

Dominican Republic - European Community

**Country Strategy Paper
and
National Indicative Programme**

for the period 2008 - 2013

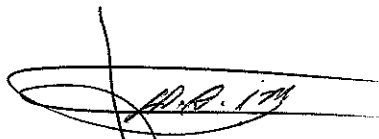
The Government of the Dominican Republic and the European Commission hereby agree as follows:

- (1) The Government of the Dominican Republic, represented by *Domingo Jimenez, National Authorising Officer*, and the European Commission, represented by *Alicia Escuin Santaolalla, Acting Head of Delegation*, hereinafter referred to as the Parties, held discussions in *Santo Domingo* from 2006 to 2007 with a view to determining the general orientations for cooperation for the period 2008 –2013.
During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of the Dominican Republic were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 as revised in Luxemburg on 25 June 2005. These discussions complete the programming process in the Dominican Republic.
The Country Strategy Paper and the Indicative Programme are annexed to the present document.
- (2) As regards the indicative programmable financial resources which the Community envisages to make available to the Dominican Republic for the period 2008 -2013, an amount of € 179 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of € 15,3 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which the Dominican Republic benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF multi-annual financial framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Dominican Republic within the limits of the A- and B-allocations referred to in this document. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10th EDF and on the financial regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance.
The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF multi-annual financial framework of for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Signatures

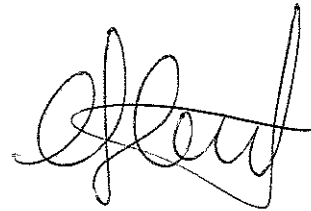
For the Government of *Dominican Republic*



Domingo Jimenez
National Authorising Officer

21-NOV-2008

For the Commission



Alicia Escuin Santaolalla
Acting Head of Delegation

21- novembre- 2008

SUMMARY

Dominican democracy and rule of law have been consolidating since the mid-1990s into a political system with an acceptable level of legitimacy and free and fair multi-party democratic elections on all levels. However, the effects of a long legacy of authoritarian rule on the quality of public sector management are still being felt, resulting in strong centralism with very limited checks and balances and the absence of a professional civil service or a modern procurement system. Transparency of government activity and accountability remain low; however, financial management reforms currently undertaken should greatly improve this. Corruption is a widespread phenomenon and, although criminalised by national laws, cases are seldom brought to the courts and convictions have been almost unheard of over the last 20 years. The independence of the justice system has been consolidating over the years, although the impartiality and competence of its actors need further strengthening. In spite of being signatory to international treaties protecting human rights, the Dominican Republic continues to display certain problems regarding abuses by security forces, poor prison conditions and treatment of migrant workers.

As a result of an adjustment programme agreed with the IMF, the Dominican economy has returned to the impressive growth pattern of the 1990s that made the country the fastest growing in the hemisphere, after living through an economic crisis in 2003/04 mainly caused by a bank fraud scandal. Inflation has come down too and while internal and external debt has increased, it is considered to be sustainable. The business environment is nevertheless rather weak, in areas such as ease of starting business, protection of investors, enforcing contracts or closing business. The country also does badly on governance indicators in relation to government effectiveness, regulatory quality, rule of law, and control of corruption. Competitiveness is further hampered by an unviable electricity system, representing a financial burden on public finances and causing high energy costs. The Dominican Republic has a liberal trade regime, bilateral free trade agreements with many of its main trading partners and is about to conclude an EPA with the EU as part of the Caribbean region.

Despite the high and sustained growth rates, the level of human development is low and poverty is widespread. Social sector expenditures remain well below the averages for the Latin America and Caribbean region and are beset by inefficiencies. Some of the MDGs related to the coverage and quality of primary education, maternal mortality and the environment are not progressing as foreseen and may not be attained by 2015.

The Government has adopted several strategic documents concerning MDGs, public management and anti-corruption, economic development and integration into working life, but they were to benefit from consolidation and regular monitoring and public reporting. Insofar as cooperation is concerned, good local coordination mechanisms are in place, both among the whole donor community as well as among the Commission and Member States. Political dialogue with the Dominican authorities is improving but should have a better formal structure and planning.

The main objective of the present response strategy is to promote poverty eradication, foster social and human development and social cohesion as well as consolidate democracy and enhance competitiveness. Support will be provided as general budget support focusing on MDGs in poverty alleviation, health and education sectors, and sector support for governance and support for economic and institutional reforms, if conditions remain favourable. In the non-focal area, relations with neighbouring Haiti will receive specific attention in order to assist both countries in developing their complex relationship, addressing in the framework of a bi-national policy strategy issues of migration, commerce and economic development, infrastructure links, public health and the environment.

PART 1: STRATEGY PAPER

CHAPTER I: THE FRAMEWORK OF RELATIONS BETWEEN THE DONOR AND THE PARTNER COUNTRY

I.1.1. General objectives of the EC's external policy

In accordance with Article 177 of the Treaty establishing the European Community, Community policy in the sphere of development cooperation must foster:

- The sustainable economic and social development of the developing countries, and, more particularly, the most disadvantaged among them;
- The smooth and gradual integration of the developing countries into the world economy;
- The campaign against poverty in the developing countries.

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security.

EU external action, including the Common Foreign and Security policy, common trade policy and cooperation with third countries, provides a framework both for integrating all EU instruments and for developing gradually a set of common actions based on common positions in the broader sphere of political relations.

I. 1.2. Strategic objectives of cooperation with the partner country

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and the Dominican Republic will pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential and fundamental elements as defined in Articles 9 and 11(b) of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and with particular attention to the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will move ahead with coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries' strategies and processes, common implementation mechanisms, joint donor-wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The aim is that all EU non-aid policies make a positive contribution to developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community's country and regional programming. This means selecting a limited number of priority areas for action, through the

dialogue with partner countries, rather than spreading efforts over too many sectors. In this context the Community will be primarily active in the following nine areas, taking into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

I.1.3 Main bilateral agreements

The EU and ACP countries are currently associated through the ACP-EU Partnership Agreement (“Cotonou Agreement”) signed in June 2000. It builds on the *acquis* of twenty-five years of experience with the successive Lomé Conventions that have established a unique model.

Globalisation and technological change have instigated processes from which the poorest countries and the poorest sections of populations risk being excluded. The need to adapt to global developments, including the increased role of FDI to developing countries, was obvious, as well as the need to ensure consistency with the WTO. In addition, demographic developments, environmental pressures, and the rise of poverty in a number of countries called for appropriate answers that were provided through the new association.

The new Agreement clearly defines an approach that combines politics, trade and development. It is based on five interdependent pillars: a comprehensive political dimension, the promotion of participatory approaches, a strengthened focus on the objective of poverty reduction, the setting-up of a new framework for economic and trade cooperation and a reform of financial cooperation.

In particular, emphasis has been placed on the political dialogue to address all issues of mutual concern and to ensure that development cooperation is consistent and has an increased impact. The respect for human rights, democratic principles and the rule of law are essential elements of the partnership. Commitment to good governance as a fundamental and positive element of the partnership was introduced as a subject for regular dialogue and an area for active Community support. Closer involvement of civil society, the private sector and economic and social actors in the ACP-EU partnership has emerged as an important new dimension to be promoted. Poverty reduction is the central objective of the new partnership. The EU and the ACP States have embarked on a process to establish new trading arrangements, the Economic Partnership Agreements that will pursue trade liberalisation between the parties and formulate provisions in trade-related matters that should be conducive to development.

The Cotonou agreement has been concluded for twenty years, with a revision clause every five years, and a financial protocol for each five-year period.

CHAPTER II: COUNTRY DIAGNOSIS

II.1. Analysis of the political, economic, social and environmental situation in the recipient country

II.1.1 Political and institutional situation

Democracy and the rule of law have progressed since the end of the dictatorship in the Dominican Republic and have been consolidating since the mid-1990s into a political system with an acceptable level of legitimacy. In recent years, multi-party democratic elections at Presidential, Parliamentary and municipal levels were generally described as free and fair, even if isolated incidents in the ballot were noted and the campaigns were often overshadowed by politically motivated violence. The Electoral Committee's capacity to effectively monitor campaign financing and regulate political parties' financing as well as effectively organise the ballot counts were occasionally in doubt. There is increasing and good participation of civil society in the monitoring of electoral processes.

However, the effects of a long legacy of authoritarian rule on the quality of public sector management are still being felt. The **main problems** to be resolved are (a) the **extreme centralism**, vesting vast powers in the person and office of the President (see Article 55 of the Constitution or the Budget Law) with very limited checks and balances by other branches of government, (b) the **absence of a professional permanent civil service**: there is a high turnover of civil servants after every change in government, thus resulting in an inefficient public administration, which does not generally have the experience and qualifications required to face the challenges of a modern State and economy and, finally, (c) the **absence of a modern procurement system**. All this produces a perception within civil society that the role of government is to provide favours or rewards rather than to perform or deliver services in accordance with objective rules and standards.

The transparency of government activity and accountability remain low, despite recent efforts adopting a Law on Access to Information and creating a more independent and professional supreme audit institution. Lack of technical competencies in all public offices, inadequate or outdated procedures, failing coordination processes, weak institutions with sometimes overlapping or unclear mandates cause a general lack of clarity and quality in the regulatory framework, ineffective law enforcement as well as insufficient oversight from the legislature.

In spite of being signatory to international treaties protecting **human rights**, the Dominican Republic continues to have a poor record: abuses include unlawful killings by the security forces, poor to harsh prison conditions, lengthy pre-trial detention and long trial delays. In particular, there have been ongoing HR issues surrounding the treatment of Haitian migrant workers and their descendants living in the country, often described as "Dominico-Haitians". There are frequent and widespread accusations of organised people trafficking across the Haitian border with the complicity of state civil and military officials on both sides and the systematic abuse of labour rights of Haitian workers in the sugar and other sectors. These issues are picked up every year by the US State Department's HR report.

Progress has been made with regard to the implementation of the new prison model, the new Criminal Procedures Code and a new Code for Minors and the Government's capacity to provide assistance for victims has improved.

The independence of the system of **justice** has been consolidating over the years; however, being independent does not always signify being impartial and competent. Major efforts have been undertaken over the last decade to strengthen the institutions composing the system, in particular the Supreme Court of Justice and the Attorney-General's Office. Donor cooperation has helped a great deal in founding and staffing training institutions for judges, attorneys, lawyers and mediators. At the same time, access to the justice system has been greatly helped

by supporting civil society organisations in assisting citizens. As a matter of general concern, the issue of implementing voted and enacted legislation remains on the agenda.

The Dominican Republic is signatory to the Inter-American Convention against Corruption. National laws criminalise official corruption but, in spite of the corruption scandals in the country, no-one has been convicted for corruption in the last 20 years. With respect to the fight against **corruption**, President Fernandez aspires to convert the country into a model of corruption prevention and has created a special ethics and anti-corruption commission to plan and supervise strategic measures in areas such as justice, public administration, financial management and transparency. In the 2005 corruption index by Transparency International, the DR ranks 85 out of 159, scoring 2.9 (considered as evidence of “rampant corruption”).

For nearly a decade now, there has been a **decentralisation** process towards the municipalities, through an increased transfer of resources from the national budget. The 2006 budget set aside around USD 300m or 5% of funds for transfers to municipalities. This has allowed more direct and flexible involvement of the authorities in local problems. Also, conditions have evolved towards more active participation of citizens in community development. However, increased resources are not yet matched with increased institutional and management capacity at local level. Intermediate structures in the decentralisation model exist (provinces, regions), but more as administrative structures than with legal responsibilities towards citizens.

While civilian authorities have generally maintained effective control of the security forces, there have been some instances in which elements of the security forces acted independently of government authority or control. Some members of the security forces have committed a number of human rights abuses. **Violence and insecurity** are perceived by Dominican society as one of the main national problems. The causes are doubtless multiple and complex, but the lack of social cohesion, high rate of unemployment and weak education system are recognised by most commentators as being important contributory factors. Security forces are implementing special programmes, such as “Barrio Seguro”, in order to fight this increasing and complex phenomenon.

Government **drug and anti-money laundering policy** is set out in a National Anti-Narcotics Plan 2000-2005, in which an attempt has been made to address all aspects of the problem, the existing eradication methods, the weaknesses of the system and the short-term challenges. A new Anti-Money Laundering Law (72-02) was enacted in May 2002, expanding the predicate offences for money laundering beyond drug trafficking to other serious crimes such as arms trafficking, trafficking in humans, kidnapping, forgery of currency, bribery. Financial authorities require banks, currency exchange houses, casinos and stockbrokers to record currency transactions and cross-border movements of more than USD 10 000, and make this information available to law enforcement upon request, identify customers and report suspicious financial transactions. Numerous narcotics-related investigations have been initiated under the 1995 Narcotics Law and substantial currency and other assets confiscated.

There is no sign of internal ethnic or **regional conflict**, although the Haitian migration question periodically raises tensions and prompts attacks on this fairly large group. With no signs of generalised civil unrest, rising crime is causing security problems for the population.

II.1.2 Economic and commercial situation

The Dominican Republic is the largest economy in the Central American/Caribbean region, with a GDP of €29.3 billion in 2005. Its GDP per capita places it in the category of lower middle income countries, somewhat lower than CARICOM countries, and higher than Central American countries. In the 1990s, the Dominican Republic was one of the fastest growing

economies in the world with annual average GDP growth of 5.9%. However, a combination of global economic slowdown and internal imbalances, in particular a massive banking crisis and public finance mismanagement, led to a period of instability which saw, in 2003, an economic contraction of 1.9%, price inflation of 42% and a currency depreciation of 90%, together with a massive rise in the stock of foreign debt, from €3.1 billion to €5.3 billion in 2004.

After a severe economic crisis in 2003/04, macro-economic stability has been restored and the country has returned to the stable growth pattern that it pursued over most of the 1990s, thanks to the policies agreed in the Stand-By Arrangement (SBA) with the International Monetary Fund (IMF), concluded in early 2005. One key element of the new programme is the set of macro-economic and structural policies aimed at solidifying price stability and ensuring the resumption of sustained growth. Macro-economic prospects were substantially improved by the end of 2005, with an annual growth rate of 9.3% driven by telecommunications, trade and tourism sectors. It became the most dynamic economy in Latin America, along with Venezuela. Forecasts for 2006 predict again 10% GDP growth, with inflation around 5%, starting a steady growth trend for the following years.

Services constitute the most dynamic sector of the economy, accounting for around 2/3 of GDP and employment. In recent years, growth rates have been particularly high in communications and in tourism-related services, such as transport and hotel and catering, which mobilised a considerable volume of domestic and imported goods. State involvement in services has been declining, although it retains ownership in key sectors. The trade surplus in services, in particular tourism, is a major generator of foreign exchange earnings.

The Dominican Republic has a sizeable manufacturing sector, divided between export-oriented free trade zones (FTZ) producing mainly textiles, jewellery and electronics for export, and a non-FTZ manufacturing sector of mainly food processing for the domestic market. Agriculture is a falling proportion of GDP (11%), but remains a significant source of employment.

	2003	2004	2005	2006	2007
Goods production	-2.3	2.0	5.8	3.4	1.8
Construction	-8.6	-6.3	6.2	7.6	0.3
Electric., gas and water	-8.5	-19.6	4.6	4.2	2.2
Trade	-5.0	1.8	15.0	11.2	7.7
Services	2.8	5.8	10.2	7.0	8.4
GDPmp	-1.9	2.0	9.3	6.0	5.0
Consumption	-10.4	0.2	14.3	4.3	6.7
Investment	-12.5	-7.0	9.6	13.1	2.3
Internal demand	-11.0	1.9	13.0	6.7	5.4
Exports	7.9	7.6	6.1	3.8	3.1
Imports	-14.4	-1.2	14.2	7.6	5.8

Source: CEPAL 2006

Domestic industry and foreign investors in the non-FTZ economy suffer from a number of weaknesses in the **business environment**. The Dominican Republic's overall rank in the World Bank's Ease of Doing Business Indicator is 103 out of 155 (cf Costa Rica, which is ranked 22nd, or Jamaica, 45th). There are particular weaknesses in areas such as ease of starting business, protection of investors, enforcing contracts and closing business. Surveys of business investors cite government regulations and taxes as the greatest obstacles.

The Dominican Republic does poorly on governance indicators in relation to **government effectiveness**, regulatory quality, rule of law, and control of corruption. Outside of telecommunications, effective regulatory regimes are still being developed. A competition

policy has been planned for some time, but as yet no specific law has been enacted. Competition provisions do, however, exist in other regulations (e.g. the Constitution and the Intellectual Property Law).

The Dominican Government has traditionally played a large role in the country's economic life. In the past, the Government was the owner of **all public utilities** (except telecommunications), an insurance company, the country's largest bank (Banco de Reservas), and factories producing a variety of goods. In the 1990s, Congress passed legislation allowing the privatisation or "capitalisation" of state-owned enterprises.

In line with the declining position of the public sector, the Dominican economy is moving to greater commercial openness and a vital role for the **private sector**, including transport, energy and information and communications technologies sectors. Communications is one of the most dynamic sectors of the Dominican economy. For instance, it has grown at an average rate of 20% since 1995, and accounted for 11.4% of the economy in 2004. Other sectors such as electricity, gas and water have recovered from the latest crisis.

However, long-lasting **electricity** problems, due to the inability of participants in the electricity sector to establish financial viability for the system, do not show many signs of improvement, thus maintaining the financial burden on State finances and keeping energy costs up, which in turn has a severe impact on the competitive position of the country. About half of electricity billed goes unpaid, and distributors have made very slow progress in improving collections. Debts in the sector, including government debt, amount to more than USD 500 million, and generating companies are undercapitalised and at times unable to purchase adequate fuel supplies.

The Dominican Republic is a founder member of the WTO and is an active member of the DDA, in particular the G-33, the ACP group (within CARIFORUM), the G-90 and the small and vulnerable economies group. Overall the country has a **liberal trade regime**, with an open approach on market access and a more conservative approach on investments and services, due to restrictions enforced by the national legal framework. Tariff rates range from 0 to 40%, with a weighted average tariff of 9.3%; out-of-quota tariffs for sensitive produce are ~100% (e.g. chicken meat, beans, and rice). **Non-trade barriers** are low. The Dominican Republic had fewer non-tariff barriers than other countries in the region in the mid-1990s. Thereafter, the Dominican Republic further reduced its non-tariff barriers: in 1998, Decree No 114-98 greatly simplified and in fact eliminated most non-tariff barriers.

The country has adopted a **strategy of trade liberalisation** towards most of its trade partners. It is party to bilateral FTAs and other trade agreements with many of its neighbours and main trading partners. The Dominican Republic entered into **free trade agreements** with the Caribbean Community (CARICOM, enforced from 2000) and Central America (2000), a partial FTA with Panama and, recently, one with Venezuela focused on oil supply and the joint DR/CAFTA-Agreement with the US (2004). The Dominican Republic agenda includes other bilateral agreements, in particular with Canada and Mexico, in order to accumulate rule of origin and gain access to NAFTA. Strong dependence on the market of its strongest trade partner, the United States, accounting for 80% of exports, makes the country vulnerable to external shocks. The negotiations on the Economic Partnership Agreements (EPAs) with the EU, in which the Dominican Republic is involved as part of CARIFORUM, are scheduled to come to an end in 2007.

However, Dominican companies have a low propensity to export. The relatively protected domestic markets allow them to obtain high profits, and they face export hurdles ranging from lack of information to high bureaucracy and export taxes. The Dominican Republic's trade has expanded slightly slower than world trade as a whole. Its long-term tendency to run

deficits in goods compensated for by surpluses in services and remittances was only briefly reversed during the crisis in 2003, but then the usual pattern re-emerged. The US is the dominant trading partner with 80% of exports and 50% of imports. Trade with the EU has risen in magnitude but has fallen as a percentage of the total (currently about 10%). Trade with CARICOM countries is small (0.9% of exports, 2% of imports), but is a rising proportion.

Almost two-thirds of “**national**” exports are primary products. Manufacturing is mainly made up of ferro-nickel production and chemicals. FTZ exports are mainly light manufacturing, in particular of textiles. 80% of Dominican exports are from its free-trade zones (FTZs), mostly of light manufacturing to the USA. FTZs have export promotion incentives, good institutions and infrastructure and they are a source of employment, technology transfer and entrepreneurial flair. Tourism is the most buoyant sector, providing vital support during the recent economic crisis. In contrast the non-FTZ economy has a low export propensity. Businesses face problems related to, amongst other things, poor infrastructure, red tape, ineffective and inefficient institutions, lack of legal certainty, and corruption. Linkages to the non-FTZ economy have been poor. Agriculture provides the bulk of non-FTZ exports. Investments in a narrow range of domestic sectors and in FTZs are important for the Dominican Republic. Government is hoping for the diversification of markets and products along with its liberalisation policy with several trade partners: the United States, Central America, the Caribbean and the European Union (Economic Partnership Agreements). In order to exploit these new market access opportunities, a comprehensive competitiveness strategy needs to be implemented so that companies are able to produce exportable goods and services.

Remittances, which have risen in recent years, have partly made up for the balance of payments current account deficits, and positive inflows of capital from abroad have brought about an increase in international reserves. Despite the fact that remittances contribute to poverty reduction, their direct impact scarcely changes poverty trends. Thus, the 20% high income families receive 40% of remittances and the 20% lowest income families only 14%, according to World Bank analysis. However, international transfers are a primary income source for the poorest families, amounting, on average, to 66% of total revenues. The impact of remittances in poverty reduction by developing public and private investment strategies should be improved.

Employment: Despite the accelerated economic growth, official rates of unemployment remain relatively high at 16.4%, although it should be remembered that over 50% are employed in the informal sector, so any figures are hard to interpret in terms of social reality. Low income levels are a consequence of low productivity rather than labour market obstacles. However, according to the WB 2006 poverty assessment, despite relatively good performance, improvements with special reference to accessing labour markets are still necessary. High unemployment is common aspect of rural and urban areas, and youths and women especially suffer from the lack of job opportunities. Low labour productivity comes from low levels of education and training, a consequence of a deficient education system and financing and management problems. Labour market segmentation and low human capital also explain the large number of workers seeking refuge in the informal sector. The Government has set itself the ambitious target of creating 500 000 jobs during its term of office. There is conflicting evidence of progress. In any event it is clear that growth is not translating smoothly into jobs. The ratio of GDP growth to employment has fallen from an already low 0.67 to 0.22. Such consistent levels of high income inequality or lack of access to basic services are potential sources of macro-economic and social instability, which need to

be reversed by investing in flexible educational and vocational training systems to increase worker productivity.

Structure and management of public finances

Weakness in the **institutional capacity** of the State has been identified as one of the main obstacles to the development of the country, as it holds up the dynamic private sector and the efficient use of public resources. Public finance management has suffered from serious flaws at the organisational, methodological, legal and human resources level.

The **fiscal regime** of the country is regulated by a Fiscal Code of 1992 that has been modified substantially over time, lately in 2004, 2005 and 2006 in order to make up for expected revenue shortfalls caused by trade liberalisation. The Dominican Government managed to compensate for tariff rate reductions by expanding the taxable base, increasing the VAT (ITBIS) rate to 12% and then to 16% in 2004 and modifying the income tax system. The income tax for natural persons is progressive with three rates of 15, 20 and 25% deducted by employers; legal persons established in the Dominican Republic are taxed at a rate of 25% on their profits. Carry forward of losses is possible over a period of three years. Revenues from all trade, including from tariffs and VAT from imports, account for about 30%.

In recent years, almost 30% of the budget has been allocated to wages and salaries, creating inflexibility for public resources to be allocated to other, poverty-reducing expenditures or unforeseen events. In fact, general government staff increased from 266 000 in 1994 to 386 000 (in 2003) and to 325 000 in 2005. The Dominican Republic has a relatively high level of subsidies. Transfers and subsidies have increased markedly since 1995 and represent 25% of total expenditure. They are mainly directed to supporting the energy and transport sectors.

For structural reasons relating to the political economy, spending tends to be excessive on more tangible investment projects or private goods instead of on human capital investments or other public goods. The relative share of capital expenditures seems to be readjusting: these represented on average 33.5 percent during 1998-2003, which is significantly higher than other comparable Latin America and Caribbean countries, but were less in 2005.

Social sector expenditures (especially on education, 1.9% of GDP, and health, 1.5% of GDP in 2005) have recently received greater attention in political discourse, but they remain well below the averages for the Latin American and Caribbean region and are characterised by inefficiencies. Central government spends barely 4 percent of GDP on the above-mentioned sectors, compared with nearly 6 percent on average for the Latin American and Caribbean region (3.5 and 2.1% respectively). The creation of the Social Cabinet was seen as a positive step towards better coordination of social spending, but did not much improve the efficiency of social spending to ensure sound progress towards the achievement of the Millennium Development Goals. The welfare impact of current social assistance expenditures would greatly benefit from consolidation of measures and improvement of their overall design, targeting, monitoring and evaluation mechanisms.

The Dominican Republic enjoys levels of **internal and external debt** that are considered to be sustainable. However, the recent economic crisis demonstrated that there are threats to the viability of debt levels, if economic governance is not reformed. From 2002 to 2004, overall public debt increased from 26 to 55% of GDP as a result of a voluntary public bailout of all creditors of three major banks hit by a bank fraud scandal. Another important problem for controlling debt is the impossibility in the current public finance management system of preventing the contracting of “administrative debts” by government institutions on the basis of suppliers’ claims without legal and budgeted commitment. Today, the financial

management systems have not allowed the Government to establish their internal debt position at the end of 2004. While measures are included in the IMF agreement to introduce transparent debt management, debt may run out of control again if these provisions are not strictly enforced.

The present situation of **public finance management** is, while improving, rooted in existing shortcomings in budget preparation, execution and control processes. Undeniably, the implementation of the integrated financial management system (SIGEF) constitutes significant progress, but the effectiveness of public spending is still constrained by the lack in the current public expenditure system of many sound features that would allow informed policy choices, such as well coordinated fiscal strategies, appropriate institutional arrangements for budget preparation and implementation, timely and accurate financial and statistical information or reporting mechanisms to evaluate the impact of government policies. The inconsistent procurement system is currently being reformed on the basis of a new law, but this requires implementation and the building-up of adequate procurement capacity. The control environment is flawed, and both internal and external control agencies have limited capacity to carry out their mandates and, as a result, produce limited amounts of useful information for the legislature and civil society to exercise oversight.

In this respect, it is also important to note the absence of timely, regular and reliable statistical information regarding the indicators included in the public development plans.

Assessment of the reform process

Since the mid-1990s, a **political agenda** on modernisation and reform of the State has been shaped, with the active participation of civil society. This process will, once laws are adopted and implemented, constitute a complete overhaul of the whole system providing for solid, modern management of public finances. So far, there have nevertheless been some success stories in reforming the legal and administrative framework, enhancing transparency and participation, but many other issues on the reform agenda are either not yet adopted (e.g. Laws on Administrative Litigation, Procurement, Public Administration), not yet implemented (e.g. Civil Service Law, Law on Access to Information) or seem to lack political will, such as the inability to effectively prevent, investigate and prosecute cases of corruption. Strengthening institutional capacity and public services in order to improve the accessibility, efficiency, transparency and accountability of public institutions continues to be a key challenge for the Dominican Republic. However, these processes of changing public officials' mentality and producing cultural reforms need time to attain significant results.

The severe economic crisis in 2003/04, triggered by a bank fraud crisis, brought the fragile state of economic governance of the country into the limelight. The Government concluded a Stand-by Agreement in 2005 with the IMF, which resulted in the restoration of macro-economic stability. The reform programme includes measures to overcome many of the structural governance issues that were at the root of the crisis, especially in banking supervision, but also fiscal management. The banking system reforms aim to strengthen supervisory authorities and promote their independence. This should result in effective regulation and oversight of the financial markets of the Dominican Republic, which is a prerequisite for its development. In terms of public finance management, the system is currently undergoing a complete overhaul, including the approval and implementation of the Laws on the Budget, Procurement, Public Debt, the Treasury, Internal Control and a new institutional set-up. At the same time, donors have approved large programmes to extend financial management systems and implement capacity building in all areas from budget preparation, execution and monitoring to control systems.

It is expected that the contemplated changes, once adopted and implemented, will endow the Dominican Republic with a system that can meet the challenges of a modern economy, providing for sufficient transparency, effectiveness and flexibility in order to respond to the needs of an environment in constant change and hence contribute to ensuring the viability of the State finances over the long run.

However, the programme had significant success on the macro-economic aggregates, which has unfortunately not been matched by similar performance in structural reforms, such as public finance and energy sector reforms. So far, most reviews of the programme were only concluded with delays and thanks to acceptance of waivers by the IMF Board. The good economic prospects may even reduce the incentive and pressure for the Government to implement these necessary reforms, severely jeopardising the medium- to long-term outlook for the country. Without full implementation, there are risks that the fiscal situation will not be sustainably improved or that public debt may become unsustainable, due to inadequacies in or abuse of the public finance management system.

On the other hand, some more challenges remain to be resolved. The long-lasting electricity crisis, mainly caused by customers' deficient payment culture, is not showing many signs of improvement, thus maintaining the burden on State finances and keeping energy costs up. This in turn has a severe impact on the competitive position of the country.

In the medium- to long-term perspective, a **new strategic orientation** seems required, since the growth model based on free zones and tourism is showing its limitations, in that it does not translate into significant employment growth and necessary income generation for the poorer segments of the population. The country has adopted a strategy of **trade liberalisation** towards most of its trading partners, first and foremost the United States, Central America, the Caribbean and the European Union (Economic Partnership Agreements). While the DR-CAFTA treaty with the US was negotiated in 2004 it was only enacted at the end of 2006 due to prior legal reforms required, inter alia, in the area of competition, intellectual property rights and procurement. The strategy formulated by the Government anticipates the diversification of markets and products, especially with respect to larger penetration of the EU market. In order to exploit these new market access opportunities, a comprehensive competitiveness strategy needs to be implemented so that companies are able to produce exportable goods and services.

Strengthening institutional capacity and public services in order to improve access, efficiency, transparency and accountability continue to be a key challenge for the Dominican Republic.

II.1.3 Social situation, including decent work and employment

The Dominican Republic experienced rapid economic growth during the 1990s that resulted in very little poverty reduction. According to a study published by the Central Bank of the Dominican Republic (national survey of household income and expenditure in 1998, based on the method of poverty lines¹), the percentage of poor Dominicans was estimated at 25.8% or nearly 2.1 million people. Out of these 3.6% were living in extreme poverty, and poverty was concentrated in rural areas and households headed by women. In spite of above average economic growth in the last 50 years, the level of human development is low and the Dominican Republic is among the 13 countries in the world that took least advantage of economic growth to achieve human development.

¹ Poverty line defined from income per capita of USD 600, equivalent to DOP 894 in 1998.

As a result of the crisis, between 2002 and 2004 poverty increased by 50%, doubling the number of Dominicans living in extreme poverty. The figures of a WB² study for 2004 estimate that 42% of Dominicans lived in poverty in 2004, and 16% in extreme poverty. The economic crisis had particular impact on urban households. If poverty is considered on a regional basis, the south-west provinces have a bigger percentage of poor and extremely poor households, in some cases with poverty rates near 70%. The effects would have been worse still if there had not been the stabilising factor of the remittances of the Dominican diaspora transferring more than 2 billion USD per year to their families back home.

There are considerable problems with **social cohesion, unemployment and gender**. On social cohesion, all critical analyses of the country point out that the levels of growth and economic development, including GDP per capita, are not adequately reflected in social development indicators. The Government and its critics agree that there is a problem of “social debt”, inequality and lack of cohesion (please refer to II.2 Poverty reduction analysis).

Gender equality. In common with other Caribbean countries, women represent well over 50% (1.68 to 1.0 is the ratio of women to men at college) of university students and young professionals. In fact, the Dominican Republic has the highest gender gap in school repetition rates in the region. But while girls now outperform boys in school, female labour force participation continues to be lower than that of men, unemployment being 26% for women and 9% for men (ECLAC). Women’s salaries are on average 30% below those of men. There remains a lack of equivalent representation in the Government, the legislature and the higher levels of the administration: women account for 3 out of 19 secretaries of state, 2 out of 32 senators, 24 out of 150 deputies, 13 out of 147 mayors, 5 out of 16 Supreme Court Judges, but 43% of judicial system workers. The “glass ceiling” appears to be present. The IOM has identified considerable problems of trafficking of women for the sex industry, often associated with drug trafficking, both to the region and to Europe.

There are also networks **trafficking (usually Haitian) children and problems of child labour and prostitution**. The 2004 survey of child labour estimated that some 279 000 children 5-14 years old worked, and large numbers of Haitian children were seasonally employed in the agriculture sector. The phenomenon of child labour is inextricably linked to that of school drop-outs and to the opportunity cost of quitting some even badly remunerated jobs. There are serious problems of intra-family violence towards children and women: 140 reported violent deaths of women and girls in 2004. The Secretary of State for Women is well motivated but under-resourced.

Undocumented migration. There is both immigration and emigration in the Dominican Republic. According to IOM estimates, there are up to 650 000 undocumented Haitians, concentrated mainly in the agricultural and construction sectors. On one hand, they make important contributions to the economy, on the other they depress wages and are the expression of continued institutional and democratic failings as their trafficking is tolerated or actively promoted by some elements in official civil and military bodies and the private sector. Inward migration is not well managed, despite an improved but little applied Migration Law, and results in abuses and difficulties for Dominican society of many kinds. The French Government have noted that the Dominican Republic is also a bridge for the trafficking of Haitian workers towards their overseas departments in the region. The matter is further complicated by the existence of a substantial (100-200 000 according to the IOM), mostly very poor, often marginalised and sometimes discriminated population of “Dominican-Haitians” (born in the Dominican Republic, but of Haitian origin). There is

² WB Poverty report on DR, May 2006.

reluctance on the part of official Dominican society to recognise that there are problems of racism centred on the presence of the Haitian minority.

In the Dominican Republic the rate of **population growth** is slowing from 2.3% in 1993 to 1.8% in 2002, according to the National Statistics Office. With a total population of 8.56 million, 63.6% live in urban areas and 36.4% in rural areas. There is a gender balance. Nearly 75% of the total population is less than 40 years old, with 19% between 40 and 69 years old and 5.6% who are more than 65. Thirty four percent of the population is under 15 years old.

There is a lot of **demographic mobility**. On the one hand, in the last few years, the flow of Dominicans to countries abroad increased and, according to UN estimates, the number of Dominicans living abroad is near one million. The flow of undocumented emigrants (IOM guesstimates up to 20 000 per year) has diminished since the worst moments of the 2003-2004 crisis, but the process continues, with Puerto Rico, the mainland United States, the Dutch Antilles and to a lesser extent Latin America and the EU as destinations. On the other hand, migration from the rural to the urban areas is also increasing in search of better public services, work and better living conditions.

In the social sector, progress has been made in **education**, especially in the gross enrolment rate in both primary and secondary education, but problems related to the quality of education, the efficiency of the education system, school infrastructure and the quality of teachers are not yet solved. This is reflected a high rate of repetition of school years: on average, a Dominican child who finishes secondary school has been at school 3.5 more years than the number of terms. This problem is bigger among boys, those living in rural areas and the poorest all over the country.

On **health** issues, problems related to preventable diseases that affect the more vulnerable sectors of the population are persistent. This is due to the poor living conditions of the population in urban marginalised areas and in rural areas with low levels of environmental and health education and with very limited access to basic quality services, leading to lack of water, the accumulation of domestic waste, flooding, etc. The very low quality of the public health services particularly affects the poor population, since they have no access to private care.

A Presidential Commission (COPRESIDA) is coordinating all activities related to the fight against **HIV/AIDS**. However, domestic resources are rather limited but they coordinate the donors/lenders' funds. Of concern is also the level of teenage pregnancy - recent surveys reveal up to 30% of deliveries were to girls under 18. These findings point to a potential crisis for adolescent girls' health and welfare, evidenced further by recent data on HIV prevalence among the 15-24 age group and worrying trends regarding early commencement of sexual activity and sexually transmitted infections (STIs).

Many **children** (up to 25% in some areas) are unregistered, and this issue has become more difficult and sensitive in recent years because of increased migration. Haitian migrant children and undocumented children experience high levels of exclusion from social services and from the means of accessing their rights. The new Code for the Protection and Fundamental Rights of Children and Adolescents (Law 136-03), harmonising national legislation with the Convention on the Rights of the Child, constitutes good progress, but full implementation will require the strengthening of administrative, legal and other structures.

This low quality of **public social services** is closely related to the low level of social public expenditure, the absence of a comprehensive social policy and deficiencies in the management of public expenditure. Since the 2004 Presidential elections, the new Government's policy has been based on the strengthening of social protection and the

establishment of a targeted system of social assistance that allows the purchase of food, medicines and school books and stationery. At the same time, the targeted social programme is supposed to facilitate access of beneficiaries to identity documents. Lack of identity documents is a common problem among the poorest.

II.1.4 Environmental situation

Deforestation between the 60s and the 90s and population and tourism growth led to intensive utilisation of natural resources, an increased demand for water, erosion, the fading of a vegetal cover, the silting of dams and reservoirs and a decline in biodiversity. Diversification and changes in agricultural activities contributed to an increase in the use of processed fertilisers and related chemical products. Silting of the soil has increased as a result of the proliferation of low-irrigation agriculture. At the same time, policy making has experienced considerable overall progress. The Dominican associations of water users were created at the end of the 80s by INDRHI (National Institute of Water Resources) to optimise water-use in rural areas. In the 90s political processes shifted focus towards fostering environmental awareness and launching a public dialogue on natural resources. By the end of the 90s there was some evidence of recuperation attributed to Government's reforestation efforts like the Sierra Plan, FEPROBOSUR, the widening of nationally protected areas and the forest surveillance. The General Law of Environment adopted in August 2000 made it possible to reorganise the institutional infrastructure that deals with the environment and it has put in place a framework to strengthen environmental awareness.

The Dominican Republic is exposed to several **natural hazards**, particularly tropical storms, floods, landslides, forest fires and earthquakes. According to the UN, the Dominican Republic has relatively high vulnerability to hurricanes, second only to Haiti. The social vulnerability to disasters of the Dominican population has increased significantly during recent years with the deterioration of the country's economic situation.

There are roughly 400 rivers and 60 river basins throughout the country, making most of the national territory vulnerable to **floods**. This type of natural hazard is also the most frequent, with events taking place practically on an annual basis. Although most smaller-scale flood events are not registered, their accumulated impact can equal that of a larger-scale disaster.

The country is also at risk of **earthquakes** given that it sits over the Caribbean tectonic plate, with a tectonic fault that runs east-west through the island. Although the frequency is lower, this type of hazard always represents a major threat, which cannot be scientifically predicted through early warning systems.

The impact of **forest fires** on the environment is of growing concern. In 2005 alone, the country had 244 registered forest fires, affecting over 3 000 hectares. Most may be caused by local farmers using fire to clear land.

Climate change is already having significant and serious impacts on developing countries as highlighted in the recent reports of the Intergovernmental Panel on Climate Change (IPPC). These impacts will increase over years and decades to come and are projected to include an increase in extreme weather events such as cyclones and hurricanes. The years 2004 and 2005 tragically demonstrated the Caribbean exposure to **tropical storms**, with Atlantic hurricane seasons being of the worst in recorded history. In 2004, the Caribbean, and especially the Dominican Republic, were particularly affected. The country experienced torrential rains and floods in the municipality of Jimani, which also severely affected Haiti, and was struck by Tropical Storm Jeanne, which caused major damage in Haiti and the Dominican Republic. In

2005, the season with 28 tropical storms, including 15 hurricanes formed, broke previous records. Climate change is a threat to development and diminishes the chances of achieving the Millennium Development Goals. In this context, adaptation to climate change becomes a pre-condition for sustainable development.

Finally, the country faces problems of **pollution**. According to the United Nations, the population of Haina is considered to have the highest level of lead contamination in the world, as a result of the operation of a battery producing plant, meanwhile closed down. While the Dominican authorities are aware of the problems, efforts need to be undertaken to mitigate this legacy of the past. One frequent source of pollution is the contamination of ground waters by nutrients because of inadequate sanitary infrastructures.

II.1.5 The country in the international context

The Dominican Republic is pursuing different **regional integration** initiatives, towards its Caribbean neighbours as well as towards Central American countries.

EU/CARIFORUM cooperation has been instrumental in fostering relations between the Dominican Republic and its Caribbean neighbours. Historically, the country had little connection with the insular Caribbean, apart from Cuba and Puerto Rico. The Dominican Republic is facing a historic choice of how far, how and on what timetable to commit to integration with the Caribbean.

The process of integration with the Caribbean took a step forward with the signing in 1999 of the Dominican Republic-**CARICOM Free trade agreement (FTA)**. Very slow progress in its implementation was achieved during the period 2000-2004 due to problems with size of the economies, protectionism of some CARICOM Member States and political distrust, and there is no proposed date for its full implementation. The Dominican Republic cannot be blamed alone for the lack of advancement in the process. Except for its participation as a member of the Caribbean Regional Negotiating Machinery, the Dominican Republic is not part of any other CARICOM institution. At this time, there are doubts whether either CARICOM or the Dominican Republic is interested in deepening its integration process, beyond the FTA. However, this agreement is supposed to lay the foundations for the participation of the Dominican Republic in the Caribbean Economic Area required for the implementation of the **Economic Partnership Agreement (EPA)** that the Dominican Republic, as part of CARIFORUM, is currently negotiating with the EU.

The Dominican Republic is associated with the **Central America Integration System**; even if there is no declared intention to integrate, the facts are leading to a deepening of its integration process. On this matter, the Dominican Republic has signed an FTA with Central America and its also part of the CAFTA with the USA. These relations with Central America are based on political and cultural bonds. The deepening of the Dominican Republic's ties with SICA and the fact that the latter is seeking an EPA with the EU are matters of concern for the CARICOM States in their relations with the Dominican Republic.

The Dominican Government agreed with the new **Haitian Government** to reactivate the Bilateral Commission in order tackle problems such as immigration, crime, bilateral trade. This is a welcome step after the unrest created during 2005 with hate crimes against Haitians in the Dominican Republic.

The Dominican Republic has adopted an aggressive agenda in pursuing **new international relations**, markets, investment and a better positioning in the international consensus. This agenda has established new relations with countries such as India and Iran and strengthened relations with Taiwan, South Korea and Japan. The country is also part of PETROCARIBE, a

Venezuelan Government agreement to distribute oil products with credit facilities to Caribbean States.

The country is signatory to major **international conventions** on human rights, the environment, gender equality, refugees, labour law, the International Criminal Court, terrorism, organised crime, corruption, etc. But progress in the implementation of these conventions is affected by the performance of other institutions and the relative lack of political interest.

II.2. Poverty reduction analysis

The Dominican growth of the 1990s has not translated into a proportional rise in welfare for the overall population. The country continues to display a huge gap between the level of its GDP per capita and selected social indicators, as compared to other countries. According to UN data, the country is placed 69th by GDP/capita ranking but 95th by Human Development Index ranking, taking account of health and education development parameters.

At the same time, the Dominican Governments spends significantly less than the regional average on **social development**, especially the health and education sectors, despite repeated reference to the need to prioritise education as part of a national development strategy. Social development plans are mostly expressed through the programme of the Social Cabinet with targeted relief and subsidies which have been much criticised.

This is **mainly due** to (i) the inequitable distribution of wealth, income and opportunities; (ii) the level of public social expenditure, one of the lowest in Latin America in relation to GDP and with a quite inadequate budget; (iii) the level of foreign debt or the need to subsidise the ailing electricity system preclude financing social development; and (iv) the growth model of the 1990s seems exhausted - concentrating on sectors and much foreign ownership, i.e. free zones and tourism with low labour productivity.

Employment is mainly created in free zones, where the paradigm is precisely to exploit low labour costs; hence the wage income generated is relatively low, although still better than in the informal sector, which accounts for about 52% of the labour market.

The problem of **poverty and exclusion** is significant in the marginal districts of big cities and in remote rural areas, particularly accentuated along the Dominican-Haitian border, where access to drinking water and natural resources protection become issues of particular concern. The situation worsened in the crisis years and the stabilisation effects still need time to impact on poverty levels.

A UNDP progress report on MDGs shows that in spite of some positive steps, weaknesses persist and some of the objectives may not be achieved. For the time being, objectives related to gender balance, the reduction of infant mortality and the fight against HIV/AIDS, TB and Malaria appear to be on track. However, objectives related to the coverage and quality of primary education, maternal mortality and maybe the environment are not progressing as planned. Regarding the MDG of eradicating extreme poverty and hunger, it may be possible to fulfil the target on extreme poverty, but there are doubts about the goal on hunger. In any case, it shows that massive aid will be necessary if the targets are to be met.

In any event, this commitment has not been demonstrated by the necessary allocations in the 2006 annual budget. In order to achieve a significant poverty reduction in line with MDGs, political visions have to be turned into government priorities and measures.

In the medium- to long-term perspective, a **new strategic orientation** seems required, since the growth model based on free zones and tourism is showing its limitations in that it does not

translate into significant employment growth and necessary income generation for the poorer segments of the population.

In line with the 2004 MDG Progress Report and with the 2005 UN Needs Assessments for the achievement of the MDGs, the findings of the WB poverty assessment suggest that a strategy to promote poverty reduction and equality should include interventions for expanding access to job opportunities in growing urban sectors, facilitating labour mobility and equal opportunity for men and women and youth, ensuring basic education completion, promoting increases in productivity for small and micro-enterprises and investments in basic infrastructures to facilitate transition from farm to not-farm activities.

II.3. The recipient country's development strategy

The Government has adopted a number of **strategic documents** on its general policies (General guidelines for a development strategy and international financing), its poverty reduction policy (Investing in Sustainable Development) as one of the eight pilot countries of the UN Millennium project and its public sector reforms (Action Plan for Ethics, Preventing and Punishing Corruption). In addition, there are a number of sector policy plans, in particular for education (Decennial Plan for Education) and in health (Zero Tolerance Strategy for Public Health). The Government's National Council for Competitiveness (CNC) formulated a draft Competitiveness Strategy involving entrepreneurs, identifying the economic sectors to be supported and strengthened.

The first document constitutes a general statement of government policy for its 2005-08 mandate, covering the following four areas: modernising the economy, social and regional cohesion, better democracy and participation, intelligent integration into the world economy. The second strategy provides for the necessary actions and related budgets for achieving the Millennium Development Goals up to 2015. Finally, the third document includes all measures planned for the short and medium term to reform public administration, public finance management and the justice system with a view to creating modern, efficient and transparent public sector management.

Concerning **external policy**, no clear policy document exists; however, President Fernandez's Government has so far tried to diversify away from the traditional strong relations or dependence on the United States and towards other partners, be it the Caribbean or Central America, ACP partners or the EU or, finally, Latin American countries like Brazil. There are no relevant policies with regard to the substantial **diaspora**. Remittances are channelled through very expensive agencies or by hand, rarely through banks. There is no policy on the brain drain or the control of undocumented emigration. There are signs of an increase in interest in the Dominican community in the US as a political constituency.

II.4. Analysis of the viability of current policies and the medium-term challenges

The strategies are in general adequate and, if duly implemented, would respond to the most pressing needs of the country. However, the MDG strategy in particular could benefit from a more specific policy focus on creating employment opportunities for the poor in order to achieve poverty alleviation.

The main problems with these strategic plans are related to the following aspects:

- (a) No single entity is responsible for follow-up to ensure the coherence between them.
- (b) In general, monitoring mechanisms are inadequate and timely progress reports on implementation are not available.
- (b) Budget allocations do not seem to follow the strategic planning.

(d) Efficiency, effectiveness and transparency of public expenditure remains weak.

In particular, the **MDG investment strategy** was not adequately translated into the 2006 budget. In addition, some methodological weaknesses were detected, since the costing determined the total amount of necessary spending to reach the millennium goals (USD 30 billion over 10 years) and not the additionally required spending by deducting the funds already included in the national budget for related programmes or activities. According to the 2006 budget, an amount of DOP 19.4 billion is MDG relevant (~USD 600 million). This would in turn mean, however, that only 20% of the required funds to implement the MDG strategy are currently available. The remaining gap is too big to be filled by external financing (nearly 10% of GDP annually). The option to start reallocating significantly funds towards MDG relevant programmes seems unrealistic, given that the funds required - even assuming additional external financing of 3% of GDP annually (~DOP 20 billion) - are substantial (DOP 40 billion) and amount to 16% of the total budget (or 100% of existing health and education budgets). As a result, in order not to jeopardise the viability of the strategy, the Government will have to raise its income and increase the existing - relatively low - fiscal pressure.

With respect to the **public sector management** reforms, the Action Plan seems politically and financially viable given the relatively minor financial requirements and the recently changed composition of Congress in which the PLD party of President Fernandez now has solid majorities.

CHAPTER III: OVERVIEW OF PAST AND PRESENT EC COOPERATION, COMPLEMENTARITY AND CONSISTENCY

Overview of past and present EC cooperation (lessons learned)

The **Country Strategy Paper 2002-2007** was jointly prepared by the European Commission and the Dominican Government, actively consulting civil society and non-state actors. It was officially signed in June 2002 during the EU-ACP Ministerial Conference held in the Dominican Republic. Cross-cutting issues, in particular gender and institution-building, received due attention.

The **9th EDF** selected education and water as focal sectors for EC support. However, the Government failed to produce the required prior conditions, i.e. reforms in the legal framework and management structures, so during the 2004 mid-term review the water sector was abandoned. The Dominican Government asked for the reassignment of this €53 million to macro-economic reforms. The new programme includes institutional support for public finance and regional integration as well as general budget support. Dominican Republic eligibility for EC budget support was later confirmed. So far, it is not possible to evaluate the relative positive or negative impact of each of the instruments since the budget support operations were only approved during the second half of 2006 and still need to be put into practice.

During 2005, the EC evaluated its cooperation in the area of governance on a cross-country basis. The study recommends that programmes should be more clearly focused and facilitate more effectively government ownership (i.e. by discontinuing external PMUs).

De-concentration has notably improved programme implementation, allowing a higher number of transactions and reducing the time needed for execution and closing. All envelope A funds (€119 million) were committed by end-2006. In addition, de-commitments from the 7th and 8th EDF had increased the available envelope by €3 million and were used to extend existing programmes.

Envelope B includes the SYSMIN programme and emergency actions developed by ECHO. €16.5 million has been allocated to rehabilitation and disaster prevention programmes.

With respect to the Objectives of the Paris Declaration on aid effectiveness, some advances have been achieved so far. In particular, the present strategy paper is based on the partner country's national development strategies and will underpin them and contribute to increased **ownership** of cooperation programmes by the partner country. Secondly, in seeking to ensure the adoption of a common EU strategy paper, this approach will lead to more **harmonisation** between the cooperation programmes. At the same time, donor **coordination** with other main agencies active in the country, such as the World Bank, the IDB and USAID, is regular and good. Drawing lessons from the past country programmes, recent cooperation programmes are also designed to strengthen local Dominican institutions, initially by implementing projects through local units inside public authorities, based on local staff and mainly short-term international advisors instead of setting up consultancy-driven management units, and lately by using mainly budget support operated according to national procedures and through national systems (**alignment**). The latter approach is also deemed to facilitate a more regular, constructive and open policy dialogue and strengthen **accountability**.

III. 1.1 Focal sectors (and macro-economic support)

Education (€52m 9th EDF and €13.5m 8th EDF)

9th EDF sector budget support for education (€52m) was approved and signed by end-2006. A Financial Agreement had already been signed for institutional support amounting to €3.8m in 2005, to initiate the sector dialogue with the national authorities. A technical assistance team was contracted to increase local authorities' awareness of conditions for budget support, analyse current education policy, financing and indicators and prepare the conditions for further implementation. The TA also elaborates appropriate indicators for the sector support. The programme is closely linked to institutional strengthening of the Education Ministry as well as to other involved government institutions (ONAPLAN, ONAPRES). The Donors Committee, led by the Ministry of Education, includes the WB and IDB, which are involved in working groups and the evolution of sector policy. NSAs are actively involved in the dialogue with the Government through a coordination platform within another EU-funded programme (PRIL).

In the 8th EDF, the programme for technical-professional education support (Pro-ETP) focused on policy implementation in this sector. Main activities included the revision of curricula, a new definition of specialities adapted to the needs of the private sector and public administration, the creation of an ETP Strategic Plan. Actions involved employees of the Ministry of Education, directors of centres, sponsors, associations of parents and entrepreneurs. Teachers were trained in new specialities, new equipment was provided and Centre Committees created.

Spain implements programmes and projects in basic education and distance learning for the Baccalaureate, a programme for occupational training and integration into the labour market (within the Regional Cooperation Programme with Central America) and a programme to improve the quality of education (within the Regional Cooperation Programme with Central America). **Germany** through the KfW runs a schools building programme. **Italy** is involved in education and training.

Macro-economic support (€53m 9th EDF)

In the framework of this €53 million sector allocation, €38 million is assigned to direct budget support, €10 million to an Institutional Support Programme for Public Finance Management and €5 million to an Institutional Support Programme for Regional Integration. All of them

began to be implemented towards the end of 2006. The NIP establishes that special attention must be given to the objective of poverty alleviation, in particular with a view to equitable access to social services.

Both programmes related to public finances and regional integration focus mainly on institutions strengthening. Their purpose is to create, support and reinforce the institutions responsible for the management of public finances, from the preparation and execution of the budget to the control of its implementation. They do the same for the institutions responsible for the negotiation or implementation of trade agreements, especially the EPA.

The objective of general budget support is to enable the Government of the Dominican Republic to implement its sustainable development policies and strategies, thereby reducing poverty in an effective, efficient and transparent way. There are three means of achieving this objective: improved macro-economic stability; increased effectiveness, efficiency and transparency in the use of public funds, enhancing the capacity of government to comply with (social) spending and investment plans; and increased means to implement its sustainable development investment strategy (Millennium Development Goals), particularly for the health and education sectors.

Other donors (IMF, US, IDB, and WB) involved in macro-economic support and PFM are committed to maintain the same line on the requirements regarding their programmes of this type, that is to require the IMF programme, and in particular PFM reforms, to be implemented, otherwise no disbursements will be forthcoming.

So far, the six IMF reviews have concluded that targets related to quantitative performance criteria have been met. However, structural reforms were delayed mainly due to difficulties found in the new legal framework. The main advances in the IMF SBA are outlined below.

The Laws overhauling public finance management were approved and promulgated at the end of 2006. The Government made considerable progress in restructuring its public external debt, with a view to improving cash flow for 2005-2006 and to ensure sustainable debt service in the medium term. An agreement was reached with the London Club to restructure the principal and bilateral agreements were concluded with the Paris Club.

Banking sector reforms have progressed according to plan, but with small delays, as regards elaborating and assessing business plans of the banks. The performance indicators for the electricity sector, in particular the Cost Recovery Index, have not met the targets, requiring additional fiscal resources in 2005/06. Also, fiscal policy results were generally not as positive as planned.

Social sectors (€33.8m from the 8th EDF) – health

The Programme to Strengthen the Health System (PROSISA, €12m) was successfully completed in August 2005. The final evaluation's main conclusions were: a significant improvement in the management of drugs; development of a significant body of laws and regulations, but which had little impact for lack of adequate promulgation; a considerable effort in the training of health professionals, but which was weakened by staff changes; failure to achieve much progress in decentralisation and the setting up of the Social Security system for lack of political will. The principal recommendation was not to make new financial commitments in the sector until the development and promulgation of the proposed legislation had taken place.

The donor coordination group for health continues to meet regularly and, from the end of the EDF operations, the most important donors in the sector will be the World Bank and USAID.

The programme Environmental Health in the Santo Domingo Shanty Towns (SABAMAR, €21.8m) had a slow start but took a leap forward from 2005, especially in the building of infrastructure, so most of the funds have been already committed. There were also advances in the legislation on and the entry into service of the community refuse collection businesses. The extreme difficulty of the terrain has meant that the original budgets were insufficient, so an addendum to the FA was granted in order to increase the budget by €1.5m.

The main problems in the implementation of this programme derive from the application of EDF procedures in works contracts with local companies with weak administrative structures. However, the participation of local firms increases local involvement and ownership

France is supporting a number of programmes in this sector, both through loans (AFD) and grants: support for the National programme of “Escuelas Saludables”, installation of an Integral Health Care Unit for adolescents in the Rosa Duarte provincial hospital in Comendador, construction of a Primary Health Care Centre in Manzanillo, Montecristi province, equipment of an odontology service in the Health Care Centre of Profamilia in Santo Domingo, and an HIV/AIDS prevention programme targeting adolescents in five provinces in the border regions (in association with FNUAP). **Spain** is financing a Programme of Access to Potable Water and Basic Environmental Health, and Italy is also providing support to the sector.

Reform of the State (€29.5m from the 8th EDF)

The objective of the Programme of Modernisation and Reform of the State (PARME) is the application of sector and institutional support to strengthen democracy, the rule of law and public administration. Progress clearly depends on political will and support at the highest levels. This has not always been forthcoming, which has obstructed successful implementation in some areas. This is the reason for the request for an extension until June 2008. In general, the reform of the justice system has progressed well in all areas. Laws and institutions promoting the defence of citizens’ interests have been promoted. Significant numbers of judicial system professionals have been trained and prison reform has made substantial progress, including the management of convicted minors. In the area of public administration an important new law governing the Civil Service has been prepared, but the open merit-based exams for entry into the public service have not been established. Modernisation of the national planning office has begun. Achievements have been limited in the area of decentralisation, i.e. in legislative reform or training for local government, but direct work with municipalities has been productive. The mobilisation of the Accompanying Fund is expected to move the work on significantly and generate political acceptance of real decentralisation.

France is providing support to the Dominican Judicial Police Services and institutional support to municipalities in a selected border region, whereas **Spain** is granting support to the judiciary, working to strengthen local government and the Undersecretariat for International Cooperation and providing support to the Ministry of Tourism and the Ministry of Women’s Affairs. **Germany** is promoting a programme to foster development of democracy/decentralisation through the DED.

III.1.2 Projects and programmes outside focal sectors (8th and 9th EDF)

Programme of Support to the NAO’s Office (€0.8m)

Technical Cooperation Facility (€2.9m)

Programme of Support to Small Businesses - PROEMPRESA (€9.8m)

Second phase of Reconstruction of Schools in the Eastern Region (€1.6m)

Micro projects II programme (€7m)

Spain is also using the method of decentralised implementation through NGOs providing support to the agricultural sector and funding a programme of local development (ARAUCARIA-Enriquillo). **Germany** is engaged in support for rural development and sustainable management of natural resources through the DED, and finances a natural resource management programme and a renewable energy project through the GTZ. A new GTZ project seeks to reduce poverty through the sustainable use of natural resources on the Artebonito river basin along the Haitian border. **Italy** is also supporting projects in the agriculture sector and humanitarian aid.

Utilisation of resources for non-state actors

Programme for Local Initiatives (of civil society) – PRIL (€7m). The programme was formally launched in 2006 and a first call for proposals undertaken. Its purpose is to strengthen the sector and improve its capacity of effective involvement in public policy formulation.

Budget lines

Decentralised management of budget line projects in the Dominican Republic has continued. Despite the wide geographical and thematic spread of the projects, decentralised management has permitted closer and more fluid communication and monitoring.

III.1.3 Utilisation of Envelope B

In 2005, two measures were identified as a result of damage caused by Hurricane Jeanne (2004): Reconstruction of roads (€10m) and Disaster preparedness (€6.5m). The Reconstruction of roads programme was approved in July 2007. The project Strengthening the national capacity for disaster prevention and preparedness in the Dominican Republic (€6.5m) was signed in June 2006 and will be implemented, via the UNDP, in the north-east region of the country. This region has already benefited from previous preparedness initiatives, funded through the Humanitarian Aid DG disaster preparedness projects, which offer a good baseline to build on and maximise impact. The link between relief, rehabilitation and development will thus be strengthened.

III.1.4 Other instruments

Sysmin under the 7th EDF has provided the Dominican Republic with very valuable instruments and studies in the mining and geological fields. In the 9th EDF a project is under way to address the environmental legacy of the Pueblo Viejo gold mine, launch the National Geological Institute and support small artisan mining enterprises. Implementation of the 9th EDF Sysmin has been affected by administrative problems that will make it impossible to commit all the resources before the project end.

With a view to supporting the private sector in the country, the European Investment Bank (EIB) has conducted and is planning to conduct operations through different mechanisms to address the financing needs of clients of all sizes: micro enterprises and SMEs through specialised intermediaries (Bancos de Ahorro y Credito), medium to large companies through commercial banks (Bancos Multiples) and standalone projects through direct financing. In its strategy for the development of micro enterprises and SMEs, the Bank completed an operation in 2006 with Banco ADEMI for an amount of €3.0 million, including a capital increase in the intermediary's equity, and is completing an operation of the same type but in local currency with another institution in the sector (ADOPEM), for an amount of around €5 million, due to be signed in 2006. To support the development of medium to large companies

the Bank made available a credit line of €80 million with three local banks in December 2002. Due to the financial crisis that took place in 2003 and the consequent changes in the financial environment, the use of this line has been smaller than expected. The Bank is taking measures to reactivate the use of the facility. In this context, during 2006, the minimum loan amounts were reduced to make it available to a broader range of final beneficiaries. As regards larger and more strategic projects, the Bank is exploring operations in the energy sector, two of which are in the renewable energy sector (ethanol and wind power).

The DR is not benefiting from FLEX, the special framework of assistance for traditional ACP suppliers of bananas and the support measures for the sugar protocol, or from global initiatives for tuberculosis and malaria, education for all, the fast track or the fund for peace, and is not included in the Fisheries Partnership Agreement.

Throughout the 2003 floods, DG Humanitarian Aid financed operations in the Dominican Republic to the tune of €700 000 and during the 2004 floods that affected both the Dominican Republic and Haiti operations amounting to €2 million. On disaster preparedness, a number of small-scale initiatives have been supported through five Action Plans under its Disaster Preparedness ECHO programme since 1998. Since 2000, DG Humanitarian Aid has been working continuously on community preparedness, regional strengthening, regional information systems, strengthening of the Dominican Republic's civil defence force at national and regional levels with many NGO partners and has invested €3.85 million.

The Water Facility was successfully accessed by Dominican organisations and projects have been approved for €3.65 million. Submissions have been made under the Energy Facility, but no result has yet been announced.

III.2 Information on the programmes of the Member States and other donors (complementarity)

In the Dominican Republic, good local coordination mechanisms are in place, both among the whole donor community as well as between the European Commission and Member States. EU missions generally meet at Ambassador level to coordinate their political agenda, including issues of cooperation and visibility. The EC Delegation also invites Member States to regular exchanges of views on cooperation strategies, the status of implementation as well as specific programmes on an ad hoc basis.

The feasibility of establishing an EU roadmap increasing the coordination and harmonisation of EU aid was examined. It was considered that the main challenge would be to develop further complementarity of programmes and increase operational coordination among EU donors. Ideally, it would be advisable to start coordination in the programming phase to ensure coherence among sectors chosen, avoid duplication and ensure every donor agency works in an area of its particular competence. According to these premises the EC invited represented Member States to set up this joint cooperation strategy document to guide 10th EDF and their own bilateral cooperation. Analysis of EU external aid in the Dominican Republic shows that social sectors (education and health) and support for good governance and institutional reforms are the focal sectors for coordinated action to maximise efficiency and impact.

In addition to future common EU programming and taking account of ongoing programmes, all EU partners will coordinate more closely with a view to developing common understanding and joint actions in the sectors that are covered by more than one MS or the EC. This will most likely concern the following sectors: state reform and decentralisation (EC/DE/ES), justice (EC/ES/FR), disaster prevention (EC/ES/DE), education (EC/ES), competitiveness (EC/ES).

Sector	EC	Germany	Spain	France	Italy
Education, training, social	X	X	X	X	X
Health	X	X	X	X	X
Infrastructures, energy, water	X	X	X	X	
Private sector and regional economic integration	X		X		
Agriculture, rural development, environment	X	X	X	X	X
Democracy, governance, decentralisation	X	X	X	X	X
Budget support	X				

A general donor coordination meeting is organised on a monthly basis by local World Bank offices and involving all donors, on subjects of general interest such as the economic crisis, the electricity sector crisis, general programming issues or the poverty reduction strategy. This group is complemented by a number of sector groups, for which one agency is chosen as lead donor to assume organisation. These currently operate in the areas of education, health, justice, transparency and anti-corruption, decentralisation, gender, rural development and food security, natural resources management and disaster prevention. Spain is leading the decentralisation and gender groups and Germany is the agency in charge of the natural resources sector, while the EC is particularly active in supporting the Government's leadership of the education group by providing an external expert.

III.3 Other EC policies

Policy coherence³ for development in the case of the Dominican Republic is mainly a concern in relation to trade issues, agriculture, environment and migration policies. Synergies between EC trade policy and development policies are being promoted in the EPA negotiations. The Dominican Republic is undergoing a process of economic liberalisation, and trade agreements such as the DR-CAFTA and EPA are milestones in this strategy. Negotiations for the EU-Caribbean agreement take due account of the cornerstones of EC trade policy, insisting on regional integration and fostering links between trade and development. Provision of trade-related assistance will ensure that EPA benefits are maximised in partner countries. On the EU side, development opportunities for partners are presented through wide market access offers which, at the same time, safeguard specificities of the EU development model, such as a predominantly public provision of main health and education services or the particular place of culture in the liberalisation context.

Coherence with trade and agriculture common policies is observed in the case of sensitive products for the Dominican economy that are traded with the EU. Thus, in the context of EPA negotiations, access of the Dominican Republic as part of the Caribbean region to EU banana, rice and sugar markets on a preferential basis will be examined, in full compliance with internal CAP rules. EPA negotiations will strike a balance between the Caribbean economies' interest in export revenues from these sensitive products and EC needs for safeguarding certain markets and producer interests. The cooperation programme will seek to diversify the local export structure and foster the competitiveness of Dominican economic operators so that they can benefit from EPAs.

The EC response strategy takes account of the EU sustainable development strategy and international commitments into which the EU entered as party to the Climate Change

³ The EU takes account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries.

Convention, in fostering the preparation of suitable projects for the Clean Development Mechanism.

Finally, the Dominican Republic cooperation programme is also in line with EU migration policies, preparing conditions on the island of Hispaniola to offer the local population the possibility to make a decent living in their home countries.

III.4 Description of the political dialogue with the partner country

Political dialogue with the Dominican authorities should have a better formal structure and planning. Since 2005, the Delegation has launched, along with the Member States, several contacts at high level (Ministry of the Presidency, Ministry of External Affairs, Ministry of Finance) in the context of: (i) elaboration of a general budget support programme (€38m -9th EDF); (ii) the future reorganisation of the administration with the creation of a ministry of planning and development which will have responsibility for coordinating international cooperation; (iii) the consultation process for the 10th EDF programming exercise.

Efforts are needed to convince the Government of the usefulness of political dialogue, in particular with the EU, so that it receives more attention and is perceived as important for the country (as with the IMF or the WB, IDB).

It should be noted that political dialogue is made difficult by the fact that responsibility for coordinating international cooperation is split between different government institutions, reducing information flows and coherence of global external cooperation. In the absence of such institutional unity, the efforts of the EU to design and implement a common strategy, as well as the push towards government-led coordination processes within the budget support programmes should also lead to an improved situation. The EU hopes that the approval of a draft Law creating the Development and Planning Ministry will lead to an improved political dialogue.

On a more general level, it needs to be noted that institutionalised dialogue between the government representatives and all donors is not very developed, and mostly donors hold discussions among themselves without the presence of the Government. The latter seems hesitant to institute global or sector roundtables in which to engage in policy discussions with one or more donors.

There is an exchange of policy positions between the President and the EU Ambassadors twice a year, in which critical issues such as the human rights situation, governance, the rule of law, the fight against illegal migration and trafficking in human beings and the fight against corruption can be addressed.

On the other hand, Cotonou institutional arrangements might need to be revised to reflect the increased significance of political dialogue with partner state authorities that requires more direct contact with line ministries.

III.5 Description of the state of the partnership with the recipient country and progress towards harmonisation

In the programming exercise, the NAO's Office usually involves NSAs very strongly and the municipalities at least partially. However and in spite of a smooth exchange of information, the Dominican authorities could enhance the leadership on the programming exercise.

The European Commission invited Member States to discuss the prospects for improving the coordination of policies, the harmonisation of procedures for programming rounds and the alignment on the recipient country's budget cycles, systems and procedures. In these discussions, both the dialogue between the Commission and the Member States and the

existing coordination system could be improved. However, it was decided that the Dominican Republic was not a case for developing a Road Map, given the relatively minor number of Member States cooperating in the country.

CHAPTER IV: RESPONSE STRATEGY

In line with the EU's strategic policy objectives (European Consensus) and its international commitments and in response to the pressing needs identified in the country analysis, the main objectives of the EU cooperation programme for the Dominican Republic in the period 2008-2013 are twofold: identifying a new economic development model that takes due account of the needs for greater social and regional cohesion, and strengthening the political and economic governance of the country. EU cooperation will thus be concentrated on two focal sectors: promoting **social and human development**, on the one hand, and consolidating **governance and support for economic and institutional reforms**, on the other.

In the first focal sector, EU cooperation will seek to improve social and human development by **supporting the achievement of MDGs** in the poverty alleviation, health and education sectors. This support should be provided as general budget support, if conditions remain favourable.

In the Dominican Republic, poverty eradication and social cohesion are clearly a question of political willingness and effective implementation, given the medium income level of the country. The budget support programme provides an opportunity to support the process of turning the Government's political visions into concrete actions through an active political dialogue and constitutes the necessary incentive to ensure the implementation and follow-up of adopted policies, going beyond the immediate situation to the medium term.

The areas in which performance criteria will be selected include prominently poverty alleviation, health and education. Since labour is the main asset of the poor, emphasis should be put also on policies to promote employment opportunities for the poor, through enhancing their employability and facilitating their access to labour markets. On the issues of **social governance**, the Dominican Republic continues to display a huge gap between the level of its GDP per capita and selected social indicators, as compared to other countries. According to UN data, the country is placed 68th on a pure GDP ranking, but only 94th in the 2003 HDI ranking, taking account of health and education development parameters. At the same time, the Dominican Governments spend significantly less than the regional average on social development, especially the health and education sectors, despite repeated reference to the need to prioritise education as part of a national development strategy. In addition, income distribution is very uneven, reflecting unequal opportunities. The lowest ten percent of the population receive only 2.1% of income whereas the richest obtain 37.9%. The problem of poverty and exclusion is significant in the marginal districts of big cities and in remote rural areas, particularly accentuated along the Dominican-Haitian border, where access to drinking water and natural resources protection become issues of particular concern. While the Government is committed to achieving the Millennium Development Goals (MDGs) and even proceeded to cost them – in the context of the UN Millennium project – this commitment does not show in the annual budget. In order to achieve a significant poverty reduction in line with MDGs, political visions have to be turned into government priorities and measures. Since the Dominican Republic experiences **unequal regional, not just social, distribution** of the benefits of growth, as market forces tend to impel growth around the most dynamic and accessible poles, the way to break down these criteria on a regional basis should be sought, in order to stimulate a regional development policy to balance these effects. The support for social cohesion will also include support for fostering employability and the identification of

a new economic development model, in the framework of the second focal area, seeking to redistribute the benefits and burdens of economic activities.

The above analysis, the need to complete and complement envisaged and initiated reforms, the need for continued improvement of effectiveness, transparency and accountability of public sector management in order to maintain eligibility for implementing general or sector budget support all result in the selection of **governance and support for economic and institutional reforms** as a second focal sector for EU cooperation. Again, the choice is founded on the EU consensus and the EC strategy for the Caribbean region. This support should be provided as sector budget support, if conditions remain favourable and the assessment of the sector policy framework and other required conditions is positively concluded.

The main policy objectives include giving a fresh impetus to **public administration reforms**, in particular the implementation of the career civil service, finalising the reform of the national prison system, ensuring institutional strengthening of finance administrations and **public finance management reforms** beyond the end of the present project and consolidating policies to decentralise decision-making powers and to overcome discretionary policy making. Assistance for the effective implementation of the Government's **corruption prevention and punishment** strategy will be another major element. Planning techniques including participatory approaches have started to be applied by the Government; however, assistance is required to enhance long-term planning, coordination, comprehensive policy making, implementation and monitoring of policies and results.

Addressing **economic governance** and **competitiveness** follows the spirit of EU policies in assisting partner countries to make trade work for development, integrating with the world economy and assisting with implementing international trade policy obligations by providing for accompanying measures to economic liberalisation processes. These reforms will inevitably cause long-term economic activity shifts within manufacturing as well as within tourism and services, producing structural shifts in labour demand. A flexible labour market is essential to enable employers and employees to adapt to the emerging dynamic economic activities, but public policies should also facilitate protection for those who are likely to stay behind. Another important challenge for the competitive situation of Dominican economic operators is the provision of electric energy at reasonable prices. Currently, absent payment morale, high losses in distribution grids, an inadequate generation mix, a government policy of subsidising energy and untransparent debt relations between all operators lead to an irregular and unpredictable supply of electricity at very high costs. This constitutes a very negative incentive and burden for all economic activity. Sector budget support for economic governance addressing key aspects for economic and competitiveness policy may also enhance the implementation of energy sector reforms that are part of a National Energy Plan in order to restore viability of the sector and create the conditions for modernising and improving the generation mix and attracting private capital.

The Dominican Republic has followed a liberal trade agenda for over a decade, creating market access with its main trade partners. However, outside of free zones that benefit from special fiscal and regulatory status few producers have a competitive offer for export markets. EU cooperation needs therefore to focus on the development of competitive advantages, facilitating the development of products, quality and processes and the required human skills etc. that are competitive on an international level. Public services need to be made available for companies to benefit from liberalisation (norms, standards, certification systems, SPS, etc.). On the other hand, the successful negotiation of EPAs will intensify competition on the local markets by European operators. This requires designing and implementing a strategy to

develop competitiveness of mainly small and medium-sized enterprises that produce exclusively for the local market and that remain protected. This could include the diversification of the tourist sector to increase its backward linkages into the national economy, creating a “sophisticated” local market as a springboard for local producers before they actually tap into foreign markets. In this context, it will be important to focus on skills development and enhanced employability, particularly of the poorest and most vulnerable, in order to ensure that increased competitiveness translates into poverty alleviation.

On a more strategic policy-making level, the Dominican Republic needs to **identify a new economic development model**, taking account of the need for greater social and regional cohesion. Creating a tax system providing for more fiscal justice will be a subject of special concern. Poverty reduction and social cohesion in developed countries, to differing degrees, are promoted by redistributive policies and progressive tax systems. Tax evasion problems and the optimal fiscal structure, currently heavily based on indirect taxes, need attention and this could further require a much larger contribution of the export sector to fiscal revenue (as the special FTZ status gradually disappears under WTO pressure). The issue of developing a specific policy to channel remittances through the formal financing system and finding mechanisms to orient these savings towards development objectives will also be addressed. EU cooperation will seek to support these efforts through a regular policy dialogue, the provision of sector budget support to the pertinent sector policies of the responsible agencies and providing for technical assistance and studies, where required.

The support in both focal areas will be primarily provided as budget support, if conditions remain favourable, that is in particular: if the macro-economic environment remains stable, policy dialogue between the partners develops positively, public finance management reforms are implemented as planned, reforms in health and education as agreed with the European Commission in the budget support programmes funded from the 9th EDF are satisfactorily achieved. In addition to that, the proper assessment of the sector policy framework and other conditions required to be in place for the appraisal of sector budget support programmes will need to be carried out and concluded positively.

The risk associated with this strategy is considered to be rather moderate since economic progress is strong and sustainable; the present Government’s reform agenda is firm and reliable and will lead to the necessary institutional strengthening, and no major political changes are expected. Should these assumptions fail, consideration will be given to using the project approach to support sector policies in these areas.

Other instruments to address crucial development issues will be support in non-focal areas, decentralised cooperation via NGOs financed through budget lines (human rights, migration, participation of non-state actors etc.), the Water and Energy Facilities (solving access of the poor to drinking water and energy). In this context, a possible action could consist in granting support for the preparation of receivable projects for financing in the framework of the Clean Development Mechanism under the Convention on Climate Change, once the Dominican national authority is duly designated and notified to the UN. As a response to crisis prevention concerns, relations with neighbouring Haiti deserve specific attention in order to assist both countries in developing their complex relationship, addressing in the framework of bi-national policy strategy issues of migration, commerce and economic development, infrastructure links, public health and the environment.

Disaster preparedness and environmental risk mitigation will be an integral part of the response strategy but will be addressed through existing projects in national and regional programmes. If existing actions under previous cooperation programmes come to an end and are found deserving or require an immediate continuation of support, “reserve funds” are

available to offer the EC the possibility of extending its engagement in these areas after the end of ongoing programmes funded from previous EDFs.

PART 2

National Indicative Programme

1. Indicative Programme

1.1. Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the operations framework for each sector, the financial programming timetable and a detailed chronogram of activities for all listed programmes over a rolling three-year period.

Amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sector(s), macro-economic support and other programmes. The breakdown may be adjusted in the light of the operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

1.2. Financial instruments

1.2.1. 10th EDF, A envelope, €179 000 000

This envelope will cover long-term programmable development operations under the strategy, and in particular:

Focal Sector: Governance and support for economic and institutional reforms, notably in the areas of public administration, public finance management, preventing and punishing corruption as well as support for competitiveness including by addressing the situation in the energy sector. This will take up to €61 700 000, which represents approximately 35% of the total allocation. The implementation will be mainly (at least 85%) through sector budget support; however, a small allocation is reserved for the purposes of parallel technical assistance to the reforms in addition to the usual funds set aside for monitoring, evaluating and auditing the programme.

General budget support: This allocation is intended to cover the long-term human and social development activities conducted with a view to achieving the Millennium Development Goals, as identified in the context of the response strategy. It will absorb €91 300 000, representing approximately 51% of the total funds made available by the EC. A small allocation will be set aside for monitoring, evaluating and auditing the programme.

Non-focal area: Bi-national programme including local development of the Dominico-Haitian border region. This programme is expected to develop into a bi-national programme, co-funded from regional and Haitian national programmes, to foster development initiatives on a political, economic and commercial, social as well as cultural level in an integrated and comprehensive way. The planned allocation is expected to be €15 000 000 (or 8% of the total A envelope). The method of implementation will be traditional project support, including the provision of technical assistance, training, equipment and small-scale infrastructures.

Technical Cooperation Facility. This will take up to €7 000 000, which represents approximately 4% of the total allocation. The method of implementation will be traditional project support, including the provision of technical assistance, training, study tours, the organisation of seminars, conferences etc. for the preparation and evaluation of programmes as well as the dissemination of policies etc. related to the EU-ACP/Dominican Republic

partnership. Finally, through this facility support could be granted to the preparation of receivable projects for financing in the framework of the Clean Development Mechanism under the Convention on Climate Change.

A *Reserve* of 2% of the funds (or €4 000 000) is intended to be mobilised upon request, most likely for spending on continuing activities in areas such as trade-related assistance (EPA implementation), support for civil society or other projects funded from previous cooperation programmes that would require additional support or justify a continued engagement of the EC.

1.2.2. 10th EDF, B envelope, €15 300 000

This envelope will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

1.2.3. Investment Facility

In addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP. Some specific activities may be supported by the Centre for the Development of Enterprise (CDE) and the Centre for the Development of Agriculture (CDA).

1.2.4. Caribbean Regional Indicative programme (CRIP)

This allocation will cover long-term programmable development operations under the regional strategy for CARIFORUM. The allocation is not part of the Indicative Programme but will clearly have repercussions at national level since the main area of assistance under the CRIP will focus on support for regional integration and fostering closer links between the Dominican Republic and CARICOM. There will also be funds reserved for the implementation of EPAs on a regional level and for promoting integration on the island of Hispaniola with Haiti.

1.2.5. Other financial instruments

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013 subject to special procedure and availability of funds and out of the own resources of the EIB. Actions funded by general budget include, among others, programmes funded under Development Cooperation Instrument such as thematic programmes "investing in people", "non state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security", as well as actions funded from other instruments such as stability instrument, the instrument for the promotion of human rights and democracy or the instrument for humanitarian and emergency assistance.

1.2.6. Monitoring and evaluation

Monitoring of results and evaluations of impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and

Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with the Dominican Republic implemented through the NIP and through other external actions funded by the general budget of the European Community, will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

1.3. Focal Sector: Governance and support for economic and institutional reforms

An indicative amount of €61 700 000 will be set aside for operations in this Focal Sector.

The overall objective is to contribute to poverty eradication and social cohesion. The specific objective is to support the Government's policies in the area of governance and implementing economic and institutional reforms in order to consolidate democracy and enhance competitiveness and at the same time alleviate poverty, including by implementing energy sector reforms.

Assistance will fully be integrated within the Government's own strategy to consolidate and implement its medium-term development and international financing guidelines.

The assistance is intended to support the Government's reform programme, subject to the results of the specific feasibility and appraisal studies, in the areas of governance and institutional reforms and competitiveness, inter alia by increasing labour productivity and improving the functioning of labour markets and energy sector reforms. Given the diversity of sectors to which governance issues are relevant, these policies are formulated by different institutions and are set out in several documents, i.e. the plan for ethics and preventing and punishing corruption, the competitiveness plan and the energy sector plan. During its policy dialogue, the EC will encourage the Government and specifically the State Reform Council (CONARE) to provide for a comprehensive governance reform programme encompassing all aspects, while maintaining the delegation of implementation to the different responsible sector authorities.

Sector support will only be provided in those areas in which feasibility studies have concluded positively on the implementation of existing sector plans and strategies. Regarding possible assistance in the energy sector, the programme will concentrate on aspects of governance and elements enhancing the general competitive environment for economic operators.

The focal sector operation will be implemented through sector budget support, based on the fact that basic conditions required for budget support are currently met and provided that conditions remain favourable. This would, in particular, be the case if the macro-economic environment remains stable, policy dialogue between the partners develops positively, public finance management reforms are implemented as planned, reforms in health and education as agreed with the European Commission in the budget support programmes funded from the 9th EDF are satisfactorily carried out. However, should the conditions change, consideration will be given to using the project approach to support sector policies in these areas. However, a smaller part of the overall allocation (up to 15%) will be reserved to finance technical assistance in order to strengthen the Government's planning, coordination, policy-making, monitoring etc. functions in these areas.

The assistance will support the implementation of governance reforms, institutional and economic reforms in the following areas, according to the results of specific feasibility studies:

- Implementing a career-based civil service and other public administration reforms,
- Finalising the reform of the national prison system,
- Strengthening of finance administrations and public finance management reforms,
- Assisting the effective implementation of the Government's corruption prevention and punishment strategy,
- Enhancing competitiveness by providing for accompanying measures to economic liberalisation processes,
- Implementing diversification (sectoral and regional) and other strategies addressing the development of competitive advantages,
- Developing a specific policy to channel remittances towards development objectives,
- Promoting measures to increase labour productivity through skills development, particularly of the poorest and most vulnerable,
- Supporting measures to further improve the functioning of labour markets, with special reference to eliminating entry barriers and market segmentation that impede increased labour mobility,
- Promoting inter-enterprise cooperation, inter alia by fostering the setting-up of clusters,
- Implementation of economic governance-related reforms, inter alia, in the energy sector,
- Providing capacity development to all involved institutions.

Budget support will be delivered in the form of a three-year programme in order to maintain yearly instalments of a significant size. Funds will be disbursed on an annual basis and linked to the presence of suitable macro-economic stability and adequate progress in public finance management reforms and achievement of performance indicators in the areas of governance, economic and institutional reforms.

When and where needed, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

1.4. General budget support

An indicative amount of €91 300 000 will be set aside for general budget support.

The overall objective is to promote poverty eradication, foster social and human development and social cohesion. The specific objective is to support the Government's policies and efforts to **achieve Millennium Development Goals** in the poverty alleviation, health and education sectors.

The assistance is intended to support the Government's efforts to achieve MDGs through general budget support, based on the fact that the basic conditions required for budget support are currently met and provided that conditions remain favourable. This would in particular be the case if the macro-economic environment remains stable, the policy dialogue between the partners develops positively, public finance management reforms are implemented as planned, and reforms in health and education as agreed with the European Commission in the budget support programmes funded from the 9th EDF are satisfactorily carried out. However, should the conditions change consideration will be given to using the project approach to support sector policies in health or education.

The assistance will support the implementation of the Government's Sustainable Development Investment Strategy (Invirtiendo en el Desarrollo Sostenible) to fulfil MDGs. Special attention will be given to the objective of poverty reduction and equitable growth, including expanding access to job opportunities, facilitating labour mobility and equal opportunities for men, women and youth, ensuring completion of basic education and equitable access to health services, promoting social cohesion and maintaining an adequate regional balance in order to counter market effects tending to impel growth around the most dynamic and accessible poles only.

Assistance will fully be integrated within the Government's own strategy to consolidate and implement its medium-term development and international financing guidelines. It will also require continuous implementation by the Government of its financial administration reform programme and its plan to combat corruption.

Budget support will be delivered in the form of a five-year programme in order to maintain yearly instalments of a significant size, starting in 2009. Funds will be disbursed on an annual basis and linked to the presence of suitable macro-economic stability and adequate progress in public finance management reforms and achievement of performance indicators in the areas of education and public health, related to the MDGs.

The Government is committed to address and ensure mainstreaming of the cross-cutting issues, in particular gender, environment and institutional strengthening. On the occasion of the preparation of the GBS the Commission shall identify if, and if yes, what type of environmental assessment (SEA or EIA) shall be carried out.

Eligibility for budget support will be kept under continuous review based on the Government's commitment to the following:

- maintaining a stability-oriented macroeconomic policy framework;
- demonstrating progress in the implementation of a credible public financial management reform strategy;
- ensuring continued progress in poverty reduction through the implementation of the national development strategy."

1.5. Other programmes – Non-focal areas

Bi-national programme including local development of the Dominican-Haitian border region.

This programme is expected to develop into a bi-national programme, co-funded from regional and Haitian national programmes, to foster development initiatives on a political, economic and commercial, social as well as cultural level in an integrated and comprehensive way. The project will grant support to the Joint Commission to elaborate their strategy, which the project then seeks to support. The planned allocation is expected to be €15 000 000. The method of implementation will be traditional project support, including the provision of technical assistance, training, equipment and small-scale infrastructures. This programme requires the creation of real and solid political will on both sides of the border to commit in defining, together, a political strategy for their cooperation, which could serve as the umbrella for the identification of relevant projects in various areas or sectors such as the environment, public health, transport and other infrastructures, trade facilitation, etc. The revival of the Joint Commission to turn it into an effective instrument is a necessary condition for the successful mobilising of this support.

Technical Cooperation Facility

An indicative amount of €7 000 000 will be set aside for the Technical Cooperation Facility (TCF), notably to formulate and identify new programmes, disseminate knowledge about European policies and programmes to a Dominican public.

The overall objective of the TCF is to support the implementation of the NIP and other relevant ad hoc activities as needs emerge. The specific objective is to provide rapid financing for (i) technical assistance; (ii) training support and capacity building; and (iii) conferences and seminars. Support could also be granted to the preparation of receivable projects for financing in the framework of the Clean Development Mechanism under the Convention on Climate Change.

Reserve funds

These funds (2% or €4 000 000) are currently not allocated. However, it is already envisaged that part of the funds could be used to provide support for continuing operations, after the end of ongoing programmes funded from previous EDFs:

- Support for non-state actors,
- Trade-related technical assistance,
- Disaster preparedness and environmental risk mitigation,
- Institutional support.

1.6. Operations framework & performance indicators

1.6.2. Focal Sector – Governance and support for economic and institutional reforms

	Operation logic	Objectively verifiable indicators	Sources of verification	Assumptions
Overall objectives	To promote poverty eradication and social cohesion	Poverty and extreme poverty reduced, using a measured poverty line, according to WB poverty statistics, from 42% to 20% and from 16% to 8% Improvement on Gini index	UNDP HD Report World Bank poverty report ONAPLAN and CB reports	Policy framework is credible and predictable and economic fundamentals are sound Dominican Republic remains in good standing with the World Bank and IMF Donor resources continue to flow in No major exogenous shocks (oil price rises, natural disasters, etc.)
Programme purpose	To support the Governments' policies in the area of governance and implementing economic and institutional reforms in order to consolidate democracy and enhance competitiveness, including by implementing energy sector reforms and increasing employability	Improvement of previous year's Regulatory Quality and Government Effectiveness index Rule of Law index Ranking of DR in Global Competitiveness Index improved, to be close to top in the CAFTA area Improvement in other competitiveness indices such as Economic Freedom and Doing Business	Statistics of Secretaria de Estado de Trabajo Governance Millennium Objectives Progress Report, CONARE World Bank	Strong political commitment to the reform process No delays in donor support to maintain pace of implementation
Results	Career-based civil service and other public administration reforms implemented Reform of the national prison system finalised Finance administrations and public finance management reforms strengthened Effective implementation of the Government's corruption prevention and punishment strategy assisted Implementation of diversification and other strategies addressing the development of competitive advantages, including by promoting measures to increase labour productivity and entrepreneurship through skills development, particularly of the poorest and most vulnerable, and improved functioning of labour markets Inter-enterprise cooperation promoted, inter alia by fostering the setting-up of	At least half of all public officials incorporated into the public service passing transparent, open, competitive entrance examinations All 32 prisons of the country operate under the new mode of prison operations and procedures, developed with support from EC 2010 and 2008 PEFA report results improving strongly compared to the baseline 2006/7 study Transparency International ranking improved Number of cases examined by DEPRECO and investigations opened by the Attorney-General increasing Review of legal and regulatory framework including revision of FTZ regime to bring it into line with WTO requirements completed Share of national exports in total exports increasing Share of traditional exports in total exports decreasing Total exports of goods and services increasing in quantity and dollar	WB Country Competitiveness Indicators Procuradería General de la República reports EC/WB PEFA reports Implementation reports of the Ethics Commission Transparency International World Bank, World Business Forum Ministry of Industry and Trade reports Central Bank, National Accounts Implementation reports on the Energy Sector Reform	

	Operation logic	Objectively verifiable indicators	Sources of verification	Assumptions
	<p>clusters</p> <p>Governance-related reforms in the energy sector implemented</p> <p>Capacity of all involved institutions developed</p>	<p>terms, as well as diversification of export structure</p> <p>Active labour market policies for employment and job creation, including number of demand-driven training and skills development activities</p> <p>Employment growth by economic sectors, sex and age</p> <p>Number of operational clusters and their exports</p> <p>Policies and legal frameworks fostering small and micro entrepreneurship in growth conducive sectors</p> <p>Electricity sector Cost Recovery Index improved to more than 65%</p> <p>Private investment in energy sector increasing (generation and distribution)</p> <p>No of public servants attending specially designed training programmes developed and delivered by INAP, INCAT or other similar institutions</p> <p>Available statistics on training and skills development training and integration rates of trainees by sector, sex and age</p> <p>Number of enterprise-job seekers matching; statistics on duration in employment</p>	<p>Execution reports of training institutions</p>	

1.5.2. General budget support

	Operation logic	Objectively verifiable indicators	Sources of verification	Assumptions
Overall objectives	To promote poverty eradication, foster social and human development and social cohesion	Poverty and extreme poverty reduced, using a measured poverty line, according to WB poverty statistics, from 42% to 20% and from 16% to 8%	<p>Statistics of Secretaria de Estado de Trabajo</p> <p>UNDP HD Report</p> <p>World Bank poverty report</p> <p>ONAPLAN and CB reports</p>	<p>Domestic and regional stability is maintained</p> <p>Dominican Republic remains in good standing with the World Bank and IMF</p> <p>Donor resources continue to flow in</p> <p>No major exogenous shocks (oil price rises, natural disasters, etc.)</p>
Programme purpose	To support the Government's policies and efforts to achieve Millennium Development Goals in poverty eradication, health and education sectors	<p>HDI: DR improves its HDI composite index from 0.751 to above Latin America and Caribbean average</p> <p>Poverty eradication: positive evolution of the labour force participation rate, in particular of women and youth</p>	<p>UNDP HD Report</p> <p>MDG Report</p>	<p>Policy framework is credible and predictable and economic fundamentals are sound</p> <p>The GoDP translates the MDG into government priorities and</p>

	Operation logic	Objectively verifiable indicators	Sources of verification	Assumptions
		<p>Education: positive evolution towards universal primary completion and gender equality</p> <p>Health: positive evolution towards MDG achievement and equality in access regarding gender, age and region</p>		<p>interventions (annual budget allocations)</p> <p>Strong political commitment to the reform process</p> <p>No delays in donor support to maintain pace of implementation</p> <p>GoDR commitment to public finance management reforms sustained</p> <p>GoDR able to raise internal resources in line with financing requirements of its MDG investment strategies</p>
Results	<p>1 – Improved macro-economic stability</p> <p>2 - Increased effectiveness, efficiency and transparency in the use of public funds, enhancing the capacity of Government to comply with (social) spending and investment plans</p> <p>3 – MDG strategy (in poverty alleviation, health and education sectors) implemented and available budgets increased</p>	<p>IMF undertakes regular reviews / Article 4 consultations with positive results</p> <p>Public finance reform laws implemented</p> <p>Number of PEFA benchmarks met on annual basis</p> <p>Fiscal deficit target achieved before and after grants, according to IMF</p> <p>Greater % of expenditure spent on poverty reduction priorities</p> <p>Increased efficiency, effectiveness and transparency of social protection programmes by reducing number of programmes and introducing a stronger focus on the most vulnerable</p> <p>Effective implementation of social security scheme</p> <p>Education as % of government expenditure (excl. debt service) at least 16%</p> <p>Public health as % of government expenditure (excl. debt service) at least 12%</p> <p>Allocations to priority areas (according to strategy) within the health and education sectors increases</p> <p>Improvement in key sectoral indicators monitored in annual progress reports on Millennium Development Goals, Health and Education Sector Development Strategies</p> <p>Primary completion rate, total (% of relevant age group)</p> <p>Number of teachers trained in new skills</p> <p>Children in wage labour and not in school</p> <p>Mortality rate, under-5 (per 1 000)</p> <p>Maternal mortality ratio (per 100 000 live births)</p>	<p>National Accounts IMF SBA & Art. 4 reviews</p> <p>Coordination Forum on Public Finances</p> <p>PEFA-PFM evaluation reports IMF, National Accounts</p> <p>National budget, Execution reports</p> <p>UNDP HD and MG reports</p> <p>Social statistics and reports generated by the Ministries of Education, Health, Planning and Development, and Finance</p>	<p>Sound macro-economic management</p> <p>GDP continues to increase annually</p> <p>GoDR able to deal with economic shocks</p> <p>Political commitment to reforms</p> <p>Continuity of public services ensured by introducing permanent civil service career</p> <p>Complementary TA provided through EC and other donor projects</p>

	Operation logic	Objectively verifiable indicators	Sources of verification	Assumptions
		Incidence of tuberculosis (per 100 000 people)		

1.7. Indicative timetable for commitments and disbursements

1.7.1. Indicative timetable of global commitments

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2
1. FOCAL SECTOR – Governance and support for economic and institutional reforms	€61.7m						
- Sector policy support programme on governance and institutional reforms	€20.7m			20.7			
- Sector policy support programme on economic governance and competitiveness	€33.0m			33.0			
- CD in the area of governance and support for economic and institutional reforms	€8.0m	8.0					
2. General budget support	€91.3m						
- Budget support programme to implement MDG strategy	€91.3m			91.3			
NON-FOCAL AREAS	€26.0m						
- Bi-national programme including local development of the Dominico-Haitian border region	€15.0m	15.0					
- Technical cooperation facility	€7.0m	4.0					3.0
- Reserve	€4.0m						4.0
Total commitments:	€m	27.0	0	145.0	0	0	7.0
Total cumulative commitments:	€m	27.0	27.0	172.0	172.0	172.0	179

1.7.2. Indicative timetable of disbursements

	Indicative allocation	2008		2009		2010→	
		1	2	1	2	1	2->
1. FOCAL SECTOR – Governance and support for economic and institutional reforms	€61.7m						
- Sector policy support programme on governance and institutional reforms	€20.7m		4.0	4.0	4.0		8.7
- Sector policy support programme on economic governance and competitiveness	€33m				8.0		25.0
- TA on governance and support for economic and institutional reforms	€8m				1.0		7.0
1. General budget support	€91.3m						
- Budget support programme to implement MDG strategy	€91.3m				15.0		76.3
NON-FOCAL AREAS	€26.0m						
- Bi-national programme including local development of the Dominico-Haitian border region	€15.0m		1.5	1.5	4.0		8.0
- Technical cooperation facility	€7.0m	0.5	0.5	0.5	0.5	0.5	4.5
- Reserve	€4.0m						4.0
Total commitments:	€m	0.5	6.0	6.0	32.5		134.0
Total cumulative commitments:	€m	0.5	6.5	12.5	45.0		179.0

1.8. Chronogram of activities

1. FOCAL SECTOR – Governance and support for economic and institutional reforms	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Sector policy support programme on governance and institutional reforms	€20.7m	FP*	FP	FP	FP	FD	■	■	■	■	■	■	■
- Sector policy support programme on economic governance and competitiveness	€33.0m	FS*	FS*	FP	FP	FD	■	■	■	■	■	■	■
- CD on governance and support for economic and institutional reforms	€8.0m	FP*	FD	■	■	■	■	■	■	■	■	■	■
2. General budget support		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Budget support programme to implement MDG strategy	€91.3m	FS	FS	FP	FP	FD	■	■	■	■	■	■	■
NON-FOCAL AREAS		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Bi-national programme including local development of the Dominico-Haitian border region	€15.0m		FD*	■	■	■	■	■	■	■	■	■	■
- Technical cooperation facility	€7.0m		FD*	■	■	■	■	■	■	■	■	■	■
- Reserve	€4.0m												

FS: Feasibility study
 FP: Financing proposal
 FD: Financing decision
 ■ : Project implementation

* FP will start to be drafted before 2008, if necessary with support funded from the 9th EDF.

ANNEXES

- 1. “Country at a glance” table**
- 2. Donor matrix**
- 3. Executive summary of the Country Environmental Profile**
- 4. Country migration profile**
- 5. CSP drafting process: particular attention to involvement of NSA and local authorities**
- 6. N/A**
- 7. Table including partner country positions in relation to key international conventions**
- 8. N/A**
- 9. List of Government’s commitments**

ANNEX 1. "Country at a glance" table

Indicator	2001	2002	2003	2004	2005	2006	2007
1. Population (2)	8.4	8.6	8.7	8.9	9.0		
2. Population growth (in %) (1)	1.8	1.8	1.8	1.8	1.8		
3. GDP per capita (in USD) (2)	2578	2536	1907	2102	3247		
4. Growth of real GDP (in %) (3)	3.6	4.4	-1.9	2.0	9.3	10.0	6.0
5. Gross capital formation as % of GDP (3) of which FDI (in %, own calculation)	23.1	22.5	23.0	20.5	19.8		
6. External debt as % of GDP (2)	19.3	21.7	36.5	34.7	22.7	25.6	26.0
7. External debt service as % of GDP (2)	2.2	2.1	5.5	4.3	7.3	6.1	6.3
8. arrears on domestic debt			4.2		0;SBA		
8. Exports as share of GDP of which... (main sectors of concentration / main export markets)	38.5 FTZ US	37.7 FTZ US	53.0 FTZ US	49.3 FTZ US	34.7 FTZ US		
9. Trade balance as % of GDP (3)	-50.7	-50.9	-30.4	-27.0	-44.1		
10. Government income as % of GDP (3) of which ... (main sources of income)	16.7	16.9	16.8 Income tax	18.5 VAT	18.2 VAT		
11. Government expenditures as % GDP (3) of which ... (main areas of expenditure: combined social sectors; debt service as % budget)	18.6	19.1	17.2	17.5 37% 32%	16.7 32% 31%	27%	
12. Budget deficit – Central Govmt (3) (effective data rather than budgeted data where possible)	-2.4	-2.7	-5.2	-4.0	-0.7	-0.8	
13. Inflation (2)	4.4	10.5	42.7	28.7	7.4		4.8
14. Exchange rate RD\$/€ (2)	14.6	15.8	31.6	48.8	35.7	40.6	

; 1= World Bank, 2= Central Bank, 3= IMF

ANNEX 1. Table on MDGs progress

	reference	Year ref	2002-2004	2005	forecast 2015	target 2015	fulfilment	source
MDG I: Eradicate extreme poverty and hunger								
Goal 1. Reduce by half of people living on less than a dollar a day	28%	2002				14%	Likely	UNDP/Central Bank
Goal 2. Reduce by half the proportion of people who suffer from hanger	27%	1990-1992	25%		21.7%	13.5%	No	FAO
MDG II: Achieve universal primary education								
Goal 3. All the girls and boys complete a full course of primary schooling	22%	1990	53%	63.5%	87%	100%	No	National Health enquiry (ENDESA)
MDG III: Promote gender equality and empower women								
Goal 4. Eliminate gender disparity in • primary • secondary education	0.97 1.25	1996-97	0.96 1.24	0.958 1.182	1 1.2	1 1	Yes Yes	Ministry of Education
MDG IV: Reduce child mortality								
Goal 5. Reduce by two thirds the mortality rate among children under five	58 x 100,000 born alive	1992	38 x 100,000 born alive		12 x 100,000 born alive	19 x 100,000 born alive	Yes	ENDESA
MDG V. Improve maternal health								
Goal 6. Reduce by three quarters the maternal mortality ratio	229 x 100,000 born alive	1996	178x100,000 born alive		67.5 x 100,000 born alive	57 x 100,000 born alive	No	National Health Enquiry
MDG VI: Combat HIV/AIDS, Malaria and other diseases								
Goal 7. Halt and begin to reverse the spread of HIV/AIDS	1	2002				-1	Likely	ENDESA
Goal 8. Halt and begin to reverse the incidence major diseases • Tuberculosis • Dengue • Malaria	43 x 100,000 born alive 1938 cases 1414 cases	1992 1997 1996	44 x 100,000 born alive 6136 cases 1296 cases	2002 2003 2002	35 x 100,000 born alive 648 cases	-43 x 100,000 born alive -1938 cases -1414 cases	Yes Unlikely Yes	OPS/WHO Ministry of health OPS/WHO
MDG VII: Ensure environmental sustainability								

	reference	Year ref	2002-2004	2005	forecast 2015	target 2015	fulfilment	source
Goal 9. Reverse loss of environmental resources: <ul style="list-style-type: none"> • Vegetal cover • Protected areas • Emission Co2/per capita 	14.1% 16.2% territor.. 1,356 ton.	1980 1998 1990	27.5% 19% 2,813 ton.	1996 2000 1998		- 14.1% + 16.2% - 1,356 ton.	Unlikely Yes Unlikely	USDA/MSU Law 64-00 UNDP/Ministry of natural resources
Goal 10. Reduce by half the proportion of people without sustainable access to <ul style="list-style-type: none"> • drinkable water • and to basic sanitation services 	17.0% 60%	1990 1990	14.0% 90%	2002 2000	9.5%	30% 8.5%	NO Yes	UNICEF OPS-UNICEF
Goal 11. Improve living conditions of slums dwellers Accommodation deficit	800 000 units	2003				-700000 units	Unlikely	ERP

Millennium Development Goals					
	1990	1995	1998	2001	2004
Goal 1: Eradicate extreme poverty and hunger					
Income share held by lowest 20%	..	..	..	..	4
Malnutrition prevalence, weight for age (% of children under 5)	10	6	..	5	..
Poverty gap at \$1 a day (PPP) (%)	1	1	..	..	1
Poverty headcount ratio at \$1 a day (PPP) (% of population)	4	2	..	..	3
Poverty headcount ratio at national poverty line (% of population)	..	..	29	..	..
Prevalence of undernourishment (% of population)	..	..	26	..	27
Goal 2: Achieve universal primary education					
Literacy rate, youth total (% of people ages 15-24)	87	..	..	..	94
Persistence to grade 5, total (% of cohort)	..	..	72	74	59
Primary completion rate, total (% of relevant age group)	..	61.1	69.2	93	90.8
School enrolment, primary (% net)	57	..	82	94	86
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliament (%)	8	..	12	16	17
Ratio of girls to boys in primary and secondary education (%)	..	..	106	108.2	104.8
Ratio of young literate females to males (% ages 15-24)	101.6	..	..	..	102.6
Share of women employed in the non-agricultural sector (% of total non-agricultural employment)	35	36	35	35	35
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	96	96	95	98	79
Mortality rate, infant (per 1,000 live births)	50	42	..	33	27
Mortality rate, under-5 (per 1,000)	65	53	..	40	32
Goal 5: Improve maternal health					
Births attended by skilled health staff (% of total)	93.1	95.8	..	97.8	..
Maternal mortality ratio (modelled estimate, per 100,000 live births)	..	..	..	150	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Children orphaned by HIV/AIDS	..	..	..	..	..
Contraceptive prevalence (% of women ages 15-49)	56	64	69	70	..
Incidence of tuberculosis (per 100,000 people)	143.4	..	..	..	90.6
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	1	1
Tuberculosis cases detected under DOTS (%)	..	..	8.9	9.5	71.4
Goal 7: Ensure environmental sustainability					
CO2 emissions (metric tons per capita)	1.3	2.1	2.8	2.5	..
Forest area (% of land area)	28	..	..	28	28
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	7	6	6	7	7
Improved sanitation facilities (% of population with access)	52	..	..	..	78
Improved water source (% of population with access)	84	..	..	..	95
Nationally protected areas (% of total land area)	..	..	..	..	51.9
Goal 8: Develop a global partnership for development					
Aid per capita (current US\$)	14.4	15.6	15.1	12.8	9.9
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	11	6	4	7	7
Fixed line and mobile phone subscribers (per 1,000 people)	48.6	83.2	122.3	265.3	395.8
Internet users (per 1,000 people)	0	0.2	2.5	47.4	91.2
Personal computers (per 1,000 people)	..	..	..	0.5	..
Total debt service (% of exports of goods, services and income)	10	6	4	6	6
Unemployment, youth female (% of female labour force ages 15-24)	48.2	60.2	44.1	34.3	..
Unemployment, youth male (% of male labour force ages 15-24)	25	21.3	19.5	16.2	..
Unemployment, youth total (% of total labour force ages 15-24)	34	33.7	28.5	23.1	..

Other					
Fertility rate, total (births per woman)	3.3	3	2.7	3	2.8
GNI per capita, Atlas method (current US\$)	880	1470	1870	2310	2110
GNI, Atlas method (current US\$) (billions)	6.2	11.2	15	19.4	18.5
Gross capital formation (% of GDP)	25.1	19.5	23.5	22.9	24.3
Life expectancy at birth, total (years)	65.6	66.5	66.7	67.2	67.8
Literacy rate, adult total (% of people ages 15 and above)	79.4	..	..	..	87
Population, total (millions)	7.1	7.7	8	8.4	8.8
Trade (% of GDP)	77.5	65.2	103.1	85	98.2
Source: World Development Indicators database, September 2006					

2. Donor matrix

This matrix summarises the known interventions of other donors, including the Member States and multilateral donors. It will transparently reflect at least the results of the local coordination/harmonisation referred to above. It will highlight the division of labour and/or complementarity. The matrix will be both retrospective and prospective, covering both the past and the period 2006-2013.

The matrix must refer to the partner country's development strategy, especially, if the partner country has a Comprehensive Development Framework (CDF) or PRSP.

Annex I Financial Donor Matrix in the Dominican Republic (million US\$)
On going and Planned Funds (WB Red Book 2003)

GRANTS

	Agriculture	Balance of Payment	Education	Energy	Environment	Governance	Health	Humanitarian Assistance	Private sector Development	Tranports and Ports	Telecommunications	Water and Urban Infrastructure	Other	TOTAL	% of TOTAL
WB	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.9	0.0	2.2	0.2
IDB	0.2	0.0	1.1	0.3	0.8	2.4	0.0	0.0	2.6	0.3	0.0	1.1	5.0	13.6	1.5
UN Organisations	7.6	0.0	4.1	0.1	0.0	14.9	12.9	0.4	0.0	0.0	0.0	0.0	7.3	47.1	5.3
Germany	0.0	0.0	15.8	2.0	20.6	6.4	1.6	0.0	1.8	0.0	0.0	4.3	1.5	53.9	6.0
Spain	0.0	0.0	5.8	0.0	11.8	5.3	10.6	0.0	2.2	0.0	0.0	7.3	3.2	46.2	5.2
USA	0.0	0.0	10.2	0.0	12.0	54.0	89.8	0.0	13.0	0.0	0.0	0.0	28.2	207.2	23.2
Canada	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0	1.0	0.4	1.7	0.2
China/Taiwan	6.5	0.0	23.2	0.0	8.8	0.0	15.0	0.0	0.0	0.0	0.0	0.0	1.3	54.7	6.1
Others	1.7	0.0	0.0	0.0	0.5	0.4	0.0	0.8	0.1	0.0	0.0	0.0	2.0	5.5	0.6
EC	4.7	66.2	110.8	66.8	2.5	42.2	44.9	33.7	18.5	14.9	0.0	27.2	29.8	462.2	51.7
TOTAL	20.6	66.2	171.0	69.2	57.0	127.0	174.8	34.9	38.2	15.2	0.0	41.8	78.6	894.3	100.0
% EC	22.7	100.0	64.8	96.5	4.4	33.2	25.7	96.8	48.5	98.0	0.0	65.0	38.0	51.7	

Note: The allocation of the EC in the Energy sector includes also the SYSMIN programme, i.e. the mining sector.

2002-08 in million €

	Agric.	BoP	Educ.	Energy	Env.mt	Govern.	Health	Hum.Aid	PSD	Transp.	Telec.	Water /Infr.	Other	Total
Italy	1.0		2.1				2.1	0.4					1.0	6.6

2006-2011

France	0.4		0.2			3.85	0.1		0.23				2.8	7.6
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LOANS

	Agriculture	Balance of Payment	Education	Energy	Environment	Governance	Health	Humanitarian Assistance	Private sector Development	Tranports and Ports	Telecommunication	Water and Urban Infrastructure	Other	TOTAL	% of TOTAL
IMF	0.0	657.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	657.0	17.9
WB	27.6	100.0	82.4	177.3	3.0	12.5	85.0	0.0	0.0	75.0	12.3	5.0	111.1	691.3	18.9
IDB	107.0	500.0	234.9	0.0	105.0	255.9	61.2	0.0	36.0	48.0	0.0	31.3	89.0	1468.3	40.1
UN Organisations	41.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	41.0	1.1
France	27.0	0.0	11.4	6.5	6.6	0.0	0.0	0.0	10.8	0.0	0.0	21.6	3.4	87.2	2.4
Germany	0.0	0.0	8.3	28.1	0.0	0.0	1.4	0.0	0.0	0.0	0.0	11.2	2.5	51.6	1.4
Spain	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.7	0.0	0.0	0.0	0.0	10.7	0.3
Brazil	0.0	0.0	0.0	19.8	0.0	0.0	0.0	0.0	0.0	24.7	0.0	70.6	0.0	115.1	3.1
Canada	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	0.0	0.0	131.3	0.0	132.8	3.6
Venezuela	0.0	0.0	0.0	23.2	0.0	0.0	0.0	0.0	0.0	13.2	0.0	65.7	0.0	102.1	2.8
Japan	73.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	73.9	2.0
China/Taiwan	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5	17.5	0.5
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.1	0.0	5.1	0.1
EIB	0.0	0.0	0.0	30.0	0.0	0.0	0.0	0.0	179.9	0.0	0.0	0.0	0.0	209.9	5.7
TOTAL	286.5	1257.0	337.1	285.0	114.6	268.4	147.6	0.0	239.0	160.9	12.3	341.7	213.5	3663.3	
% EIB	0.0	0.0	0.0	10.5	0.0	0.0	0.0	0.0	75.3	0.0	0.0	0.0	0.0	5.7	
TOTAL Grants+Loans	307.0	1323.2	508.0	354.2	171.6	395.4	322.4	34.9	277.1	176.1	12.3	383.5	292.0	4557.6	
% EC+EIB	1.5	5.0	21.8	27.3	1.5	10.7	13.9	96.8	71.6	8.5	0.0	7.1	10.2	14.7	

3. Executive summary of the Country Environmental Profile

DOMINICAN REPUBLIC: AN ENVIRONMENT PROFILE

The Dominican Republic, one of the Greater Antilles, lies between Latitudes 17° 00' and 20° 00' of N and Longitudes 68° 71 and 72° 00 W. With a population of approximately 8.6 million inhabitants and a territorial extension of 48.670,82 Kms² it occupies the Eastern two thirds of the Hispaniola Island, which it shares with Haiti. Geologically the island consists of a small exposure of the Caribbean tectonic plate, bound and crossed by E-W fault zones.

In 1981 the US Agency for International Development (USAID) helped prepare the first comprehensive Country Environmental Profile for the Dominican Republic which was updated in 2001. During this period (*called the “*reference period*” or “*r/p*” hereafter) the country experienced major changes: (i) the population almost doubled in reaching its present nearly 8.6M inhabitants, of which 2/3 are urban-dwellers compared to only 1/3 in 1970; (ii) The once prevailing agricultural activities have been displaced: by a very productive tourism sector, by light manufacturing and by financial services.

Throughout the 1990s, the Dominican Republic ranked among the fastest growing economies in the Latin American and Caribbean region. During 1991-2000, the economy grew on average by 5.9 percent per year and per capita income increased by 4.1 percent per year. The sustained economic growth over the last 30 years contributed to the welfare of most Dominicans and accelerated poverty reduction, as can be seen in various social indicators quoted by the World Bank: *infant mortality* decreased from 91 out of 1,000, births in 1970 to 38 out of 1,000 births in 2002; *illiteracy* decreased from 33 out of 1,000 adults in 1970 to 16 out of 1,000 adults in 2002; *life expectancy* jumped from 59 years total in 1970 to 67.2 years in 2002; *poverty rate* decreased from 33.9 percent in 1992 to 28.6 percent in 1998.

Significant Environmental Trends

The unrestrained use and intensive consumption of natural resources has been a constant in the past only worsened by the recent social and economic changes which brought conspicuous impacts upon almost every environmental aspect. The most obvious are those affecting land and land use: While erosion -following massive forest exploitation during the 60s- was already a matter of concern in 1981, by 2000 the land surface classified as eroded, arid or damaged had increased an appalling 400% (UNDP, 2000).

The fading of a vegetal cover, particularly wooded areas, is closely connected to erosion. Although methodological differences may mask the true forest surfaces existing between 1980 y 1998, forest loss has progressed through the 80s. Only by the end of the 90s there was some evidence of recuperation attributed to Government's reforestation efforts like the Sierra Plan, FEPROBOSUR, the widening of nationally protected areas and the forest surveillance.

Dominican Biodiversity has been affected by societal changes during the last decades. Since 1981 no less than 10% of all national species –and maybe as much as one third of all vertebrates- became endangered. Although the decline in Biodiversity has also been correlated with vanishing forest habitats during the 80s, forest stabilisation and recuperation may be playing a corrective role now.

The booming tourism is the second greatest danger for Biodiversity, particularly along coastal habitats. For instance, the prevalingly shoreline-located lodging industry (hotels, restaurants, bars) has grown at a yearly 13% rate over the 1994-98 period. A flourishing construction sector together with tourist arrivals -2.5M tourists visited the Dominican Republic in 1999- has put extreme pressure on both plant (marine algal plains, mangroves) and animal (coral reefs, sea turtles) life in coastal habitats.

The agricultural sector, albeit growing urban trends, has diversified through the *r/p*. If sugar cane and subsistence agriculture on hill-slopes prevailed in 1980, with time the system evolved towards export value products like tomatoes, bananas, plantains and yucca, with considerable increase in the culture of rice, a basic alimentation for the island. This progress went hand in hand with the use of processed fertilisers and related chemical products. Soil salinisation has increased dramatically as a result of the proliferation of low-irrigation agriculture which uses inadequate techniques. It tends to affect coastal plains and the lower stretches of river basins. Overexploitation of water resources during the last 20 years has considerably reduced the water flow within river basins during dry season (vgr. Along the Yaque del Norte and Yuna rivers) bearing a negative impact upon the different habitats along the river course.

Among water-related trends, both the sustained silting of dams and reservoirs and the intensified demand of water met by an unhealthy, poor-quality supply remain unresolved. If unmitigated silting within confined water resources was already a matter of considerable concern back in 1981 nowadays the problem has worsened. The overall national storage capacity of dams and reservoirs has considerably declined. The apparent shrinking in the storage capacity of reservoirs designed for agricultural uses is within the 10%-25% range. Natural disasters such as hurricanes do accelerate the silting, but soil erosion and landslides that occur in the upper part of river basins also contribute to the process.

The population growth finds a correlation in the growing water-demand. Water-demand for domestic uses has increased more than sevenfold, i.e. a volume in excess of 1.45 million m³ per year. The demand for agricultural uses has increased more than threefold, reaching over 1.45 million m³ per year. Likely increases could be recorded for industrial uses of water in the light manufacturing sector.

Very few studies on water quality have been carried out during the last two decades, but the impacts of water-related and water-borne diseases suggest that water pollution has already become a vital problem. This will worsen lest adequate measures are taken. One frequent source of pollution is the contamination of ground waters by nutrients because of inadequate sanitary infrastructures (namely related to the water distribution services). Between 1990 and 1998 the Government invested DOP \$22M annually in drinking water and water distribution infrastructures. But that figure only represents a scanty 3% of the national budget. The fact that the country is consuming over one million m³ of bottled water gives a clear indicator of the current deficiencies in water quality. Agricultural chemicals and waste waters produced by manufacturing and mining industries provide yet further sources for the mounting water pollution.

As concerns the environment, the Dominican associations of water users, created at the end of the 80s by INDRHI (National Institute of Water Resources) to optimise water-use in rural areas, are a welcome addition. This institutional initiative bears relevance in terms of the

broader management of natural resources. The number of associations has grown slowly but steadily and by 1999 there were 10 of them. They collect four times more for the rendering of water services than the total amount collected by the governmental administration. The benefits thusly generated are re-invested in technology and training for the members of the local associations with an aim to improve the efficiency of water-management.

The unplanned expansion of urban areas in the Dominican Republic has somehow shifted the environmental focus from topical “green environmental issues” to “brown issues”, which need short-term durable solutions, without which the impact on the welfare, morbidity and mortality of the urban populations may be considerable. Such solutions are often substituted by improvised remedial actions to the detriment of much needed preventive policies. Major unsolved problems in Dominican urban contexts are: (i) Water management; (ii) Waste management; (iii) Energy management (*sustainable energy, energy efficiency, energy saving, renewables, energy for the poor*, etc.); (iv) Air quality/greenhouse gas emissions; (v) Noise pollution; (vi) Urban environmental planning; (vii) Sustainable transport; (viii) Sustainable production and consumption; (ix) Local implementation of international environmental agreements.

On the positive side, policy making has experienced considerable overall progress. In the 80s the Dominican Government carried out 60 initiatives about Environmental Policy, mostly regulatory, focused on forbidding or controlling specific actions. But during the 90s, in the wake of the Rio Summit, political processes shifted focus towards fostering environmental awareness and launching a public dialogue on natural resources. It was then that the concept of “sustainability” entered the Dominican scene. The culmination of this process was the approval of the “General Law of Environment (64-00)” in August 2000. “Law 64” not only made possible the reorganisation of the institutional infrastructure that deals with the Environment, it has also put in place the environmental awareness which was prominently absent in so many public planning procedures. The high-profile current Ministry of the Environment, although conspicuously proactive, still lacks the budget, staff and official mandate which it would need to further consolidate its actions, expand them and help tackle the disquieting array of existing environmental problems.

4. Country migration profile

. INTRODUCTION

Migration to the EU is not a major issue, though there is considerable migration, particularly to Spain, which is governed by an intergovernmental agreement (a recent offer of 484 working visas generated 30,000 applications). There are issues of 'illegal' migration and indeed trafficking in persons, particularly of Haitian workers, women (with links to the prostitution and narco-trafficking sectors) and children (usually Haitian)

The Dominican Republic is unusual in that it is both a destination for considerable immigration from neighbouring Haiti (this is a highly charged political issue) and significant emigration to the US, Puerto Rico, the wider region and, to a lesser extent, Europe. Refugees are not an important issue as of now.

Migration in the region and within the island is a major issue. It has a severe impact, not only on the economy and development, but also on Human Rights and the democratic process. The issue is not well integrated either into government policy or our cooperation, although the Delegation has tried, with the IOM, to get approval for a programme to improve the management of Haitian immigration and the promotion of migrants' rights.

1) Outward migration

1.1 Labour market effects

There is probably an upward pull on wages and a release of labour market pressure due to emigration, though it (emigration) is becoming more difficult and the labour market and wage effects are hard to disentangle from the opposite effects of Haitian immigration.

1.2 Brain Drain

There is certainly a brain drain effect. It is in fact increasing alarmingly, according to anecdotal evidence in the current crisis. There is no evidence of active EU recruitment.

1.3 Size and Role of Remittances

They are a major source of foreign exchange. Central Bank data places them second only to tourism. Others argue that if tourism related imports are discounted, remittances are in fact the major net source of hard currency. Central Bank 2002 estimates are around US\$ 2 billion! Furthermore, remittances are received disproportionately by the poorer classes. The World Bank argues that they are a major cause of the reduction of poverty. They are also a major source of capital for small and micro enterprise in an economy where formal bank credit is still inaccessible for many and where interest rates are exorbitant (around 50% for high risk customers, if they qualify. The alternative is an extensive network of usurers in the informal sector, charging 20% per month). The country is thus highly dependent on remittances, which come mainly from the US, but increasingly also from Europe. They are seldom sent through the banking system. They either come through specialised agencies with branches in centres of diaspora population (New York, for example) or by direct delivery via family and friends. The large remittance agencies are expensive. Dominican remittances pay very high rates, averaging 16 to 20%, among the highest in Latin America.

There is much scope for promoting the use of formal banking channels and creative programmes for the rational capturing of this source of potential finance for development. The

UNDP has an interesting pilot project with remittances from highly paid baseball stars. IOM with IDB assistance is currently discussing a pilot project with governmental authorities.

1.4 Links with the Diaspora

Expatriate Dominicans in the US are increasingly well organised in a variety of ways and are beginning to have a visible political as well as cultural impact in their host society. They can register to vote in Dominican elections and are a recognised target for election campaigns. However, Dominican government has no other institutional links with its diaspora (Yet. This may well change).

There is no policy in place for returnees

1.5 Emigration Policy

There is no emigration policy. There is a labour migration agreement with Spain that authorities would like to expand to other countries. IOM has tried to establish a labour migration unit at the Ministry of Labour, so far without results. There are periodic gestures towards the control of illegal emigration by boat, but little in the way of a real policy.

1.6 Undocumented emigrants

Although data is scarce, there may be some 15-20,000 Dominicans who try every year to reach Puerto Rico illegally by boat. More than half are detained before leaving or interdicted at sea by the US Coast Guard. An unknown figure drowns in the attempt. A small number of Dominicans try to reach the US by air using falsified visas, but they are usually detected at departure or upon arrival. Illegal travel by boat to Puerto Rico is handled by organised networks, but although many traffickers have been arrested (over 100 in 2002) no one has been successfully prosecuted. There is no significant trafficking in illegal immigrants to Europe, but there are fraudulent services offered to gullible would be emigrants.

There are also small but active networks trafficking women and minors to Central America, Haiti and, until recently, Argentina. IOM initiated in 2001 a programme against trafficking in persons and in August 2003 legislation against trafficking was passed. So far the EU is not involved in these issues.

There are organized networks that use the Dominican Republic as transit point for Chinese nationals travelling towards the US. IOM estimates than 1,000 or more may be trafficked each year. There are occasionally Albanians and to a lesser extent Russians and East Europeans also.

2) Inward Migration

2.1 Contribution of Immigrants

Immigration is normally synonymous with Haitian here, though European, Colombian and Cuban immigration is not insignificant and is very differently constituted from the Haitian, being largely professional. There are few figures on and no analysis of this aspect of the immigration phenomenon. This may well change as the process accelerates.

Haitian immigrants have made an enormous contribution to the development and growth of the Dominican economy, at least since the early years of the 20th century, when they began to supply the bulk of the unskilled labour in the key sugar industry. In recent years, they have

diversified into most agricultural branches and construction, where they are a significant part of the labour force. They are employed in large and small rural and urban businesses. They are significantly present in domestic service and increasingly in petty commerce. The profile of the typical immigrant is changing. They are increasingly of urban origin and often have some formal education. The picture is extremely complex and highly politicised. There is a substantial community (of indeterminate and much disputed size – perhaps between 100,000 and 200,000) of ‘Dominico-Haitians’, who are either very long term ‘residents’ or the children and grandchildren of migrants, and also large numbers of more conventional short-term employment seekers. There is evidence of the flourishing of unscrupulous networks of people traffickers on both sides of the border. IOM has produced a report estimating that around 5,000 Haitian children are trafficked into the Dominican Republic each year. There are undoubted abuses and complicities of many kinds and a major national debate about both the current immigration flow and the constitutional rights of children born here of Haitian parents. A very hot and difficult dossier!

2.2 Undocumented Haitians

The IOM has just finished a survey on Haitian population that estimates that around 650,000 Haitians are living in the country in an irregular migratory situation. Many of them travel back and forth between Haiti and the DR and also have a large mobility within the country, depending on work opportunities, harvest periods, etc.

2.3 Labour market impact

There are no formal studies generating reliable statistics. IOM’s survey presents the latest socio-demographic and labour market analysis. It seems clear that they do compete with local labour, although they tend to enter hard and low status occupations that have had little attraction for Dominican workers (this may change with the current crisis). The general assumption is that they have depressed wage levels in the sectors where they are concentrated. There is an interesting debate about the economic impact of this. On the one hand it is argued that they have contributed to growth, profits and the ability to compete in sectors which would otherwise have been uncompetitive and on the other that this is precisely what has delayed or avoided the necessary modernisation of certain economic sectors and allowed them to survive, instead of being disciplined by the market into extinction. It is clear that cheap migrant labour reduces incentives for new technologies or increases in productivity.

2.4 Vulnerability

Haitian immigrants are extremely vulnerable to exploitation. They are often undocumented, often illiterate, and often desperate. There are frequent cases of abuse of all kinds, including the use of the state forces to deport workers just before they are due to be paid.

2.5 Disaggregated analysis of (Haitian) immigrant population (class, gender, age, education) profile

Haitians generally occupy the lowest social position in Dominican society (with some individual exceptions, naturally). Dominico-Haitians are a settled community and gender balanced. Current immigrants are predominately male, though there are more women than before. Women dominate the domestic service sector, but are also present in agriculture and petty trading. Their education profile is generally very low. Illiteracy rates among both current migrants and the Dominico-Haitian community are high, although there has been a

perceptible change in recent years. The settled community has begun to produce some professionals and current migrants are more urban and more educated than in the days when sugar was king.

2.6 Living conditions

These are generally bad, sometimes atrocious. Many Haitians and their descendants still live in the notorious 'bateys' – former sugar workers' compounds and barracks, which have become autonomous communities. They are often isolated, always poor and sometimes destitute.

2.7 Relations with the host community

They are very complex. There is quite a lot of xenophobia and even outright racism towards Haitian and their descendants. However, it is neither uniform nor ubiquitous. There are also many signs of tolerance and even solidarity. Recent research has shown that the Haitian community here has adapted and integrated more and faster than is common in international comparisons (use of host language, self identity of nationality...etc). It is certainly true that there is a deep and unusual historical problem, in that Dominican independence was won in 1844, not from Spain but from Haiti, and successive regimes have contributed to the construction of a Dominican identity in opposition to a caricature of Haitian identity (African heritage, blackness, voodoo...etc). At elections and in times of crisis, the Haitian question is regularly manipulated.

2.8 Remittances and their impact

IOM Survey shows that despite their low salaries and income most Haitian migrants manage to save and send money to their relatives in Haiti (30% of them more than half of their income). However, the degree of poverty of Haitian migrants means that there is no significant macro-economic effect of their remittances to Haiti. They almost invariably go through informal channels, although recently a Haitian bank opened a transfer office in the Dominican Republic.

2.9 Immigration Policy

There is a new law (passed in 2004) finally replacing the one dating from 1939 and Trujillo. It is a real improvement, however, there are no implementing regulations in place and no clear signs of interest from the relevant state actors in promoting its effective use.

2.10 Undocumented ('illegal') workers

There are no reliable figures but some 20,000 Haitians enter illegally every year; around 15,000 Haitians are deported yearly by Dominican authorities (although in certain moments, semi-massive deportations of 10-15,000 Haitians have taken place over a few weeks). There may be some 20,000 European immigrants living illegally in the country, but this is not considered a 'problem' in the same way. There are networks of traffickers in the border areas.

2.11 Refugees

This is not a significant issue here, but the Jesuit Service for Refugees and Immigrants does argue that the State does not respect its obligations in the field.

2.12 Fact File

Total number of residents: 8.67 million

Of which: Own nationals 8.65 million
Immigrants 1.0 million (most are irregular and not in the census)

a) Status immigrants

Refugees no figures, but not significant
Internally displaced persons: no significant number

Immigration trend

Number of arriving immigrants in 90/95: even IOM has no data
Number of arriving immigrants in 95/2000: as above

Education: Skilled labour: All the non-Haitians are professionals, small business owners, skilled workers or retirees. Almost all the Haitians are unskilled workers, with the exception of some traders, some artisans and some teachers.

Main countries of origin: Haiti, Spain, Italy, Canada, US ... (overwhelmingly from Haiti)

Rate of return no figures. Haitians are regularly expelled, only to return again
%

Finance

Amount of outgoing migrant remittances: no figures. IOM estimates that much of meagre Haitian earnings are remitted to Haiti, but this is not significant in Dominican Republic macro-economic terms. Non Haitian immigrants tend to bring resources in to the country

b) Status Emigrants

Status emigrants

Refugees none
Labour migrants /permanent: the vast majority
Labour migrants/seasonal no figures

Legal situation emigrants

Documented
Undocumented IOM suggests 20,000 per year just to Puerto Rico %

Education: Skilled labour : Traditionally, emigration was predominantly by unskilled labour. During the recent crisis the number of professional & middle class emigrants increased (no figures)

Main countries of destination: USA, Spain, Europe, Caribbean, Canada, Latin America (see table below on diaspora populations)

Rate of return no figures

Finance

Amount of incoming migrant remittances US\$ 2,000 million (2002)

Remittances as % of GDP:

10%

Statistical Estimates

IMMIGRANTS

1.1 Haitians in irregular migratory status ⁴	650,000
1.2. Long-time Haitian residents (regularized status) ⁵	60,000
1.3 Dominico-Haitians ⁶ (descendents of migrants born in the DR)	100,000
1.4 Non-Haitian foreigners legal residents ⁷	80,000
1.5. Non-Haitian illegal residents ⁸	60,000
TOTAL	940,000

2. EMIGRANTS⁹

2.1 Dominicans in the USA ¹⁰	1,150,000
2. In Canada	250,000
3. In the Caribbean	40,000
4. In Spain	45,000
5. Rest of Europe	50,000
7. Central & South America	14,000
TOTAL	1,324,000

3 In transit Migrants in 2002

Chinese	2,000
Albanese	800
Russians, East European, others	500

⁴ Projections based in IOM survey 2003. Of these roughly 330,000 are men, 160,000 are women and 110,00 are children and minors. Of the latter, 10 to 15,000 are children/minors living without their parents.

⁵ IOM estimates based in figures from the Direction of Migration

⁶ IOM conservative estimates.

⁷ Unofficial figures from the Direction of Migration

⁸ Unofficial figures from the Direction of Migration. Includes US national, Canadians, Spaniards, Italian and German basically.

⁹ Except for the USA, the rest are IOM estimates based in different sources.

¹⁰ Figures from US 2001 Census. IOM estimates that there may be additional 150-200,000 illegal Dominican immigrants living in the US and Puerto Rico.

5. CSP drafting process: particular attention to involvement of NSA and local authorities

During the regional seminar in April 2006, a first discussion between Commissioner Michel and the Dominican Republic NAO reached a strategic agreement for the main orientations of the CSP. On this basis an Orientation Note was drafted.

Following the GEARC Council meeting of 11 April and the invitation of DG DEV, the Delegation approached all MS represented in the country to explore the possibilities for a joint programming. These consultations resulted in an agreement by the three MS operating considerable co-operation with the DR, i.e. Germany, Spain and France to assume the EC Country strategy paper for co-operation with DR in the context of their bilateral activities. They also participated actively by attending all meetings and providing inputs to the drafting process.

The EC Delegation held consultations at this prior stage to CSP drafting process with DR Government – EC co-operation and bilateral co-operation with MS depend of different departments - , EU Member States and non-state actors in May/June 2006 on the contents of the aforementioned Orientation Note. In particular, Dominican authorities realised the interest in having to negotiate only one strategy for co-operation with all EU partners and welcomed the approach. Comments were received by MS representations, Government and NSA and to the extent possible, included in the analysis.

During all the drafting process, continuous contacts and meetings were held with NAO office and Member States. In July 2006, a first CSP draft was sent to DR Government and Member States simultaneously, starting off a process of informal discussions and consultations both on the analysis presented and the global strategy proposed. In reality, there was a rather astonishing agreement between EC and MS, broadly shared as well by Government as to both analysis and response strategy. As a conclusion, the EC Country Strategy paper was finalised with the close participation and collaboration of Member States, represented in the Dominican Republic and in close contacts and discussions with Government through the NAO.

Once the draft country strategy document was sufficiently mature to be shared with the general public, a second –plenary- consultation process with NSA including local authorities was convened by Government on October, 3. This meeting also supported the analysis and proposed response strategy, underscoring the particular importance of taking due account of cross-cutting issues, such as gender and environment.

7. Table including partner country positions in relation to key international conventions

The Dominican Republic has signed and / or ratified a series of International Agreements regarding Human Rights and Fundamental Labour Rights

Covenant on Civil and Political Rights

Covenant on Economic, Social, and Cultural Rights

Convention on Elimination of Discrimination Against Women

Convention on the Rights of the Child

Convention Against Torture: **signed but not ratified**

Convention on Status of the Refugees

Convention on the Status of Stateless Persons (1960) : NO

Convention Against Genocide

The Geneva Convention and its first and second Protocols

Charter of the United Nations

Freedom of Association and Protection of the Right to Organize Convention, no.87, 1948

Right to Organize and Collective Bargaining Convention, no. 98, 1949

Forced Labour Convention, no. 29, 1930

Abolition of Forced Labour Convention, no. 105, 1957

Equal Remuneration Convention, 1951 (No. 100)

Discrimination (Employment and Occupation) Convention, no. 111, 1958

Minimum Age Convention, 1973 (No. 138)

Convention on the prohibition of worst forms of Child Labour No. 182, 1999

The Dominican Republic has joined in a series of key environmental international agreements:

- UN Framework Convention on Climate Change and Kyoto Protocol (12/06/1992 and 12/02/2002),
- UN Convention on Biological Diversity (13/06/1992),
- The *Cartagena Protocol on Biosafety* (20/06/2006),
- UN Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification. (26/06/1997),
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (17/03/1987),
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (10/07/2000),
- Montreal Protocol on Substances That Deplete the Ozone Layer. (18/05/1993). (The Dominican Republic has also ratified a series of pertinent agreements on protection of the stratospheric ozone layer throughout the 1993-2001 period.)

International agreements related to marine environment joined by Dominican Republic are:

- Convention on Fishing and Conservation of Living Resources of the High Seas (11/08/1964),
- London Convention for the Prevention of Marine Pollution by Dumping Wastes and Other Matter. (30/08/1975) with no national focal points designated,
- International Convention for the Prevention of Pollution from Ships (Dominican Republic has signed five annexes to the Protocol),
- UN Convention on the Law of the Sea (Dominican Republic has signed but not ratified it).
- Convention for the Protection and Development of the Marine Environment of the Wider Caribbean Region. "*Cartagena Convention*" (24/11/1998)

9. List of Government's commitments.

	Main weaknesses identified by the Commission	Government commitments reflected in CSP
<p>1. Political democratic governance</p> <p>- Human rights</p>	<p>Lack of access to identity as citizen</p> <p>Migration Law implementation</p>	<p>No. of birth certificates regularised</p> <p>Implementing regulation compatible with ratified international agreements adopted and applied</p>
<p>- Fundamental freedoms</p> <p>- Electoral process</p> <p>- Principles of constitutional democracy</p>	<p>-</p> <p>-</p> <p>Nomination of Ombudsman (Defensor del Pueblo) pending</p>	<p>Ombudsman nominated and operational before end 2007</p>
<p>2. Political governance - rule of law</p> <p>- Judicial and law enforcement system</p>	<p>Attorneys found insufficiently qualified in evaluation still hold office</p> <p>Absence of Law de Contencioso Administrativo</p>	<p>No attorneys insufficiently qualified holding office</p> <p>Administrative Litigation Law submitted to Congress</p>
<p>3. Control of corruption</p>	<p>Absence of Persecutions and Trial (in particular, BANINTER)</p> <p>Ethics commission plan and reports published regularly</p> <p>Compliance with Law requiring "Declaración Jurada de bienes" (Law 82-97)</p>	<p>Evolution of main corruption cases. At least one sentence proclaimed.</p> <p>CEPSC Plans and Reports updated and published regularly</p> <p>80% of required officials present Sworn Statement of Properties</p>
<p>4. Government effectiveness</p> <p>- Institutional capacity</p> <p>- Public finance management</p>	<p>Absence of professional civil service acc. to Law 14-91 (only 5 out of 325 000 are career officials)</p> <p>Absence of Oficinas de Informacion (Law 200-04)</p> <p>New Organic Budget Law not approved and implemented</p> <p>Internal Control Law not voted and implemented</p>	<p>Increase of public servants designated according to Law 14-91 by 25,000</p> <p>Establishment of 10 pilot Information Offices</p> <p>New Organic Budget Law and implementation decree approved</p> <p>Internal Control Law and Implementation decree approved</p>

<p>5. Economic governance - Private sector/market friendly policies</p>	<p>Public Procurement Law not implemented</p> <p>Treasury and Public Debt Laws not fully applied</p> <p>Law creating Secretaria de hacienda not approved and implemented</p> <p>Investor security - Land property</p> <p>Energy sector not viable and costs not competitive</p>	<p>Public Procurement Law implemented: increasing % of procurement by tenders/total procurement</p> <p>Treasury and Public Debt Laws applied</p> <p>Approve the Law and Create Secretaria de hacienda</p> <p>Update and improve the cadastre</p> <p>Implement energy sector plan resulting in focalised energy subsidies</p>
<p>6. Internal and external security - Management of natural resources</p> <p>7. Social governance - Internal stability / conflict</p> <p>8. International and regional context - External threats and global security</p> <p>8. International and regional context - Regional integration</p> <p>8. International and regional context - Involvement in regional peer review mechanisms (e.g. APRM)</p> <p>8. International and regional context - Migration</p>	<p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>	<p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>-</p>
<p>9 Quality of partnership</p> <p>-Political dialogue</p> <p>-Programming dialogue</p> <p>-Non state actors</p>	<p>Absence of a structured regular all encompassing high-level dialogue between Donors and Government</p> <p>Absence of a structured regular all encompassing high-level dialogue between Donors and Government</p>	<p>No. of meetings with donors</p> <p>No. of meetings with donors</p>

Table of macroeconomic indicators

	2000	2001	2002	2003	2004	2005	2006	2007
Basic data								
1 Population (in 1000)	8,262.7	8,411.3	8,562.5	8,716.5	8,873.3	9,032.9		
- annual change in %		1.8	1.8	1.8	1.8	1.8		
2a Nominal GDP (in millions €)	22,079.0	25,084.4	25,470.4	15,927.2	15,926.0	24,788.2	25,011.9	27,546.4*
2b Nominal GDP per capita €	2,672.2	2,982.2	2,974.6	1,827.2	1,794.8	2,744.2	2,891.2	3,138.9*
2c - annual change in %		11.6	-0.3	-38.6	-1.8	52.9	5.4	8.6
3 Real GDP (annual change in %)	8.1	3.6	4.4	-1.9	2.0	9.3	10.0	6.0
4 Gross fixed capital formation (in % of GDP)	20.7	19.5	19.5	14.7	13.4	13.8	14.8	
International transactions								
5 Exports of goods and services (in % of GDP)	44.9	38.5	37.7	53.0	49.3	34.7		
- of which the most important: ... (in % of GDP)								
6 Trade balance (in % of GDP)		-50.7	-50.9	-30.4	-27.0	-44.1		
7 Current account balance (in % of GDP)	-4.4	-3.0	-3.2	5.3	4.8	-1.4	-2.1	-2.9
8 Net inflows of foreign direct investment (in % of GDP)	4.8	4.9	4.0	3.5	4.8	3.5	3.4	
9 External debt (in % of GDP)	18.6	19.3	21.5	36.5	34.7	22.7	25.6	26.0
10 Service of external debt (in % of exports of goods and non-factor services)	4.8	5.9	6.4	8.1	6.4			
11 Foreign exchange reserves (in months of imports of goods and non-factor services)								
Government								
12 Revenues (in % of GDP)		16.7	16.9	16.8	18.5	18.2		
- of which: grants (in % of GDP)								
13 Expenditure (in % of GDP)		18.6	19.1	17.2	17.5	16.7		
- of which: capital expenditure (in % of GDP)								
14a Deficit (in % of GDP) including grants	-2.1	-2.4	-2.7	-5.2	-4.0	-0.7	-0.8	
14b Deficit (in % of GDP) excluding grants								
15 Debt (in % of GDP)	25.9	23.6	26.8	56.2	53.0	43.1	44.4	42.9
- of which: external (in % of total public debt)	71.8	81.8	80.2	64.9	65.5	52.7	57.7	60.6

Other									
16	Consumer price inflation (annual average change in %)	9.0	4.4	10.5	42.7	28.7	7.4	5.2	4.8
17	Interest rate (for money, annual rate in %)	18.7	13.1	14.5	41.2	36.1	11.4	10.4	
18	Exchange rate (annual average of national currency per 1 €)	14.7	14.6	15.8	31.6	48.8	35.7	40.6	
19	Unemployment (in % of labour force, ILO definition)	13.9	15.6	16.1	17.0	18.4	17.9		
20	Employment in agriculture (in % of total employment)								

World Bank, Central Bank, STP, IMF and CEPAL

*2006 DOP/€ exchange rate