization of the issue of citizenship rights for Dominican-Haitians also prevents granting of citizenship rights to this group.

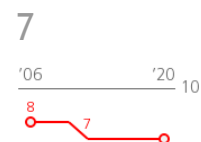
Roman Catholics make up between 57% and 64% of the population. Protestantism and Evangelicalism constitute between 12 and 18% of the population’s confessions. The separation of church and state is generally effective, and religious dogmas play a minor role in political life. The Catholic Church is traditionally one of the most powerful and respected institutions in the country, and surveys still hold the Church as the most trusted Dominican institution, although support has been slowly waning. The local Catholic Church influences politics and lobbied effectively to introduce a total ban on abortion in the 2010 constitution, and it exercises influence in Congress

Question
Score

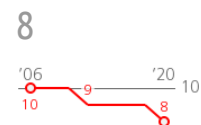
Monopoly on the use of force



State identity

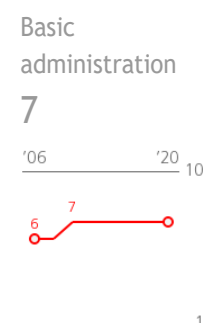


No interference of religious dogmas



as demonstrated by Congress's continuous effort to uphold the total ban in the penal code by pressuring legislators to stop the revision of the code. In this regard, the Church receives the support of traditional Protestants and Evangelicals, but increasingly the Evangelicals are becoming a religious force on their own. President Medina vetoed the new penal code both in late 2014 and 2016 in order to legalize abortion in cases of rape, incest or a serious threat to a woman's life. In 2017, the case was settled by the Senate's refusal to accept the president's partial veto. The penal code fell, and the conservative forces in Congress strongly pushed by the Catholic and Evangelical churches managed to thwart the reform. The Catholic Church protested heavily on all occasions and continues to exert power over elected officials on these matters.

Despite a weaker presence in both rural and border regions, the state is largely present throughout the country thanks to administrative institutions, officeholders and the basic administration of justice. The principle of a civil service career path was introduced by law in 1991 and reinforced by law in 2008 and 2012, but the laws are not always observed. The quality of state administration is still compromised by a high degree of political clientelism, insufficient human capital and corruption, which clearly hampers effective tax collection despite a series of laws over the last 10 to 12 years to broaden the tax base and improve tax collection. The current Medina administration initially tried to professionalize staff in various ministries, but the battle for re-election compromised these efforts and has reduced the effect of some positive improvements. Despite moderate improvements, in many state institutions recruitment or selection of government personnel still carries with it a precarious legitimacy, and patronage networks and corruption generally face little internal opposition. The quality of basic services such as water and sanitation is much poorer in rural areas and among poor barrios in the cities, but reach the large majority of the population. In the field of education, the Medina administration initially delivered on its promise to almost double the resources granted, but has concentrated spending on building and repairing school classrooms rather than on teacher training, and even here the administration is short of meeting its own goals. Despite these shortcomings, it is worth noting that during Medina's second term the Ministry of Education has begun to strengthen state sponsored pedagogical universities and established scholarships for excellent high school students interested in teaching.



2 | Political Participation

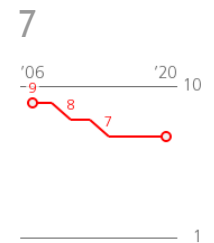
The country has held elections for the last 50 years, but only since 1996 have national and local elections generally been free and fair multiparty contests. The high costs of organizing an election and campaigning are a concern since they effectively block minor parties from participating on a fair basis. In addition, extensive clientelism and vote-buying place constraints on fair competition. Polling has been relatively accessible all across the country, and with an important exception in 2016, polling procedures and vote counts have been relatively transparent. A huge concern remains regarding fair and equal access to the media, where, due to better access to economic resources, the incumbent party has dominated in a way that generates an unlevel playing field. A new law of political parties (Law 33/18) should regulate campaigning more strictly to reduce costs and the problem of constant campaigning, and secure fairer access to the media.

2016 saw the first concurrent congressional and presidential elections since 1994, and the elections was heavily criticized by the opposition. Although declared free and fair by national and international observers, the 2016 election marked a new low in a downward spiral when it comes to electoral integrity and quality. The 2016 mega-elections demonstrated the deteriorating ability of the Junta Central Electoral (JCE) to organize free and fair elections, and posterior audits discovered corruption in the procurement of computer equipment to be used in the elections. Only President Medina's (PLD) clear victory over Abinader (PRM) prevented the controversial elections from becoming a democratic crisis, but the poor organization of the elections gave the opposition reason to question their legitimacy.

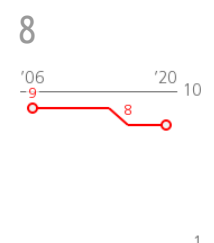
The institutional backdrop for the poorly organized 2016 elections is the 2010 constitution that split the JCE into two separate bodies: one for organizing elections, elected by the Senate, and one electoral court (Tribunal Supremo Electoral, TSE) elected by a multiparty council. While this reform should be regarded as positive, it also opened the way for further political influence over the electoral authorities. Even though JCE was restructured in 2016 with experienced bureaucrats, this is an institutional weakness that can be easily exploited. Therefore, political autonomy of the JCE continues to be a matter of concern for the 2020 elections.

Democratically elected political representatives, essentially the president and the National Congress, have the power to govern, and there are no individual groups outside holding de facto veto power over politics in the state. The military has not been a threat to democratic politics since the early 1980s. Big landowners and business elites, particularly in key industries such as natural resource extraction, tourism and sugar processing, are clearly influential as they are in many Latin American countries, and often receive preferential treatment by elected politicians and the state, but they hold no veto over democratic decisions. During the current period, Medina has played with the idea of another constitutional reform to allow for

Free and fair elections



Effective power to govern



yet another re-election, the effect of which has been to reduce problems of becoming a lame duck president. It is uncertain at this moment whether Medina will retire in 2020 or try for re-election.

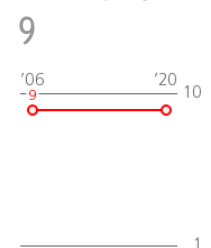
Although the Catholic Church has no veto power, it still exerts influential power on moral issues such as abortion, where the current administration holds a somewhat more liberal agenda that has been frustrated by the pressure put on politicians by the Catholic and Evangelical churches.

The constitution provides for freedom of association and assembly, and the government generally enforces these rights. There are few severe restrictions, and protests and demonstrations are generally not met with state repression, but incidents of police and thug violence during demonstrations are a concern. Isolated incidents of deadly violence related to political activities also occur. During the 2016 election for instance six people were killed. Anti-government protests are generally tolerated. Civil society organizations and researchers working for the rights of Haitians and Dominican-Haitians do at times encounter interference in their affairs and harassment from state officials and politicians, and the same is the case for groups working for equal rights of gays and lesbians, where the state may interfere if pressured by the Catholic Church.

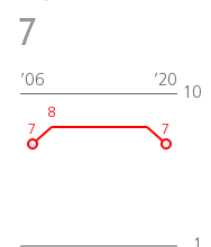
Freedom of opinion and the press are constitutionally guaranteed and generally respected. Freedom of information legislation is in place (law 200/04) but is only selectively effective. Investigative journalism is still rare but gaining broader attention and impact on political life. Formal restrictions on freedom of opinion in the 1962 law 6132, such as penalization of defamation and insults with prison sentences and cascade liability for the publication of insults, were declared unconstitutional by the Constitutional Tribunal in 2016. Media companies are mostly private and pluralistic, though ownership is highly concentrated. There are more than 40 broadcast television stations, some 300 radio stations, four national and a large number of local newspapers, and the vast majority of these are operated by private owners. The structure of the mass media provides for a relative plurality of opinions; however, self-censorship among journalists is not uncommon, and the government has many journalists on their payroll in order to receive positive press. The written press is also reluctant to interfere with the economic interests of its owners or economic elites.

With a few notable exceptions, critical and investigative journalists are rare and struggle to make a living. In the print media, independent investigative journalism is performed by the digital newspapers Acento.com.do, a handful of known journalists (such as Alicia Ortega and Nuria Piera) and some independent websites. But electronic media do not reach a large audience outside the urban middle classes. Access to the internet is not restricted but still somewhat underdeveloped outside of urban areas, roughly 60% of the population has internet access. During this period there have been cases of death threats against journalists from unknown sources, and

Association /
assembly rights



Freedom of
expression



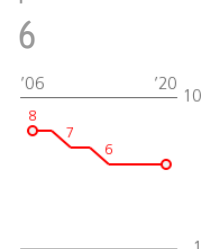
in 2017, two radio journalists in the city of San Pedro de Macorís were killed when broadcasting live. There are isolated cases of threats against academics and journalists from state officials accused of corruption, and the issue of nationalism and anti-Haitianism are also topics that, due to the hate-rhetoric used, hinder liberty of opinion.

3 | Rule of Law

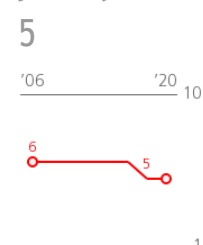
The independence and separation of powers is established by the constitution, but in fact, the executive branch has always maintained considerable predominance, in part because of patrimonial control over state resources and executive concentration of authority, and partly because during the last 16 years, one party (PLD) has controlled government and both Chambers of Congress. The opposition represented by the PRM is weak, which explains why Congress is not likely to perform any systematic check on power and only oppose the president in isolated cases. Although traditional government patterns of presidential dominance still persist, significant improvements have been made since the end of the 1990s. But the continued dominance of the PLD over the presidency and Congress slowly erodes separation of powers and is a growing concern. The judicial sector did become more, although not totally, independent from political influence until the 2010 constitutional reform. The selection of judges to the Supreme Court, Constitutional Tribunal and Supreme Electoral Tribunal after the 2010 constitutional reform was influenced by political interests of the Fernández faction of the PLD as well as Vargas Maldonado (PRD). In fall 2018, there was a scheduled partial renewal of the Constitutional Court. The process was relatively transparent and according to experts and most aisles of politics, judges of high professional merit were elected. The high courts are then slowly being removed from the early politically tainted process that elected the courts following the 2010 reform.

Although the constitution provides for an independent judiciary, that institution has been politicized for a long time and is rife with corruption. Traditions of the rule of law are not highly developed, whether in terms of the rule of law proper or of due process. There is slow improvement, however, in particular due to improved education and the presence of more legal scholars, lawyers and judges with international education and experience. As with many developing countries in the region, the judiciary continues to suffer from weak institutional organization, professionalism, career stability and efficiency. Despite improvements, the judicial sector still experiences a lack of financial resources. Reforms, however, such as the judicial career law (327/98) and the Criminal Procedures Code of 2004, provided for greater efficiency and guaranteed additional protections to suspects; the Organic Law of the National Budget of 2006 and the Public Administration Law of 2008 have partly improved professionalization and the protection of judges, regularized budget

Separation of powers



Independent judiciary



allocations and increased budget autonomy for the judiciary (and other state dependencies).

On the one hand, the 2010 constitution, and supporting laws, provide for a higher degree of a differentiated organization, and create a judicial council to safeguard career stability, professionalism and merit-based recruitment. The Judicial Council and the Constitutional Tribunal have been working since early 2012. The increased differentiation has not been a problem, and there have been few internal conflicts between the new and old high courts. Under the new constitution, the courts have increased their autonomy. This applies in particular to the Constitutional Tribunal in its tasks to interpret and review existing laws, and at least in certain cases, pursue its own reasoning.

On the other hand, the new constitution also opened for increased partisan influence in the selection of Supreme Court, Supreme Electoral Tribunal, and the new Constitutional Tribunal judges, the consequences of which were tangible since 2012 when the first round of judges were elected. 2018 and 2019 have seen the election of new justices for the Constitutional Court and the evaluation of and selection of justices to the Supreme Court. The results are mixed. Although the election of new justices to the Constitutional Court was lauded, the evaluation of the Supreme Court justices has brought to the fore the problematic political influence of the justice system facilitated by the 2010 Constitution. Thus, the process raises further questions about the integrity of the Supreme Court, the National Council of Magistrates, and indeed the close ties between the government and the justice sector.

The first two years of the Medina administration saw a series of serious investigations of high-end corruption under previous administrations. These were politically motivated however, and the efforts to fight corruption ended with the reunification of the Fernández and Medina factions of the PLD behind Medina's presidential candidacy. There is reason to believe that the level of corruption indeed has decreased under the Medina administration, from what was perceived as record-high levels under President Fernández (2004-2012). However, Medina's tenure since 2012 has also seen a host of corruption scandals. The Dominican Republic was one of the more prominent countries involved in the Odebrecht scandal, and several government institutions have been involved in serious corruption cases during this period of review. Although there are cases of political leaders being prosecuted during this period, it is more normal that politically connected leaders exposed for corruption are not prosecuted, or if prosecuted, the cases never reach a verdict. Often court cases are dismissed by judges in the lower courts in ways that raises questions about the independence of the judiciary. Revelations of corruption still receive very high and negative attention in the press, in turn influencing and holding officeholders to account to some degree.

Prosecution of
office abuse

4

'06 '20 10



1

Civil rights and liberties are guaranteed, and on paper, have been strengthened under the 2010 constitution. The de facto withdrawal of the Dominican Republic from the Inter-American Court of Human Rights in the Fall of 2014, however, is still a serious threat to the legal protection of civil rights.

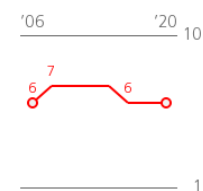
Citizens can claim their rights through institutional channels, but access is not equal for all groups, and civil rights are still violated in some cases and are not implemented in certain parts of the country. Unless individuals gather as a group and protest systematically, authorities do not pay attention to disempowered citizens. Discrimination against Haitians and Haitian-Dominicans is particularly serious and sometimes becomes institutionalized, if not legalized, when it is politically convenient for the incumbent government. This period of review has seen several cases of racially motivated violence against these groups especially in the city of Santiago, and these cases are not dealt with adequately by the authorities.

In spite of legislation and government action plans, women's civil rights remain a serious problem. U.N. Economics Commission for Latin America and the Caribbean (CEPAL) statistics show that violence against women (femicidios) is one of the highest in Latin America and is a continued problem that has only recently receiving its merited attention by politicians and the press. The Medina administration supports the legalization of therapeutic abortion (to be performed in cases of rape, incest and when the mother's life is threatened by the unborn child), but is deadlocked on the issue formally by Congress and by strong resistance from the Catholic and Evangelical churches. This deadlock has prevented the passing of a new penal code and has been ongoing for several years. The civil rights of gays and lesbians are also a serious concern and these groups are often harassed by police and discriminated against in society at large. Most cases of violence against LGBTQ people are not addressed by the authorities.

Police violence continues to be a serious civil rights problem in the country and the national police is one of the least trusted state institutions in the country. Groups such as Dominican-Haitians and LGBT people are particularly vulnerable to police abuse. President Medina promised and delivered on comprehensive police reform with a new organic law (590/16), passed in July 2016, which establishes important principles for the police's role in protecting citizens' civil rights. Early evaluations of this reform are negative and the new principles for protection of civil and human rights are not being implemented by police authorities.

Civil rights

6



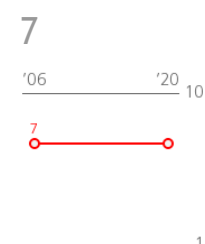
4 | Stability of Democratic Institutions

Democratic institutions at the central and local level perform their functions in principle but are plagued by corruption. The new 2010 constitution offers in theory a modern framework for the country's political institutions. During the period of review, Medina and his party have been in control of most state institutions, although tension has been rising throughout 2018 and 2019 with uncertainty regarding who will succeed Medina as presidential candidate for 2020. In order to avoid becoming a lame duck, President Medina has been vague about his intentions to reform the constitution to allow for another re-election. This demonstrates that political elites still are willing to put personal ambition and access to resources above democratic institutions. The unification of parliamentary and presidential elections together with Medina's re-election have given this administration a longer-term perspective in its formulation of policies, and despite some lame duck tendencies toward the end of this period under review, Medina has been able to govern with strong parliamentary support.

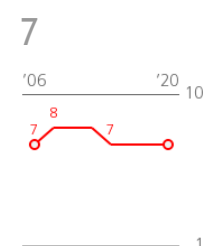
Within the public administration, there have been some positive signs of reform that may improve the administration's ability to implement policies, but the general impression is still that clientelism and patrimonialism affect government performance. Local political institutions do not function adequately. Local governance is affected by corruption and, in some municipalities, deep connection with criminal elements. Despite increasing funds for distribution at the municipal level, local political institutions and actors are clearly subordinated to the national level.

No major state, societal or political actors are committed to the overthrow of democratic institutions or hold veto power, and all relevant actors generally accept democratic institutions and the minimal rules of the game. The criticized 2016 elections led the opposition to boycott President Medina's swearing in ceremony, and for the first time since the 1990s, led to the questioning of the president's democratic legitimacy. Since then, however, the main opposition has accepted the legitimacy of the president and the political system. The PLD, in power since 2004, has been able to define and bend the rules and regulations in its favor and fill new, important institutions such as the Supreme Court, the Central Electoral Board and the Constitutional Tribunal with its own candidates. The PLD's long stint in power and establishment as the dominant party are decreasing the legitimacy of the political system in the eyes of the opposition, and more belligerent rhetoric from the opposition reflects this.

Performance of democratic institutions



Commitment to democratic institutions



5 | Political and Social Integration

The Dominican party system has for years been relatively stable (at least in a regional context) and dominated by the major parties. There are, however, some signs of fragmentation, and there has been a significant drop in the public's trust in political parties as reported by the Latinobarómetro survey. Opposition parties have experienced various splits, diminishing their ability to play a constructive role. Despite longtime dominance by the three biggest parties, the Dominican Revolutionary Party (PRD), the Dominican Liberation Party (PLD) and the Social Christian Reformist Party (PRSC), since the mid-1990s, only the first two have been effective in winning voter favor. Since 2006, however, the PLD has secured itself the majority of votes, and the party has won four consecutive presidential elections. In effect, the PLD has established itself as a dominant party, and managed through coalitions, based on clientelistic agreements rather than policy.

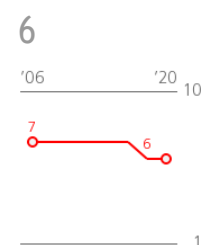
The PRD's popularity was quickly displaced by its splinter party the PRM (founded in 2014), which has established itself as the main opposition party and alternative to the PLD. The PRM took with it the majority of the PRD membership, including the more progressive sectors. Those that remained within the party turned it into a conservative and pragmatic political force. The parties are anchored in society, primarily through patronage networks in a political system considered to be one of the most clientelistic in Latin America. The deteriorating party system offers few venues for interest representation.

Ideological polarization is still very low, of the lowest in Latin America, and the bitter conflicts and high temperature within and between parties are anchored in patronage and fight for positions, not ideology. This also hinders renewal of leadership of the main political parties, which have been dominated by the same leaders for the last twenty years, which again negatively affects the parties' ability to offer as venues for effective representation and the societal trust in parties. The three/four parties and much of the electorate are situated at the center-right of the ideological spectrum.

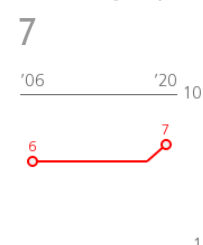
Within the Latin American context, the Dominican Republic's civil society, labor and business organizations are relatively well organized, but bares little structure in comparison to countries in the European Union. There are no organized groups that aim to undermine democracy or civil society but organized xenophobic attempts to vilify the migrant and Dominican-Haitian minority as well as Haiti as a nation from time to time. These often manage to set the national agenda on the issue, and sometimes such outbursts of xenophobia result in violence. Catholic and Evangelical churches are well-organized and in various alliances seek, often successfully, to halt progressive developments and effective protection of rights for LGBTQ persons and women on the issue of abortion.

The extent of participation in civil society groups is relatively low but has increased in the last period as a reaction to the Odebrecht scandal that hit the country hard.

Party system



Interest groups

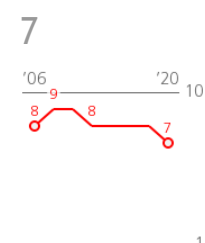


Through huge protests, the Marcha Verde movement against impunity and corruption has managed to bring attention to the issue of corruption to the highest level. Issues such as the environment (esp. mining), migrant and women rights also manage to mobilize groups in society, at least at an ad hoc level. Although such groups are not very effective in lobbying or having their interests influence the preparation of policies, they are at times successful in stopping unpopular policies and government decisions when these are met with popular protest after media exposés.

Except for transportation organizations in the cities, labor organizations are weak, and cooperation between labor and business organizations is not very developed. In general, civil society groups have not been successful in accessing any of the established channels of mediation and have often lacked real autonomy from political parties or the state, but, from time to time, manage through coordinated actions to set and influence the political agenda. In terms of mediation between society and the political system, the unchallenged mediator for many years was the Catholic Church. The somewhat tense relations between the government and the Catholic Church (on the issue of abortion), should not lead us to believe that the role of the Church in Dominican political mediation is seriously declining, although it may be challenged or accompanied by leaders of the Evangelical churches.

According to Latinobarómetro 2018, support for democracy has continuously dropped to slightly below the LAC average: 63% in 2015, 54% in 2017 and 44% in 2018. The percentage of those saying that democracy is the comparatively best political system, at least better than all others, is still high, but shows the same trend: it dropped from 73% in 2016 to 62% in 2018 (again slightly below the Latin American average). After an initial increase in satisfaction with democracy under the Medina administration, this figure has now decreased substantially during this latest period (from 52% to 32%) and reflects the increasing dissatisfaction with the still relatively popular President Medina (still the most popular president of the region according to several surveys). After a long period of relative stability, the country thus follows the regional trend of a significant reduction of support for democracy. The country has the highest regional percentage stating that their democracy is one with great problems (55% of the population), and few believe that the country is being governed for the benefit of all the people (15%). Dissatisfaction has increased more in the Dominican Republic than in the region during this later period. Although Congress and political parties are considered to be indispensable to democracy by a large majority of citizens, trust in these institutions is low and slightly decreasing. However, low trust in government or state institutions is not necessarily negative, because it is an indicator of the citizens' readiness to pressure government into fulfilling its obligations. From a regional perspective, data from Latinobarómetro shows that Dominicans' confidence in civilian, democratic institutions is around average, while confidence in the police and the army is lower than the regional average.

Approval of democracy

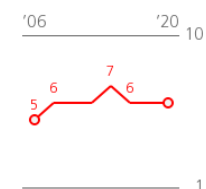


Survey data (Latinobarómetro) show that in 2018, 14% of the population said they could trust the majority of their fellow citizens; which is exactly the regional average in Latin America. Trust as measured by Latinobarómetro has declined considerably over the last seven years, which probably is connected to increased feelings of insecurity due to issues of crime and increasing and more visible drug-trafficking. Although violent deaths in society have decreased steadily since 2011, the perception of crime, violence and insecurity is very high and affects solidarity and social life negatively. In fact, 32% of the population sees crime as the country's most important problem, and it is by far considered the country's most serious problem according to the population.

Although most attention has focused on organizing by voluntary associations in the cities, such as the Marcha Verde movement against corruption and impunity, groups in rural areas have also organized against several mining projects. While over many years there have been serious conflicts surrounding the damaging environmental impact of several mining projects, these have subsided somewhat in this period. Mobilization has turned more toward working conditions and several lawsuits have been brought against companies such as Barrick Gold, and been addressed in the courts rather than the streets. Further, there is a capacity in society to organize around environmental causes, such as the cleaning of beaches and protection of waters from plastic pollution, which demonstrates at least sporadically, a sense of solidarity and social responsibility for society.

Social capital

6



II. Economic Transformation

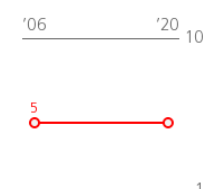
6 | Level of Socioeconomic Development

According to HDI 2017, the Dominican Republic is placed in the category of high human development (the Dominican score was 0.736, up from 0.691 10 years ago). The country was ranked 94 out of 189 countries. The country's level of development, however, does not permit adequate freedom of choice for all residents, social mobility is low, and there is a large gap in development between urban and rural areas. Despite continuous high economic growth over the last 10 to 15 years, one of the highest in the region, social exclusion due to poverty, education and gender discrimination is quantitatively and qualitatively severe and structurally ingrained. The World Bank has continuously reported on the weak links between growth and equality in the country and the extremely low levels of upwards mobility.

The Haitian and Dominican-Haitian ethnic minority living in the Dominican Republic are hit particularly hard by social exclusions. The border areas are the most impoverished areas of the country, and studies show that salaries are depressed in

Question
ScoreSocioeconomic
barriers

5



sectors with high employment of this ethnic minority. There has been a negligible reduction in the gender inequality index over the last few years (from 0.481 in 2013 to 0.451 in 2017), and the country is still the fourth worst country in the region when it comes to gender equality.

Poverty is pronounced and structurally ingrained. CEPAL's 2017 Social Panorama report (data from 2016) holds that 30.0% of the population live in poverty, and 6.1% in extreme poverty (based solely on income, figures are self-reported by the state), which is a noticeable reduction. However, income inequality remains relatively unchanged over the last 10 years, with a Gini coefficient of 45.3 (2016; just a slight reduction of the last 10 years). Inequality constitutes a 21% loss of HDI, demonstrating that inequality is a large detrimental factor for socioeconomic development. The Gini Index is about mid-range in a Latin American context, which also means that inequality has fared better in the Dominican Republic than in the region during the last period. While growth is finally reducing poverty, geographical, gender and socio-economical inequalities are deep-rooted and structurally ingrained.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	68802.1	72343.0	75931.7	81298.6
GDP growth	%	7.0	6.6	4.6	7.0
Inflation (CPI)	%	0.8	1.6	3.3	3.6
Unemployment	%	7.6	7.3	5.8	5.8
Foreign direct investment	% of GDP	3.2	3.5	4.7	3.4
Export growth	%	2.0	6.6	4.7	6.7
Import growth	%	11.4	4.6	-2.5	8.4
Current account balance	\$ M	-1280.3	-814.7	-133.1	-1159.6
Public debt	% of GDP	44.7	46.6	48.9	50.5
External debt	\$ M	26727.4	28291.4	31167.8	33905.1
Total debt service	\$ M	5234.7	3464.9	3030.5	3119.3

Economic indicators		2015	2016	2017	2018
Net lending/borrowing	% of GDP	0.3	-2.7	-2.8	-
Tax revenue	% of GDP	13.2	13.5	13.7	-
Government consumption	% of GDP	12.0	12.2	12.2	12.3
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	2.5	2.8	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.7	0.7	0.7	0.7

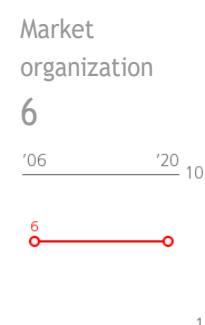
Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Competition in the market economy remains to some degree over-regulated, and in practice rules do not apply uniformly to all market participants; however, the government promotes market-based competition. Previous administrations passed a series of laws that promote and regulate free-market competition, such as the General Law of the Defense of Competition in 2008, the Industrial Competitiveness and Innovation Law in 2007, and the law of small and medium business in 2008, providing the institutional framework for market competition. President Medina has followed up on and improved these policies, and continued strong growth lent credibility to these policies. However, corruption is still considered to be the greatest obstacle to market-based competition in the Global Competitiveness Report 2018, the country ranks 113 out of 140 countries concerning incidence of corruption, compounded by an even lower rank in judicial independence (125th).

In 2017 to 2018, the government launched major business environment reforms, primarily the simplification of business start-up registration and the insolvency law. Additionally, a number of efforts to remove sector-specific barriers to competition have enabled the country to lower market entry barriers. New OECD data on Product Market Regulations show that the country is aligned with the Latin American and Caribbean regional average. However, according to Doing Business 2019, the cost of starting a business is still medium to high, ranking 117 out of 190 economies in the Starting a Business Index, with seven procedures, 16.5 days and costs the equivalent of 14.1% of per capita GNI.

The informal sector of the economy is estimated to account for 55% of the urban labor force and about 50% of GDP. Currency convertibility is quite good and has remained stable and at a relatively low risk over the last 12 to 14 years. The country



has therefore been able to attract important foreign investments, for instance in mining, and its economic stability has resulted in a considerable rise in foreign investments during the Medina administrations.

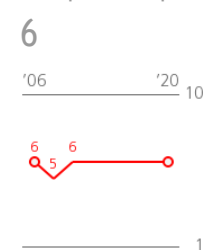
There are still price controls on some products (including electricity, gas for private households, gasoline, sugar and agricultural products), but the administration has substantially reduced the subsidies in electricity, and finally (in 2018) removed the subsidies of fuel for the transport sector. There is relatively low discrimination based on ownership, although international investments in critical sectors, such as in the electricity and mining sector, have at times come under both government and public criticism, but are not at risk.

The Dominican Republic has a solid competition policy framework. Anti-monopoly provisions and equal opportunities for domestic and foreign investors are regulated by the General Act for the Reform of Public Enterprises of June 24, 1997, and the General Law in Defense of Competition (Law 42/08). An independent competition authority (ProCompetencia) was institutionalized in 2011. In practice, however, monopolies and oligopolies encounter resistance only in some cases.

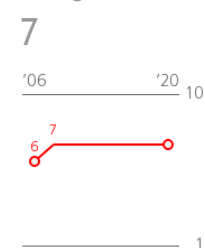
Foreign investors still face somewhat more difficulty than Dominican enterprises in some sectors, while receiving benefits and advantages in sectors that are a priority for the administration, such as mining. Foreign direct investment remains high and has been increasing (from 3.4% to 4.7% of GDP between 2013 and 2017). State subsidies are still important, even though they have been reduced over the last few years. These, however, are not of the type that distorts free competition in the market. Collusion is less of a problem than corruption when it comes to bidding for public contracts. Most evidence indicates that corruption went down after Medina took power in 2012, but in Medina's second period the number of exposés has increased and demonstrated that corruption is still pervasive and linked to public contracting.

Important steps toward free trade were taken during the first presidential term of Leonel Fernández (1996–2000), and these policies have been strengthened since then. Since 2002, free trade agreements have been put into effect with Costa Rica and El Salvador, and also a commercial treaty with Panama. Free trade negotiations with Canada, ongoing since 2007, are still halted despite intense and increasing Canadian investment in the country. In December 2007, the Dominican Republic and the Caribbean Community and Common Market (Caricom) states signed a full Economic Partnership Agreement (EPA) with the European Union. The U.S.-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) was negotiated and signed in 2004 and has been in force since 2007. From 2015, almost all imports from the CAFTA area will be exempt from any import tariffs. President Medina is active in promoting international trade. An important change in policy occurred in 2018 when the country opened diplomatic relations with China (rather than Taiwan). Even

Competition policy



Liberalization of foreign trade



though this has received criticism from the U.S., the move should be interpreted as a step to increase trade with and investments from China rather than a political shift.

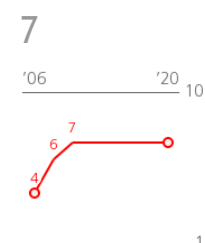
Customs procedures have been streamlined, tariffs reduced in some areas and some import and export taxes have been eliminated before the period under review. Import tariffs vary (0-30%), but are 6.3% on average, based on the ad valorem price, and follow the Harmonized Tariff System. The simple average of the MFN applied tariff was 7.3% in 2017.

Some products have seen increased protection, especially agriculture, which is subject to subsidy measures and higher tariffs. Free trade zones (FTZ) still receive export subsidies, although these should have ended in 2015 according to terms in the Subsidies and Countervailing Measures (SCM) agreement. Exporters outside FTZs receive fiscal concessions and are supported by government programs to promote export. Despite large trade deficits with the United States due to conditions in CAFTA-DR, inefficiencies in the Dominican Republic and a tax regime benefiting imports rather than exports, the current administration is still favorable to trade liberalization. The Dominican Republic is a founding member of the WTO.

After the 2003 banking crisis and the 2004 standby agreement with the IMF, banking supervision was improved and a law on banking risks adopted, so that the fundamentals of the Dominican banking system have been strengthened significantly and have remained relatively strong since then. Although clearly affected by the 2008 financial crisis, the banking sector and the country's economy coped well and without major disruptions. The bankruptcy of the minor international bank Banco Peravia in late 2014 put the improved oversight capacity of the Dominican authorities into question, but did not affect the general banking system or the economy. It was an example, however, of how the Dominican Republic has been, and to an increasing degree is, affected by illegal business stemming from Venezuela.

The Dominican Republic accepts and adheres to the Basel accords, the principles of Basel I are implemented under law 183/02 and the supervision of the bank superintendent and are partially adhered to in practice. Data from the World Bank confirm that the reforms in the banking system have had the desired effect, as non-performing loans are at 2.1% in 2017. Although a considerable increase from 1.7% in 2016, it is down from 3.5% in 2012. The bank capital-to-assets ratio has remained stable since 2007 at around 9% to 10% and has improved slightly the last two years. Though less developed, the foundations for a capital market are in place. The investment climate has been good and improving since the country came out of the banking crisis around 2004, helped by both stable economic growth and political stability.

Banking system



8 | Monetary and fiscal stability

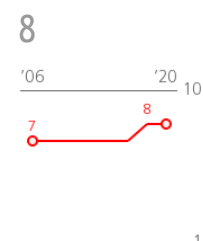
Price and currency stability are acknowledged goals of economic policy. The central bank is equipped with a professional and competent staff and is autonomous in principle. Its policies are influenced by government decisions, although its autonomy seems to be respected by the current Medina administration. The weakness of the central bank is especially apparent during electoral periods, as evidenced strongly in 2012, and to a certain degree also in 2016. Thus, while inflation policies and goals remain stable (at 4.0%, plus/minus one point), political considerations may still trump macroeconomic goals when stakes are high (such as during elections). The central bank reported a 1.7% inflation in 2016, which is relatively impressive in an election year and a positive sign. In 2017, inflation (CPI) reached 3.3% and in 2018, the central bank reported a 1.17% year on year inflation.

The exchange rate has remained stable against major currencies since the banking crisis of 2003 to 2004, as the real effective exchange rate index indicates (95.5 in 2017), and the central bank implemented important measures to counteract a sudden fall in the Dominican peso to the dollar in 2014 to 2015.

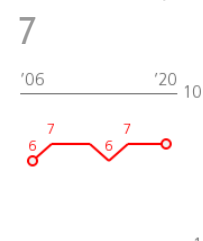
Recent government policies have generally been successful in preserving macroeconomic stability. Most macroeconomic indicators demonstrate stability since 2012, and reserves have increased steadily each year since. At the same time, the current account deficit has been reduced considerably since 2011, and exceptionally since 2015. With a focus beyond short-term policies, the previous and the current government have adopted and stuck to a series of rules to create institutional safeguards, in particular in the banking sector. With these measures in place, taken together with the current government's willingness to preserve macroeconomic stability, demonstrated by the fiscal measures taken to recuperate from the high deficits in 2012, the risk of dramatic populist policy changes under the current government can still be assessed as relatively low. The fiscal deficit reached 2.4% of GDP in 2016 and 2017, and 2.2% in 2018. Electoral uncertainty regarding the 2020 presidential elections still advise caution as to the sustainability of these policies.

Despite stability and growth, there are reasons for concern, such as the level of public debt and the low quality of public spending and investments, and the use of new debt to sustain an inefficient and bloated state rather than for investments that reduce economic vulnerability. Government consumption has remained stable in the period (at 12.2% of GDP), but its inefficiency is a concern. Debt as a share of GDP has increased incrementally every year since 2007 and is at a record 36.7% of GDP in 2017. The central bank reported further increases in 2018 and operates with a debt figure as share of GDP as high as 55%. Thus, public debt may become problematic should interest rates rise or the economy slow down, but the total debt services have been kept under control.

Monetary stability



Fiscal stability



9 | Private Property

Property rights and the regulation of the acquisition of property are defined by law (108/05, in effect since 2007), and protected in the constitution (article 51). Considerable problems with the implementation of laws persist due to corruption, inefficient administration of justice and political intervention. There are also significant variations in the implementation of laws regulating property rights within the country, in particular between rural and urban areas, but also along socioeconomic divides between rich and poor. Also, regulations on the use of property is treated unequal along the same dimensions and lacks effectiveness both in cities (regulations regarding construction) and in rural areas. Large enterprises, national as well as foreign in some cases, face fewer problems than local small businesses.

Private enterprise is the backbone of the economy; yet state and semi-state enterprises also exist, although the state's role as producer has declined considerably since the 1990s. Private enterprise is protected under the constitution, and is regulated under the General Law for Commercial Entities and Individual Limited Liability Companies from 2008. In a Latin American context, it is relatively easy to start a business, which on average takes 16.5 days and seven procedures according to the World Bank Doing Business Report. The privatization of state enterprises, however, has only occasionally been transparent or proceeded consistently with market principles, but is not an issue during this period of review.

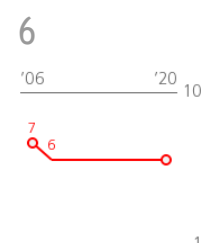
10 | Welfare Regime

Recent and current administrations have not prioritized the fight against inequality. Sustained growth, however, has started to provide positive results in the reduction of poverty, both due to increased salaries and reduced unemployment, but also due to the expansion of cash transfer programs. Measures to avert social risks remain rudimentary and are frequently 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. Some of these social measures are economically regressive rather than progressive.

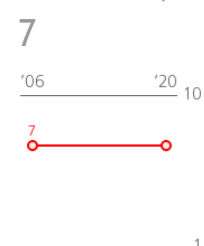
There has been an expansion in the Solidaridad conditional cash transfer program, which now also provides programs related to health, alimentation and education and officially reaches around 1.1 million people. In poor areas close to the border, the coverage is quite extensive. Although aimed as a general poverty relief program, it has been used for clientelistic purposes during elections.

The 2010 constitution grants the population the constitutional right to health, including the right to medical assistance, free access to hospital services and

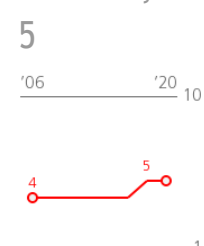
Property rights



Private enterprise



Social safety nets



medicine. To this date, these new rights have not had any measurable effect on the population. Public health expenditures have grown slowly but steadily since 2005, but their share of GDP is still very low at 2.9% in 2014 (latest figure available). According to more recent CEPAL data, expenditure has increased slowly, and expenditure is now around the regional average. Although the Mejía administration (2000–2004) began the implementation of a social health care system, some of the administrative reforms were only implemented in 2015 with the creation of the Servicio Nacional de Salud. The coverage of the health care system has expanded steadily. Authorities report that 72% of the population are now covered by a social health care plan, which is an increase of 10 points from last period. Around 50% are covered by the subsidized system for the poor while the contributive/private system covers the remaining 50%. The middle and upper classes then rely on private health insurance and private doctors to meet their needs. While coverage for the poor has increased, the quality of state provided health services is poor and the family still remains an important safety net.

The Mejía administration also reformed the pension system in 2001, implemented in 2003, from a pay-as-you-go social insurance program to a mandatory individual accounts program based on the Chilean model, which aims to cover all private sector workers and employers, yet is voluntary for public sector workers. Many aspects of the reform are not yet implemented; for example, the self-employed, which constitute over 50% of the workforce, are still not included in the program. The pension program covers 66% of the economically active population, but there is a large gap between the number of people covered and contributors. The pension system, however, does not provide a social safety net for the unemployed, the self-employed, or workers in the informal sector, it is regressive, and the value of the pension compared to contributions is the lowest in Latin America (at 22.8% compared to a 63% regional average).

The population of the Dominican Republic is distinctly heterogeneous and in general, equal opportunity is rare. There are great discrepancies in social development between urban and rural areas. State institutions try to compensate for gross social differences, but these measures are not very effective in creating equal opportunity. Equal opportunity for women is protected in the constitution, but in practice equal opportunity for women, LGBTQ persons, Haitian migrants or Dominican-Haitians is not the norm.

In fact, the 2010 constitution bars children of Haitian immigrants from obtaining citizenship, which in turn excludes them from health services or education. To make matters worse, these new constitutional clauses were given retroactive effect. A naturalization law (169/14) secured residency status for various groups of migrants and Dominican-Haitians (who constitutionally should be entitled to regular citizenship), but its implementation has been slow and is being obstructed by the Central Electoral Board. Frequent politicization of the issue also makes



implementation difficult even when there is willingness in the system. Thus, it has benefited fewer people than intended so far.

Women in most occupations outside the public sector receive considerably lower salaries than men, less women are included in the pension system, and women have almost twice the unemployment rate (41.3% of total labor force). The quality of public education system is very poor, undermining effective equality of opportunity for the poor. A reversed gender gap is however apparent in terms of tertiary education, with a female to male enrollment ratio of 1.6. There is an ingrained lack of equal opportunity for marginalized groups based on ethnicity and gender.

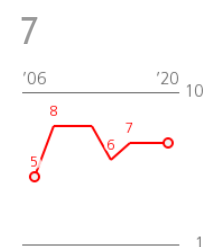
11 | Economic Performance

In regional comparison, the Dominican Republic has performed rather well in terms of stable and strong per capita growth since 2013 (3.4% in 2017, 5% average since 2013) and low inflation (1.17% in 2018, 3.3% in 2017). The fiscal deficit has been reduced as the result of fiscal reforms in 2012 and remained more or less stable since (2.4% of GDP in 2016 and 2017, and 2.2% in 2018). The situation, however, is still vulnerable due to very inefficient and poor tax collection (tax revenues at 13.5% of GDP in 2016, much lower than regional average), poor quality of public spending and investments, high level of informality in the economy and although debt is manageable and stable, interest payments have increased as share of GDP in the current period.

The Dominican economy is clearly vulnerable to external, in particular U.S., developments and to patronage and corrupt domestic politics. It has weathered the uncertainties of the unstable Trump administration well. Also, by opening the economy to China, it may become less dependent on the U.S. The Trump administration has threatened to penalize the Dominican Republic by pushing the country out of the CAFTA-DR for opening ties with China, but so far these have not materialized. Should this occur it may have devastating impact since the United States is the main trading partner, receiving 47% of all Dominican exports (followed by Canada and Haiti at 9 and 8%, respectively), and providing 42% of all imports (followed by China at 11%). The country is very exposed to any negative changes in the terms of trade with the United States.

Unemployment is still high from a regional perspective but CEPAL have reported yearly reductions since 2015 (now at 6.1% 2017). The balance of trade deficit has decreased to one-third of 2011 level, while FDI has increased steadily reaching a record 4.7% of GDP in 2017. Due to foreign investment, minerals, and gold in particular, have become a very important part of the export sector, followed by medical instruments.

Output strength



Considering the low capacity to generate income through taxes, the level of debt and increasing toll on budgets by loan and interest payments is still a growing concern. Public debt has increased slightly during the decade, reaching 38.0% of GDP in 2017 and 39.5% in 2018 (CEPAL data). It is controllable with current rates of growth, but puts the economy in a vulnerable position for external shocks (such as the current U.S. threat), or if political concerns outweigh the concern for economic performance.

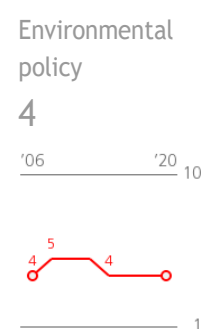
12 | Sustainability

Environmentally compatible growth is paid lip service at the institutional level, while environmental concerns are clearly subordinated to economic growth both at the macro- and micro-level. Tax and energy policies do not take environmental goals into account, and the government is not implementing any effective incentives for environmentally sound consumption or investment. Nevertheless, environmental concerns are receiving more attention in the media, in particular plastic pollution that threaten the Caribbean Sea and the important tourism sector, often reaching the agenda of both the administration and Congress.

The main agencies responsible for environmental protection are the Ministry of Environment and National Resources (which includes a sub-secretary of protected areas and biodiversity, among others) and the Ministry of Agriculture. The 2010 constitution includes a number of collective rights and civil duties regarding the protection of the environment. Although not always able or willing, the state is now constitutionally obliged to take environmental concerns into account when considering developmental projects and promote the development of clean energy. While the current government has yet to comply entirely with the constitution, the constitutional protection of the environment has supported groups in mobilizing for the environment. The Dominican Republic ranks 46 out of 180 countries in the 2018 Environmental Performance Index.

Environmental problems in the Dominican Republic include deforestation (although this has been limited by national laws), water supply and quality, soil erosion and coral reef degradation, caused by eroding soils flowing into the sea, and more recently ocean pollution (from plastics). Moreover, 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 despite some government concern for forest protection. Although felling has been prohibited since 1967, many farmers continue to clear land for cultivation, even in natural reserves and protected areas.

Mining projects and their negative effects on biodiversity, water quality and the environment more generally continue to be a major concern in affected areas. In particular, two big mining projects, Barrick Gold's gold mines in Cotuí (already operating) and the proposed nickel mines in Loma Miranda, raise considerable



environmental concerns for the fragile eco-system in the country. The Loma Miranda mines project is one example of social movements expressing environmental concerns that have stopped an economically important mining project. The mining industry in the country highlights the dilemma of a developing nation caught between the desire to protect the environment and the need to foster projects that may engender economic growth.

Education has been President Medina's most important policy area, and the sector is consolidating after undergoing considerable change, which if sustained beyond the current administration, may improve the quality of education significantly. Under the current period, however, results in terms of quality are still negligible, while enrollment has increased somewhat. The country ranks 64 out of 133 countries in the UN Education Index, 16th in the region and at a similar level as Paraguay.

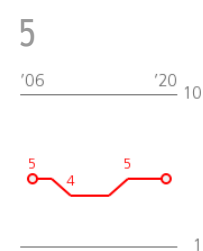
There are facilities for education, vocational training, and research and development in important sectors, but the quality of such facilities remains highly variable and many are substantially deficient. Literacy rate has slowly increased to 92.0%, and 98.8% in the age group of 15 to 24 (CEPAL data). School enrollment is up at secondary and tertiary level, reaching 53.0% for tertiary education (up from 47.5% in previous period). The Dominican Republic clearly suffers from brain drain, as many talented people find better opportunities abroad.

Government spending has traditionally been low, among the lowest in the region. Under the Medina administration, the education ministry has undergone many positive changes, formerly dysfunctional and entangled in a range of corruption scandals. Medina kept his promise to double spending on education, which now takes up 4% of the GDP as stipulated in the 1997 education law. Spending per student is increasing steadily with a growing GDP and the country has entered the PISA-test system. A problem in the Dominican Republic is that there has been a discrepancy between allocated funds and spent funds, but the Medina administration has been able to decrease this gap. There has been a concern of increased corruption with the sudden increase in budget allocations, but new funds have gone into increased salaries for public teachers, construction of new schools and a national drive toward alphabetization.

The education sector is still deficient, which the 2016 PISA results (still latest available) and other regional comparisons of education quality clearly demonstrate. This points to the challenges in the system and the long-term commitment required to improve results, but the Medina administration, despite many deficiencies, has launched the country's first serious attempt to modernize and improve education for the majority of its citizens. In addition, the Solidaridad Cash transfer program connected to education reaches 247,000 homes, according to government figures.

Even though the Ministry of Higher Education, Science and Technology was created in 2002, spending in R&D has been extremely low and negligent (0.3% of GDP for 2018).

Education policy /
R&D



Governance

I. Level of Difficulty

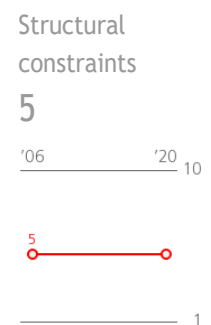
Although still substantial, structural constraints on government in the Dominican Republic cannot be considered high when compared to many other transformation countries. However, structural distortions of a political and socioeconomic nature, in particular the legacies of the patronage and patrimonial systems, continue to exert a negative influence even amid a relatively stable electoral democracy. Further, the country's deep economic relationship with the United States may turn into a serious constraint if the Trump presidency carries out its threat to push the country out of CAFTA-DR for opening relations with mainland China.

Although Dominican society is not particularly ethnically fragmented, a new and strong Protestant Evangelical identity has emerged and challenged the Catholic domination, but more often than not the two religious groups ally and constrain the government's slightly progressive agenda on moral issues. In addition, the Haitian minority, which includes seasonal workers in agriculture and construction, long-standing legal and illegal immigrants, as well as Dominican citizens of Haitian background, remain poorly integrated. Continued migration flows, in addition to the poor socioeconomic outlook of neighboring Haiti, which also constitutes the Dominican Republic's second export market, pose considerable structural constraint. The troubles of Venezuela also put pressure on the country as migration has increased, but more importantly, the Dominican Republic has been used as a hub for drug-trafficking and money-laundering stemming from Venezuela.

The country is situated in the hurricane belt, and each fall experiences storms and hurricanes. Only rarely however do these storms have grave consequences for infrastructure and the economy, but flooding has increasingly become a more difficult problem, exacerbated by climate change. Population growth in both Haiti and the Dominican Republic is an additional challenge when it comes to maintaining a sustainable environment on the island.

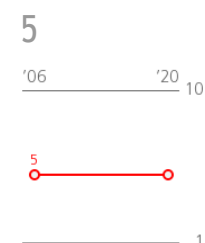
Even though poverty has finally been reduced somewhat under the current positive economic growth, poverty and in particular inequality remain important structural constraints. There is a lack of a skilled labor force, and brain drain is a problem, straining governance capacity.

According to 2017 UNAIDS estimates, the prevalence of HIV in the adult population (15-49 years) is 0.9%, which means that the virus is kept under control.



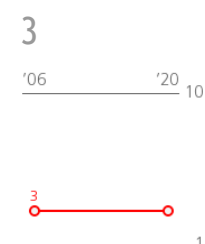
Despite improvements in civil society structures since the 1994 pact for democracy, civil society traditions are still relatively weak following decades of neo-patrimonial presidential rule and are still affected by select and strategic cooptation by the government. Intermediary entities therefore find it difficult to maintain effectiveness and autonomy from parties and the government given the latter's access to state resources and patronage networks. The importance of political parties, however, as a system for interest representation has been decreasing for quite some time and has created a potentially larger role for civil society to create an autonomous space. Prior to the Medina administration, ad hoc groups dominated by the middle class and students in urban areas were able to generate an autonomous political space and become important agenda setters in the political debate (in particular with regard to education and the environment). But President Medina's popularity combined with successful strategies of inclusion and cooptation have decreased the independent role of civil society somewhat. Yet, with the increasing criticism of abuse of power and corruption by the Medina administration, the period under review has seen a revival of civil society activities protesting government actions. The administrations of today are no longer immune from this pressure, and occasionally such actions block unpopular initiatives. Civil society, however, is much weaker when it comes to positive agenda setting and influencing Congress or the presidency. Protests against mining have strengthened civil society in rural areas in defense of labor conditions or the environment, but under this period of review, such actions have not been as prevalent as before.

Civil society traditions



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 political role in society. Ethnic and religious cleavages have not led to serious social conflict, although sporadic incidents of protests and violence between the Haitian minority and Dominicans occur, in particular in border areas. Under the new constitution, decisions of the Central Electoral Board and the Constitutional Tribunal have created a more difficult legal situation for the Haitian and Dominican-Haitian minority. The exit of radical, xenophobic actors from the Medina administration (the FNP/Castillo family), reduced the issue's importance at the national political level, but xenophobically-motivated mobilization against the Haitian/Dominican-Haitian minorities continue in the border areas and have been used by politicians in several rural and urban areas outside Santo Domingo.

Conflict intensity



However, social cleavages are a constant, albeit latent issue in the country's political scene, as none of the liberal democratic governments elected since 1978 have made it a priority to address issues of poverty and inequality. Politics in the country is not very ideological. Positions and access to patronage resources are more important than social cleavages and ideologies.

II. Governance Performance

14 | Steering Capability

The political leadership does pursue long-term aims (for instance as expressed through the 2011 organic law of national development strategy for 2030), but often delays them in favor of short-term political benefits, particularly connected to presidential elections (of which the 2012 and 2016 elections are clear examples). Given the stakes involved in the presidency and the patronage-based political system, this is a vicious circle from which it is hard to escape. Compared to previous administrations, the current Medina administration demonstrates a slight improvement regarding attention to strategic priorities. This is particularly visible in the efforts to strengthen education and the expansion of the CCT program Solidaridad (both linked to the National Development Strategy 2030), which, although at times used for clientelistic purposes, is yielding moderate results in both poverty reduction and school enrollment.

Unifying congressional and presidential elections have eliminated mid-term elections disruptive to long-term strategic priorities. Further, allowing for an immediate presidential re-election should also facilitate the potential for long-term planning. The downside is that it enhances the importance of the presidency, which increases incentives to further emphasize short-term gains over long-term priorities.

The Medina administration includes a mix of reform-seekers and defenders of status quo. While the overall priorities of the administration correspond quite well with the BTI's framework for democracy and market economy, status quo defenders strengthened as part of the alliances Medina made to win his constitutional reform and re-election. Among reform drivers are the president, the education ministry and professionals connected to the economic team and the president. Several of the defenders of status quo are placed in autonomous bureaucratic institutions placed to implement government policy, but also in the central administration, such as Alejandrina Germán (PLD) who serves as minister for higher education, science and technology. The entrance of PRD president, Vargas Maldonado, as foreign minister has been a positive surprise, as he has successfully led the country into the Security Council (2018) and opened relations with mainland China, as well as balancing countervailing pressures from the United States and Venezuela on the crisis in the latter country.

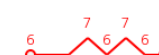
The Medina administration has also successfully started a renewal process of the judges of the Constitutional and Supreme Courts, potentially removing defenders of status quo and destructive veto players in the high courts, while being able to select

Question
Score

Prioritization

6

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professional new judges in a relative transparent process. A new Central Electoral Board will be tested with upcoming elections on its ability to strictly implement the new party law that puts important restrictions on campaigning in the country. The Catholic Church, and partly the president's own party in Congress, have proven hard opponents in the administration's attempts to ease the ban on abortion, a battle the president lost in 2017.

The reunification of the PLD after the conflicts surrounding the constitutional reform to reelect President Medina and removing the xenophobic party FNP from the administration coalition have given the administration slight room to focus on its strategic priorities such as education, but the divisions have reappeared in 2018 with factions battling over the presidential candidacy.

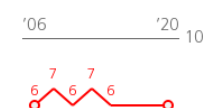
Although committed to democracy and a market economy, previous administrations enjoyed only limited success in implementing announced reforms. The successful implementation of reforms depends very much on the competence of the administration and state agencies, and the government's ability to avoid prioritizing short-term political strategy over long-term policies. The current administration is no exception to these dilemmas.

The efforts and reforms in education have clearly not been as successful as desired, but continued efforts in the sector may produce positive results in the years to come. The administration's prolonged commitment to education is by itself an indication that the ability to implement key policies has improved and is something relatively new in Dominican politics. Seeking structural reforms (improving infrastructure, teacher quality, salaries, etc.) demonstrates a willingness to make long-term investments rather than seeking immediate results. The expansion of the CCT program Solidaridad, which has now worked for eight years is another positive example of implementation, even though results are also relatively weak, including concerns over clientelistic use of the program. The administration has also put effort into and been able to implement priorities in health care, in particular related to its 911 program of a new national emergency system. These are all positive, but isolated, examples, which often are overshadowed by the lack of effective policy implementation in other sectors.

Policy implementation also depends on the government's willingness to combat corruption within the state sector. Despite some improvements under the Medina administration, the administration has made few inroads into combating one of the more serious obstacles to implementing transformative reforms in the country. The administration's efforts to fight corruption have been in part politically motivated, and when hit with corruption closer to the administration, prosecutions have been rare. Despite the 2012 high fiscal deficit, the strong, technocratic economic team has been successful in achieving macroeconomic stability and growth over the last seven

Implementation

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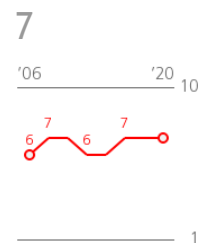
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years. In this area, the current administration builds on successful economic reforms implemented under President Fernández (2004-2012).

Research shows that efforts to reform the patronage bureaucracy into a more professional bureaucracy is of moderate success. Although facing resistance in his own party, the Catholic Church, the High Courts and the Central Electoral Board, President Medina has shown that he is capable of overcoming obstacles to implement reforms. The selection of new high court judges may also improve implementation capabilities, as destructive veto players may have been removed.

Despite bringing with him the legacy and associates of his predecessor, Medina had clearly learned from past experiences and found a new more moderate role for the presidency, which has proven popular among the population. The administration has constantly adapted to challenging environments in a non-confrontational manner, trying, and partially succeeding, in satisfying demands from civil society as well as from large business actors, for instance regarding mining or the case of the illegal sale of Bahía de las Aguilas, a publicly-owned pristine beach area in the South. The administration has demonstrated that it has the flexibility required for policy learning, and often also the knowledge, but sometimes other considerations such as electoral, or those related to patronage, take the upper hand. In this period, the balancing act related to the country's foreign policy has demonstrated skillful learning in dealing with Venezuela, the Trump administration and China. The new constitution also includes several articles designed to address previous organizational mistakes and aims to prevent short-sighted or politicized fundamental institutional decisions. Despite their indisputable improvements in recent years, the PLD-led reforms have, in practice, strengthened political control over other institutions such as the judiciary and thus weakened oversight and democracy. This tendency of power concentration, which started with the 2010 constitution and PLD's dominance, is strengthened by the PLD's clear victory in the congressional and presidential election. Even though the constitutional potential for political control over the judiciary has not been used by Medina (to the extent traditionally expected), there is no guarantee that the next administration will act moderately and avoid the traditional excesses seen in the country.

Policy learning

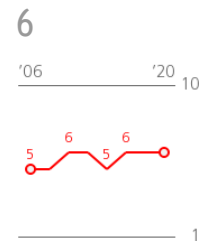


15 | Resource Efficiency

Previous administrations have been able to use only part of its resources efficiently, though wasteful excesses have not severely damaged political and economic stability (with some exceptions). The current administration is trying to concentrate resource usage on strategic priorities, most visibly in education, an effort that has been lauded by UNESCO. Early reports showed, however, that improvement in quality had not been achieved, and there is still a lack of conclusive evidence of a positive change in the quality of education. Although the government has professionalized its staff, particularly with regard to economics, the inefficient use of administrative personnel remains a severe problem and form part of the political culture. The current administration is compartmentalizing its administration so that professional personnel are put into the key areas of policy (education, economic management, partly foreign relations), whereas other areas of government are left to continue with old practices.

Recent budget and administrative reforms aim to streamline the organization of the state and its use of budget resources, with moderate success in key areas. Administration reforms are making progress, but patronage appointments are still the norm, and fair and competitive recruitment for state positions is weak. Budget improvements are notable, but prone to weak oversight and excessive spending in connection to elections. It is an open question whether this will improve with renewals in the oversight agency (Central Electoral Board) and a new law regulating elections. The budget process is more transparent and predictable, and there is a low deviation of actual budget expenditures from planned expenditures. Auditing remains a serious issue, and often only occurs after the press has exposed corruption in a government agency. This means there are few safeguards against a return to inefficient budget practices and corruption. The 2016 elections confirmed and strengthened PLD's dominance over the state, and given the weak opposition, there are no incentives to strengthen oversight mechanisms. Fiscal reforms have only slightly improved the administration's ability to generate revenues, which remains weak since it is not being addressed systematically by the current administration.

Efficient use of assets



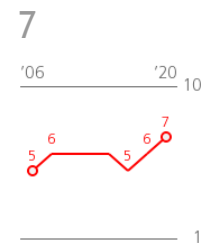
For the 2016 election, President Medina and the PLD built a new coalition with its historical enemy, the PRD. This new coalition has somewhat improved policy coherence and reduced internal conflicts, compared to the previous coalition with the anti-Haitian FNP and the conservative reformist party (PRSC). Yet, coalitions in the Dominican Republic are maintained through access to patronage rather than through accorded policies. Policy coordination has been less of an issue during this period, in part due to a more coherent coalition and Medina's control over his party. Coordination, however, is challenged due to in-fighting in the PLD over the 2020 presidential candidacy, which is likely to become increasingly challenging until a candidate is elected.

President Medina has proven to be a more pragmatic politician who lacks his predecessor's charisma and has toned down the centrality of the presidency, but his pragmatism has not been successful in removing the perennial problems within parties of coordinating succession of party leadership and presidential candidacies. The administration has managed the internal controversies under the current period relatively well, which have been minor compared to previous periods. Although the visible role of the presidency is reduced under President Medina, the centrality of Medina and the presidency has indeed increased during his period as he is well into his second presidential period. Coordination is also still clearly centralized in the presidency and his two ministers (Gustavo Montalvo and José Ramón Peralta). Internal conflicts and external obstacles, following the 2016 elections and the formation of a new coalition, were reduced early, and have not been a destructive force in this administration. But, with many in Medina's party (PLD) eyeing the presidency, coordination of the party, and indirectly his administration, has faced new challenges late in the period under review.

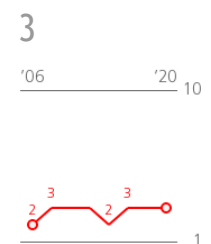
Corruption is a fundamental characteristic of the administrative and state culture. Despite other positive improvements in the last period, this has not fundamentally changed. Nevertheless, the contrast between the almost daily exposés of corruption under the Fernández administration (2004–2012) and the Medina administration has been substantial. Academics, businesses and journalists report that government corruption has been considerably lower than before, but this period of review has again seen a rise in corruption exposés (in particular in autonomous state institutions), which give reason to doubt early improvements. The procurement system and oversight over contracts for public works have improved, but corruption in connection with the construction of the Santo Domingo Metro also demonstrates that improvements remain modest.

The current administration initially did not investigate corruption, but when it became politically convenient, it was used as a political tool to undermine the competition for power that former President Fernández constituted. The anti-corruption agenda has been relatively quiet in this period. Although exposed politicians have been removed from their positions following exposure, investigation and prosecution in courts, have

Policy coordination



Anti-corruption policy



been rarer and selective. The Odebrecht scandal hit the country hard, putting on display the pervasiveness of corruption in relation to public contracts and led to investigation into several top politicians from all parties.

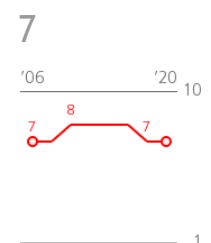
Media exposure and public attention to cases of corruption, however, is stronger than before, with more widespread attention in the press. Popular pressure through demonstrations and anti-corruption organizing in civil society also put pressure on the administration to hold officeholders to account. These developments are necessary, although not sufficient, to seriously pressure the government to combat the problem. Outside the administration, corruption seems unaltered. Police and armed forces are characterized by high levels of bribery, particularly evident and problematic in border areas and related to drug-trafficking, which has become a much more serious and visible problem during this period (often leading to cases of assassination and even shoot-outs that previously were much more rare). Political parties seem even less interested than the government in battling corruption, even though the new party law regulating campaigns may, if implemented effectively, will create change.

16 | Consensus-Building

There is consensus in terms of the Dominican Republic's need to support a democratic system of government. The 1994 Pact for Democracy represented an agreement between political parties and a number of relevant social groups (including the Catholic Church) that was unique in the country's history. Since then, the actors in question have essentially backed the transformational goals of an electoral democracy. The 2016 election, however, raised concerns since the opposition, for the first time since the 1990s, did not recognize the victory of the president and boycotted President Medina's swearing in. Although the original turmoil has not converted into detraction from the democratic system by any major actor, the rhetoric of the opposition, desperate to come into power, has hardened somewhat. The prolonged and strengthened dominance of the PLD thus somewhat undermines democracy, which is based on changes in power. Despite this negative development, there are no extra-institutional actors aiming to dismantle the current form of democracy in the country. However, the strength of informal institutions and practices such as clientelism and patronage indicate a lack of commitment to democracy under the rule of law.

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

Consensus on goals



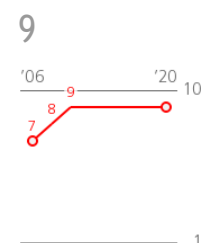
Anti-democratic veto actors are mostly under control, or at least their ability to cause obstruction seems to be negligible. Although the opposition questioned the democratic character of the 2016 election, they have not turned into anti-democratic actors, and stay within the game of institutional democratic politics. Of the actors who might question the country's democratic transformation, such as the military, no group can claim enough obstructive capability to count as a veto power. Their resistance instead consists of stalling reforms or working to prevent their implementation. The latter is exemplified by the Catholic and Protestant Church effective veto against reforming the complete ban on abortion. The business sector and the Catholic Church form part of the country's broad institutional consensus on democracy and market economy. Increased drug flows through the country and the presence of drug-related groups and their connections to politics may result in a challenge to democracy.

Because of the country's high level of socioeconomic inequality, the potential for conflict has been high for decades, but has not materialized within a party system based on cleavage representation. Research points to the issue of Haiti, anti-Haitianism and migration as factors that are used to conceal other conflicts that are based on deep socioeconomic inequalities. There are only negligible ideological differences between the major parties, exemplified by the coalition between the PLD and Vargas Maldonado's PRD (now a minority after the majority of PRD left and formed PRM), and disagreements are more often based on positions than policies, which is demonstrated each time an election period looms. The large minority of Haitian immigrants and of Dominicans of Haitian descent is discriminated against on a daily basis but has not managed to mobilize or organize sufficiently in order to turn the issue into a cleavage that is manifested by political parties. Civil society is becoming more visible as an autonomous actor in the country, but the Medina administration has managed to keep any conflicts at a low level, even granting civil society occasional victories.

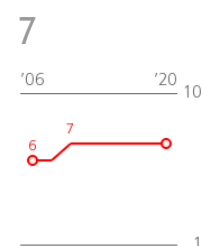
The political leadership formulates its policy autonomously and frequently ignores civil society actors. With some exceptions, the degree of involvement of civil society actors in the formulation of policies holds more the character of co-optation rather than real interest representation. The exceptions have at times been involvement of professional interested associations and civil society actors in the scrutiny over candidates for high courts (before the official selection of judges). In sum, the influence of civil society on policy formulation is low.

Influence is more visible in reaction to policies and exposés of corruption scandals, a trend that has been strengthened during this period of review. Demonstrations have been massive regarding exposés connected to the Odebrecht scandal and others, forcing the administration to take some actions, often by removing the head of a government institution involved in corruption, and at times to prosecute the parties involved. Civil society and parts of the press demonstrate time and again that with

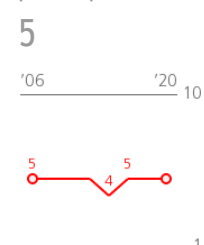
Anti-democratic actors



Cleavage / conflict management



Civil society participation



good organization supported by strong popular majorities and media coverage, it is possible on an ad hoc basis to influence the administration and Congress. The more successful pressure groups in civil society when it comes to formulation of policies, however, still are the Catholic and Evangelical churches in questions of morality (gay marriage, abortion, etc.).

On average, political leadership in Congress and the presidency appear as relatively closed institutions insulated from civil society. However, although still weak, since the 2010 constitutional reform the political leadership has opened somewhat with increased popular mobilization. Civil society has since gradually strengthened its position as a partial agenda setter when effectively monitoring and protesting controversial decisions made by various administrations. Civil society is only to a limited degree active in policy implementation and performance monitoring. An important exception is the case of election monitoring, above all by the NGO Participación Ciudadana (PC), partially corruption monitoring by Adocco (Alianza dominicana contra la corrupción), and also monitoring regarding the treatment of Dominican-Haitians and Haitian migrants (OBMICA). The latter has had little success in influencing decision-making, but more so in monitoring and documenting the situation.

Concerning acts of injustice during the Trujillo regime (1930–1961) and Balaguer’s civil-authoritarian regime (1966–1978), there has never been a process of reconciliation such as happened in Argentina or Chile.

Nevertheless, acknowledgment of government-perpetrated acts of injustice under the Balaguer regime may be difficult to achieve. As president, Leonel Fernández promoted the idea of exalting Balaguer as the “father of Dominican democracy” and the PRD leadership followed suit, demonstrating lack of interest in confronting past violations. None of the leading parties in the country have shown interest in promoting the investigation of past wrongdoings or opening a process of reconciliation. There have been no comprehensive attempts to put forward a policy of reconciliation for ills committed during the Trujillo dictatorship, which ended in 1961.

It should be mentioned, however, that the lack of reconciliation measures to address the activities of previous regimes is not perceived as a gross error. Though victims are remembered every year (esp. young revolutionaries killed in the 1970s), there is no social demand for justice, truth commissions, etc., and the issue is not politicized. So far, there are some minor attempts to address the past and its atrocities through documentation and education such as the Museum of Resistance and the efforts of historian Roberto Cassá as leader of the National Archives to document the violent past under Trujillo and Balaguer.

Reconciliation

n/a

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n/a 1

17 | International Cooperation

The political leadership works with bilateral or multilateral international donors and tries to make use of international assistance, but this does not always facilitate significant policy learning or policy improvement. The political leadership is officially committed to sustainable political and economic development expressed through its own development agenda in the National Strategy of Development 2030, which sets a clear roadmap and goals. The long-term plans, however, are with some exceptions (education and Plan Solidaridad), implemented in an inconsistent manner. The government also seeks (and sometimes ignores) international assistance and advice on important agenda items such as efforts in education and development, but shuns it when it comes to dealing with migrants and Dominican-Haitians. Internationally, political leaders are committed to the goals of pursuing continued economic and political development; however, these are often subject to more short-sighted political or economic needs.

Undoubtedly, one of the strengths of the transformation process to date has been the willingness of state and non-state actors to cooperate internationally and transnationally. All administrations since the first Fernández administration (1996–2000) have been highly committed to advancing the Dominican Republic's integration into the world market. In addition, presidents have made use of their partners' skills (e.g., election observers' advice on institutional reforms) and material resources (e.g., technical and financial cooperation) to facilitate transformation even though successful implementation of needed reforms often has been lacking.

Macroeconomic stabilization achieved in the 1990s and revived after the 2003 to 2004 economic crisis remains an important reason why external actors have applauded their Dominican partners' willingness to cooperate internationally. The current growth and stability at a time of regional uncertainty, strengthens the image of credibility of the government.

The failure to protect human rights of the migrant minority, a key element to any democracy, has been a long-term concern in the relations between the country and the international community. The blatant attack on the human rights of Haitians and Dominican-Haitians by the Constitutional Tribunal and the Dominican exit of the Inter-American Court of Human Rights seriously damaged the state's credibility in the international community when it comes to democracy and human rights. Its long-held support for Venezuela's Maduro Administration in the Organization of American States (until the fall of 2018) also led to questioning of the country's support for international efforts to safeguard democracy in the region. The current administration, however, has weathered these storms, and with the exception of the citizenship rights for Dominican-Haitians, the country is relatively consistent in upholding its international obligations. Today all major international actors have now

Effective use of support

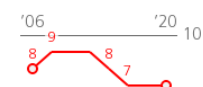
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Credibility

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effectively, even if reluctantly, accepted the new status quo when it comes to the status of Dominican-Haitians. Its position on Venezuela was in part explained by oil deals under Petrocaribe, and arguably corrupt dealings between Venezuelan and Dominican leaders, but also its role as a mediator in the conflict in 2017/18. The country now takes a critical position on Venezuela in the OAS, and supports the efforts of the Lima Group, successfully turning around on this key regional issue. Further, during fall 2018, the Dominican Republic entered the U.N. Security Council, which demonstrates that the government is regarded as a credible and reliable partner internationally.

When it comes to investments and the economy, the country is regarded as a relatively safe business environment and attractive for foreign investments, as demonstrated by increasing FDI in the period.

The Dominican Republic belongs to the United Nations and many of its specialized and related agencies, including the World Bank, the ILO, the International Atomic Energy Agency and the International Civil Aviation Organization. Furthermore, the U.S. have signed a free trade agreement with the Dominican Republic (CAFTA-DR), which due to the unreliability of the U.S. under Trump may be threatened because the Dominican Republic opened diplomatic ties with mainland China. The country has signed various other bilateral trade agreements throughout the last decade. President Medina has played a smaller international role than his predecessor Fernández, but enjoys the respect of his peers. In order to counteract the loss of credibility in the area of human rights, President Medina implemented several reforms to modernize and professionalize the foreign service, which have survived under the leadership of PRD's Miguel Vargas Maldonado.

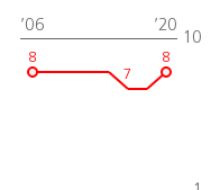
Under several administrations, political leadership has worked actively and successfully to establish and broaden as many cooperative relations as possible. The final success of this strategy has been the country's entrance to the U.N. Security Council. This strategy has also led to the signing of free trade agreements with the Caribbean Community (Caricom), Central America, Costa Rica, El Salvador and the United States, and a commercial treaty with Panama. In October 2008, the Dominican Republic and Caricom signed a full Economic Partnership Agreement (EPA) with the European Union, which is subject to reviews every five years and stipulates the CARIFORUM countries to integrate more closely with each other.

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

The Dominican Republic has been criticized by the OAS and the Inter-American Commission and Court of Human Rights, among others, for its treatment of Haitian immigrants and Dominican-Haitians, in particular for not granting, and even

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retracting citizenship to children of Haitian immigrants born in the country. This led to the country's withdrawal from the Inter-American Court of Human Rights. Despite receiving hard criticism of its support of the Maduro administration in Venezuela, hosting dialog between the Venezuelan parties demonstrated the government's willingness to cooperate with its neighbors on a vital regional issue.

Strategic Outlook

In this review period, President Medina enjoyed the benefits of having been successfully re-elected with majority support in Congress, full control of his party, and a stable coalition with the Dominican Revolutionary Party. The period has seen the consolidation of economic growth, some poverty reduction, and continued efforts in the strategic policy areas of education, poverty reduction (through the Solidaridad program), and the health sector. Although results in these social areas are still relatively meager, the government's ability to follow up on long-term commitments is positive and must be continued under a new presidency in 2020. This commitment, however, will be tested against the many actors' desire to seek short-term political gains in 2019 and 2020 as the 2020 presidential elections draw closer. In order to provide a positive legacy, President Medina and his team should not let the growing internal conflicts in his party over the presidential candidacy influence his long-term strategic policies. The fight within the major parties over presidential candidacies and the 2020 general elections remain the biggest challenges to continued positive transformation in the period to come.

Medina will face the challenge of avoiding becoming lame duck when party leaders vie for support for their presidential candidacies. Maintaining party support and unity as in-fighting for the 2020 presidential candidacy has started will be a major challenge. If President Medina falls for the temptation of seeking constitutional reform to allow for another re-election to solve problems within his own party, democratic institutions will be the victim. As such, the upcoming period will be a crucial test on his administration and its ability to prioritize long-term goals over short-term political gains.

The continued, and increasingly dominance of the PLD has weakened the opposition and checks and balances in Dominican democracy. Despite good intentions, weak oversight may deteriorate democratic processes, and an orderly and transparent electoral campaign and elections will be vital to address current imbalances and distrust in the political system. A new party law set to regulate campaigns and reduce campaign costs and periods must be vigorously upheld by the Central Electoral Board, and these efforts should be supported by the current administration. It is vital that all political actors regard the political playing field as relatively level so that the opposition does not seek extra-institutional strategies to sabotage government policies or to win power.

Economic growth has continued and has finally helped reduce poverty levels somewhat. In order to build on these successes, it is important that short-term interests of winning elections do not distort the macroeconomic moderation and stability various administrations have worked hard to obtain. The implementation of education reforms has lacked quality so far, and although positive results may still materialize, the ability to advance transformation is still relatively weak. Further success in this area does not only require continued support from the government, which it has had, but also broader state reforms aimed at professionalizing state bureaucracy. It will also be important that the candidates contending for the 2020 presidential elections are encouraged to pledge support to the ongoing efforts in education and social inclusion so that positive reforms

continue and may produce positive transformative effects in the medium to long run. On the economic side, the state's low ability to collect taxes is a considerable obstacle to financing current and future social reforms. Reforms to broaden the tax base and improve the quality and effectiveness of tax collection should be important goals for the government, and the government should be encouraged to seek international advice and expertise in this task, which is key to addressing socioeconomic inequalities.