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# A REVIEW OF THE DOMINICAN REPUBLIC NATIONAL COMPETITIVENESS SYSTEM

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# A REVIEW OF THE DOMINICAN REPUBLIC NATIONAL COMPETITIVENESS SYSTEM

Best Practices for Promoting Trade-Led Equitable Growth in the LAC Region  
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# PREFACE

In a global economy, especially one that is now in crisis, it is vital for companies - and countries - to strengthen their ability to compete. Over the past two decades, to varying degrees, governments in Latin America and the Caribbean (LAC) have abandoned traditional political economies based on protectionist policies and privilege in favor of competing in an open marketplace. For most countries in the region, the change has been a long process and not without false starts and continuing challenges.

As part of the transition, most LAC nations within the past 10 years have established national competitiveness systems, strategies, or plans to help guide them in identifying and promoting necessary policy, regulatory, and institutional reforms to improve competitiveness. These initiatives have ranged from sophisticated and well-organized systems to inchoate frameworks and vague plans. Typically, but not always, a National Competitiveness Council (NCC) has been established to coordinate the public and private actors involved in the competitiveness system. Where an NCC is not present, other institutions for competitiveness (IFCs) deal with competitiveness issues, albeit in a more decentralized and less coordinated way.

USAID, along with other donors such as the IDB and World Bank, has been instrumental in encouraging LAC governments to craft and implement initiatives designed to promote and strengthen competitiveness. This study is an examination of the impact of the competitiveness system in the Dominican Republic (DR) and its key institutional components, particularly the NCC. It is intended to identify the most important obstacles to greater competitiveness and the steps that have been taken to address them.

The DR has a prominent NCC, established by decree in 2000 and made operational at the end of 2004, although it was not ratified into statute by Congress until 2006. It also has a National Systemic Competitiveness Plan (PNCS) that was drafted to provide an overall conceptual framework for action. While the PNCS is far from ideal, it represents one of many commitments to competitiveness on the part of the President of the Republic. The Government of the Dominican Republic (GODR) has displayed seriousness of purpose in its attempts to bring about the necessary policy, regulatory, and institutional reforms to improve competitiveness. While the record is somewhat mixed, the trend toward greater competitiveness is nonetheless positive.

This study examines the principal steps that have been taken to strengthen the competitive position of enterprises - small, medium, and large - and measures their results and impact. It also points to lessons learned and makes selected recommendations to strengthen even further continuing and future efforts to make

the DR more competitive - and productive - in an increasingly challenging economic environment.



# ACRONYMS

AIRD	Asociación de Industrias de la República Dominicana
AMCHAM	American Chamber of Commerce
CODOPYME	Confederación Dominicana de la Pequeña y Mediana Empresa
CONEP	Consejo Nacional de la Empresa Privada
CARICOM	Caribbean Common Market
CAS	Comité de Acción Sectorial
CEI-RD	Centro de Exportación e Inversión de la República Dominicana
CFI	Corporación para el Fomento de Industria
CNE	Comisión Nacional de Energía
DB	Doing Business
DR	Dominican Republic
DR-CAFTA	Dominican Republic-Central American Free Trade Agreement
DGA	Dirección General de Aduanas
DGII	Dirección General de Impuestos Internos
DICOEX	Dirección de Comercio Exterior
DIGENOR	Dirección General de Normas y Sistemas de Calidad
EU	European Union
FDI	Foreign Direct Investment
FTAA	Free Trade Area of the Americas
FTZ	Free Trade Zone
GODR	Government of the Dominican Republic
IDB	Inter American Development Bank
INFOTEP	Instituto de Formación Técnica y Profesional
INTEC	Instituto Nacional de Tecnología
JAD	Junta Agroempresarial Dominicana
LAC	Latin America and the Caribbean
LAC/RSD/BBEG	Bureau for Latin America and the Caribbean/Office of Regional Sustainable Development/Broad-Based Economic Growth team
MSME	Micro, Small and Medium Enterprise
NCC	National Competitiveness Council
PNCS	Plan Nacional de Competitividad Sistémica
ONAPI	Oficina Nacional de la Propiedad Industrial
SEA	Secretaría de Estado de Agricultura
SEEPD	Secretaría de Estado de Economía, Planificación y Desarrollo
SEESCYT	Secretaría de Estado de Educación Superior, Ciencia y Tecnología
SEIC	Secretaría de Estado de Industria y Comercio
SEMARENA	Secretaría de Estado de Medio Ambiente y Recursos Naturales

SIE	Superintendencia de Electricidad
SME	Small and Medium Enterprise

# EXECUTIVE SUMMARY

The Dominican Republic (DR) was selected as the first subject for a series of case studies to examine the effectiveness of selected national competitiveness systems. The case studies are meant to complement the recent report on National Competitiveness Councils (NCCs) in the Latin American and Caribbean (LAC) region, prepared by Chemonics under the Equitable Growth Best Practices project at the request of LAC/RSD/BBEG. That report focused on the role, functions, structure and composition of the Councils. The case studies, by contrast, will provide a fuller understanding of the impact and results of competitiveness systems to help develop and support NCC agendas, as well as USAID strategies and programs for broad-based economic growth. Knowledge of the reasons for successes and failures of the various competitiveness initiatives will help USAID to define its role, priorities, and approaches with respect to competitiveness strategies and programs at the national, sub-national, cluster and firm levels.

## A. PRINCIPAL FINDINGS

The findings produced no surprises and essentially confirmed the conclusions drawn from impressionistic and anecdotal material. The findings are also consistent with the brief analysis of the DR's NCC, conducted in May 2008.

- Since 2006 there have been measurable gains in competitiveness at the policy, institutional, and company levels, and the government has taken the lead in seeking to promote necessary policy and institutional reforms. Nevertheless, much more remains to be done. But considering that only four years<sup>1</sup> have lapsed since the NCC has been in operation, the progress has been significant.
- Culture is considered key to improving competitiveness at the policy, institutional, and cluster/company levels. The NCC has recognized this imperative and has developed and is implementing a communications strategy to raise awareness of the need for competitiveness at all levels.
- The competitiveness system is complex in its scope and composition and unwieldy to manage. It is less a defined “system” and more an ad hoc grouping of institutions involved in different ways and to varying degrees in dealing with competitiveness issues. While the NCC has statutory authority to coordinate the development and implementation of policies and strategies to strengthen competitiveness, it has no legal competence to compel the institutional actors in the competitiveness “system” to engage in, modify or cease activities related to its

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<sup>1</sup> The NCC began operations at the end of 2004 and beginning of 2005, although Congress did not ratify it into statute until 2006.

mandate. Despite this limitation, the Council has produced positive results and impacts.

- The NCC is very active and well regarded by private sector associations, clusters, and companies. It has provided a range of key services, including research, awareness initiatives, training, and technical assistance, and it has been a catalyst for bringing together cluster members and building trust. Importantly, the Council provides follow-up services, maintaining continuity of support, basically nurturing selected clusters that have requested its assistance.
- The major impediments to greater competitiveness remain unchanged, although there has been some progress in the effort to overcome them. Customs, for example, has undergone significant reforms. But there is still a great deal more to do with respect to corruption, taxes, and infrastructure. And energy continues to remain the critical challenge. In all fairness, however, it should be noted that this study is focusing on competitiveness issues during the period of 2006 to the present, or since the decree establishing the NCC was ratified by Congress. In the future, as additional time elapses, it will be possible to make more conclusive judgments.<sup>2</sup>
- As measured by budget outlays, the current administration generally has shown a commitment to competitiveness. In terms of education, for example, the government has been comparatively supportive, although some argue that the distribution of funds does not necessarily go to those line items most supportive of competitiveness. By contrast, expenditures in other sectors such as tourism and transportation were relatively minimal, although this is offset by dedicated taxes to support these areas. Similarly, GODR budget support for the NCC has been minimal, the lion's share of the funding coming from the IDB.

## B. CONCLUSIONS

Overall there have been measurable gains in competitiveness at the policy, institutional, and company levels, and the government, under the leadership of the President and with the active involvement of the NCC, has taken the lead in seeking to promote necessary policy and institutional reforms. Not surprisingly, there is still more to be done and some key issues remain unaddressed or deferred. Specific conclusions show that:

- The reforms that have been achieved have made a difference, and this has been the result in no small measure of the activities of the NCC. The Council has been very active at all levels - company cluster, sectoral, national. It is addressing not only the "mechanics" of competitiveness, but has been working to change attitudes and behavior, raising awareness of what competitiveness is and means, and how it can be achieved. It is conscious of the critical role played by culture in the improvement of competitiveness.

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<sup>2</sup> It needs to be emphasized that this case study is not an analysis of the NCC. But, as the Council serves as the linchpin for the competitiveness system, the decision was made to examine the period from 2006 to the present to begin to assess its impact on competitiveness as a key part of the current government's policy direction.

- The review of budget outlays was somewhat mixed, with some key accounts seeing significantly more spending while others remained basically unchanged. But on balance, there has been a trend for the government to support its rhetoric with actions, even if there continues to be a need for more resources. By this measure the government has demonstrated its intention to boost competitiveness.
- The PNCS is extremely ambitious but somewhat cumbersome. A more streamlined and manageable plan would most likely yield greater results. It would permit focus on priority areas - which are not explicitly defined in the Plan but need to be established in rank order - for the rational allocation of resources and stronger coordination of the various government agencies involved.
- The failure of political will to address forcefully the critical and thorny challenges of energy and corruption has served as a drag on greater competitiveness. The ingrained nature of corruption (which is part of the energy problem as well) admittedly makes it very difficult to confront and overcome - or at least substantially mitigate. But it is essential to make greater inroads, perhaps with more forceful participation of the international donor community serving to provide “political cover” to some degree.
- The apolitical professionalism of the NCC has endowed it with the credibility and legitimacy that it needs to remain effective. As the literature points out repeatedly, credibility and legitimacy are the currency of an NCC. This has allowed the Council to gain and maintain a reputation as a serious and impartial organization seeking policy and institutional reforms to benefit the country as a whole and not one group or sector over another.
- As the centerpiece of the GODR’s competitiveness system, the NCC still lacks the kind of independent financial stability required to ensure its operations indefinitely and across changes in governments. Given the political pressures to which it can be exposed, it would be advisable to seek other sources of income, such as an endowment, to provide it the kind of independence needed to ensure the credibility and apolitical professionalism that are necessary to maximize its impact.



# I. INTRODUCTION

## A. BACKGROUND

The Dominican Republic (DR) has been selected as the first in a series of case studies to examine the effectiveness of selected countries' competitiveness systems. The case studies are meant to complement the recent report on National Competitiveness Councils in the Latin American and Caribbean region, prepared by Chemonics under the Equitable Growth Best Practices project at the request of LAC/RSD/BBEG. That report focused on the role, functions, structure and composition of the Councils. The case studies, by contrast, will provide a fuller understanding of the impact and results of competitiveness systems to help develop and support NCC agendas, as well as USAID strategies and programs for broad-based economic growth. Knowledge of the reasons for successes and failures of the various competitiveness initiatives will help USAID to define its role, priorities, and approaches with respect to competitiveness strategies and programs at the national, sub-national, cluster and firm levels.

The case studies are also intended to contribute to the general body of development literature. In a 2003 assessment prepared for USAID by The Mitchell Group<sup>3</sup>, it was pointed out that "competitiveness theorists and practitioners are just beginning to explore strategies for measuring results and impacts from cluster-based initiatives." The study also noted that "cluster-based competitiveness initiatives aim to change mindset and behavior, neither of which happens overnight. Trust develops over time, as does understanding of and ability to put new concepts into practice."

Case studies highlighting the techniques used and the progress and impacts achieved over time will be extremely useful. As the Mitchell Group also concluded: "Very few competitiveness programs have been set up to track results or impact ... or even what has changed as a result of the cluster initiative." Ideally, this study will begin to shed light on these issues and support USAID in the design of effective initiatives that help countries create the conditions for increased competitiveness of companies and clusters.

The study examines the context in which competitiveness initiatives, projects, and institutions operate, as well as their performance, results and impacts. It reviews the DR's competitiveness system; i.e., the overall framework in which the various component pieces function, interact with each other, and are coordinated and governed. The study focuses on four sectors: agriculture, tourism, free trade zones (FTZs), and technology. The first three were chosen because of their importance to the economy and competitiveness. The technology sector, was included because of the Dominican administration's

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<sup>3</sup> *Promoting Competitiveness in Practice: An Assessment of Cluster-Based Approaches*, the Mitchell Group, November 2003.

goal to make the DR a leader in technology. In addition, the study explores how the various USAID and other donor project initiatives have worked and what their results have been.

By focusing on the cultural and political - as well as economic - environment, it will be possible to gauge the capacity of individuals and institutions to understand and put into practice concepts of competitiveness. It will also help to explain differences between the relative successes of selected national competitiveness initiatives, as well as judge the replicability of successes from one country (and political culture) to another.

## **B. OPERATIONAL DEFINITION AND OBJECTIVES**

### **1. OPERATIONAL DEFINITION**

While there are several competing definitions for the concept and term, there seems to be agreement that, at a minimum, competitiveness is the relative ability of a business to sustainably produce goods or services at a price that permits it to outsell its rivals, as well as the capability and willingness of a country to be able to put in place the policy and institutional frameworks and support services that help enterprises maximize their productivity.

With that definition in mind, USAID has developed and supported a series of competitiveness enhancement projects throughout the LAC region. The objectives of these initiatives have been to increase productivity and add value to industries and the overall economy. To create competitive advantage, firms, industries and economies must achieve and maintain an edge over market rivals. This advantage can be produced by focusing on product characteristics and business operations, such as uniqueness, quality, quantity, efficiency, productivity, access to information, branding, advertising, good service, and environmentally and socially valued standards (e.g., social marketing, fair trade practices).

Competitiveness initiatives employ a range of approaches to improve the competitive advantage of a country, region, industry, and cluster. By their nature, these initiatives incorporate various strategies, including: public-private dialogue, partnerships, association strengthening, information sharing, innovation, and workforce development. They address policy, cluster,<sup>4</sup> value chain and company level needs, either individually or in some combination.

### **2. OBJECTIVES**

The objectives of this case study are to examine the Dominican national competitiveness system and its component parts, including the NCC, key public institutions, and private organizations, in order to assess the results and impacts of the various initiatives. The scope of the analysis will include national or macro level and institutional reforms, especially as they have impacted companies and clusters, particularly as measured by changes in income, profits, and job creation.

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<sup>4</sup> The term “cluster” is defined here as a geographic concentration of interconnected [businesses](#), suppliers, and associated institutions in a particular sector.



It needs to be understood that the Dominican competitiveness system, or strategy, was first drafted as the National Competitiveness Plan in 1998 and later revised as a National Competitiveness Strategy in 2002. Ultimately it evolved into the National Systemic Competitiveness Plan (PNCS) in 2007. The NCC - the institutional centerpiece of the Strategy and later the PNCS - was initially created by presidential decree in 2001. It was ratified into statute in 2006, although it actually began operations on a modest scale the beginning of 2005, when it had its first board meeting. Needless to say, this allows a relatively short time span from which to make judgments on impact, even if some Dominican institutions have been dealing with competitiveness issues for a longer period. Still, it is important to understand the Dominican experience to date in order to draw lessons learned and best practices, as well as to identify areas for further project designs and interventions. In today's global economic climate, it is more urgent than ever for developing countries to take all feasible steps to strengthen their ability to compete successfully and increase economic opportunity wherever possible.

## II. KEY QUESTIONS

The principal questions addressed in this report are:

- What has been the impact of the national cultural framework, business environment, and political culture on determining levels of competitiveness?
- How effectively do the different actors within the competitiveness system interact and coordinate their efforts?
- What has been the role of the NCC and institutions for competitiveness (IFCs) within the system?
- What are the structure and functions of the national competitiveness system?
- Which institutional actors have been the most active in promoting/opposing the national competitiveness agenda?
- What have been the impacts on advancing competitiveness, and how and which can be attributed to the NCC?
- What have been the major obstacles to promoting competitiveness?
- How have these been addressed?
- What roles have USAID and other donor-funded projects played in promoting competitiveness and what have been the results and impact? Are there feedback loops between firm-level donor assistance and Doing Business-related policy discussions?
- What types of initiatives have had the most/least impact?
- What have been the principal reasons for successes/failures?
- What are the big issues pending?

In addition, the report examines:

- The prevailing features and values of the cultural and political environment as they impact institutional and individual behavior
- Roles of different stakeholders involved in competitiveness initiatives, institutions, and systems and how they interact
- Formal and informal mechanisms for building trust and resolving disputes
- The effectiveness of the councils and the impact of their activities
- Sustainability of results (and of capacity of local institutions/organizations to provide assistance beyond the end of donor-funded projects)
- Individual donor project objectives
- Indicators for measuring results and impact - projected results/actual results

- Points of intervention (i.e., where did donor-supported assistance take place – at the enterprise level, the policy level, or both?)

### III. PRINCIPAL FINDINGS

The findings produced no surprises and essentially confirmed the conclusions drawn from impressionistic and anecdotal material. The findings are also consistent with the brief analysis of the DR's NCC, conducted in May 2008.

- Since 2005 there have been measurable gains in competitiveness at the policy, institutional, and company levels, and the government has clearly taken the lead in seeking to promote necessary policy and institutional reforms. Nevertheless, much more remains to be done. But considering that only just four years have lapsed since the NCC has been in operation, the progress has been significant.
- Culture is considered key to improving competitiveness, at the policy, institutional, and cluster/company levels. The NCC has recognized this imperative and has developed and is implementing a communications strategy to raise awareness of the need for competitiveness at all levels in an effort to help change attitudes and behavior.
- The competitiveness system is complex in its scope and composition and unwieldy to manage. It is less a defined "system" and more an ad hoc grouping of institutions involved in different ways and to varying degrees in dealing with competitiveness issues. While the NCC has statutory authority to coordinate the development and implementation of policies and strategies to strengthen competitiveness, it has no legal competence to compel the institutional actors in the competitiveness "system" to engage in, modify or cease activities related to its mandate. Despite this limitation, the Council has produced positive results and impacts.
- The NCC is very active and well regarded by private sector associations, clusters, and companies. It has provided a range of key services, including research, awareness initiatives, training, and technical assistance, and it has been a catalyst for bringing together cluster members and building trust. Importantly, the Council provides follow-up services, maintaining continuity of support, basically nurturing selected clusters.
- The major impediments to greater competitiveness remain unchanged, although there has been some progress in the effort to overcome them. Customs, for example, has undergone significant reforms. Beyond that agency, however, there is still a great deal more to do with respect to corruption, taxes, and infrastructure. And energy continues to remain the critical challenge. In all fairness, however, it should be noted that this study is focusing on competitiveness issues during the period 2006 to the present, or since the NCC was able to operate with full statutory authority. In the future, as additional time elapses, it will be possible to make more conclusive judgments.

- As measured by budget outlays, the current administration generally has shown a commitment to competitiveness. In terms of education, for example, the government has been comparatively supportive, although some argue that the distribution of funds does not necessarily go to those line items most supportive of competitiveness. By contrast, expenditures in other sectors such as tourism and transportation were relatively minimal, although this is offset by dedicated taxes to support these areas. Similarly, GODR budget support for the NCC has been minimal, with the lion's share of the funding coming from the IDB.

## IV. APPROACH/METHODOLOGY

Once again it is important to cite the fact that only a few years have passed since the establishment of the NCC and current competitiveness system in the DR. As more time passes, there will be a greater window of opportunity to validate any conclusions on the system's effectiveness and impact. In the meantime, several trends have been identified that permit drawing conclusions with reasonable confidence. This has been strengthened by virtually universal agreement on the key issues, problems, and potential solutions to the main obstacles to achievement of greater competitiveness and sustainability of the national competitiveness system.

A straightforward methodology was used in the study, including:

- Semi-structured interviews held with 36 key representatives from government, private sector associations, civil society groups, organized labor, clusters, companies, and academia.
- A mixed close- and open-ended questionnaire sent to companies through the various private sector associations. Given time limits and the difficulties associated with conducting survey research in the DR, no sample frame was used from which to select a random sample of respondents.<sup>5</sup> There were only 35 responses, in addition to the 36 from direct personal interviews, for a total of 71. However, as noted above, the strong consensus with respect to the key issues and questions included in the survey and in the interviews, along with documentary evidence, offset to some degree the low response rate.
- Document, archival, and web site reviews, including official government and donor agency statistics, newspaper accounts, and publications.
- Direct observation - in selected companies.

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<sup>5</sup> The authors were told by researchers, including the Vice Rector at INTEC, that Dominicans are very reluctant to respond to surveys. The most effective option would have been to assemble groups and distribute the questionnaires directly to be completed. However, time and resources made that option impossible.

## V. ANALYSIS

### A. CULTURAL FRAMEWORK

In order to understand fully the role, functions, structure, and operations of the Dominican competitiveness system, it is important to put it into the national cultural context in which it functions (see Figure 1 below). Institutions, particularly in the public sector, are a product of a nation's values and behaviors. The processes for rule making, rule execution, and rule adjudication impact competitiveness. They stem from the political culture and constitute a key variable in defining institutional and individual relationships and behavior, which in turn influence economic performance. As Ingelhart has concluded, "Specific cultural factors are crucial [as they are] related to economic and macro political developments."<sup>6</sup> A report to USAID by J.E. Austin Associates comes to a similar conclusion. It "found that the leading constraint to competitiveness at the level of a nation, industry cluster or firm is the mindset of the leadership. That is why competitiveness initiatives seek to change the mindset first and then work on technical implementation."<sup>7</sup>

The political culture of the DR traditionally has been characterized by clientism, a vestige of the Trujillo era and before. Historically there has been a privileged economic class that has been allied, if not always outwardly, with the political class which has conceded to it a favored economic position. This, as elsewhere in LAC, was both a cause and effect of protected and monopolistic economies that did not feel compelled to develop a capacity to compete in an open market. However, globalization of the economy and negotiation of free trade agreements changed the rules of the game, forcing the privileged economic class to take steps to become more competitive. While there reportedly still exists some resistance to come to terms with present realities, the force of events is making it virtually impossible for companies not to develop a greater ability to compete. Still, the transition to the new economy has been culturally difficult. As the Director of Centro de Exportación e Inversión-República Dominicana (CEI-RD), the Dominican investment promotion agency, put it: "No more business as usual."<sup>8</sup> By this he meant that in order to prosper and grow, businesses in the DR will have to build their ability to compete in an open market, in large part by changing their mindset.

At the core of the larger national value framework is the "competitiveness system," or the PNCS (see Figure 1 below). This is the collection of institutional

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<sup>6</sup> Ronald Inglehart, *Modernization and Post Modernization*, Princeton University Press, 1997.

<sup>7</sup> "Competitiveness Interventions: A Review of J.E. Austin Associate's Global Experiences," prepared for USAID, December 2001

<sup>8</sup> Interview with Eddy Martinez, Executive Director, CEI-RD, October

actors that are either directly involved with competitiveness issues, such as the NCC, or in some other way have an impact on its activities and competitiveness - at the national, cluster, and company levels. While each component has a role in and impacts the system, the linkages and relationships among the various actors also determine substantially the effectiveness and degree of competitiveness at the various levels. Similarly, the internal operations and administrative processes of the institutions, especially public entities, and companies affect competitiveness. These too are in part a cause and effect of the national culture which in turn affects institutional priorities, decision making, and performance.

Competitiveness systems range from the formal and structured to the informal and disperse. However, each is made up of a set of institutional actors who are involved in promoting competitiveness, albeit in different ways and at varying levels of effectiveness. In the case of the DR these include:

- The national government - which authorized the establishment of and funds the NCC (currently 20% of its budget), which has mixed private and public sector representation, and whose activities are managed by a technical staff led by a director who also has cabinet rank, though no explicitly specified portfolio. In addition, there are at least 28 government agencies directly or indirectly involved in or that impact competitiveness.<sup>9</sup>
- The private sector - which includes business associations, individual companies (domestic and international), value chains, and clusters.
- Academia - both state and private universities that in many instances provide the base for innovation and technology and, of particular importance in the DR, basic education and vocational and technical training.
- Organized labor - whose participation tends to be under represented, certainly in relation to the private sector.
- Civil society organizations - which represent a wide range of organizations that vary in the degree and nature of their participation in the competitiveness system.

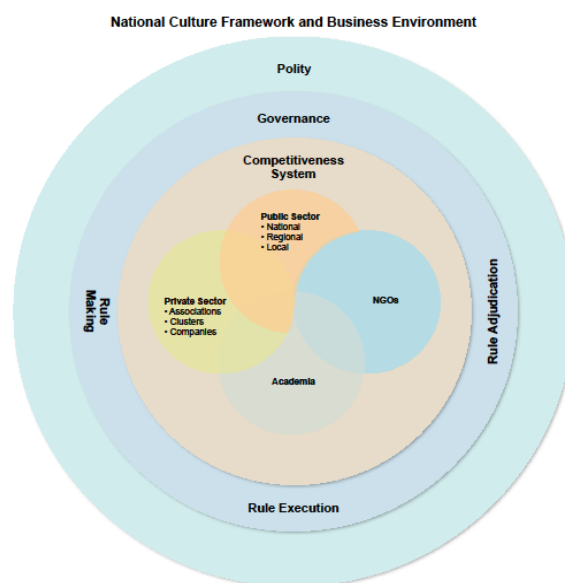
In some LAC countries, sub national governments work directly with clusters and companies. However, this is not the case in the DR. Instead, there exist Sectoral Action Committees (CASs) that work at the sector and cluster levels and are comprised of key private sector leaders, public officials and, in some cases, members of academia and civil society, who come together to discuss issues, set local or cluster agendas, hold workshops and seminars, and acquire technical assistance. The CASs are coordinated through the NCC, and are important in building trust among the various stakeholders.

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<sup>9</sup> It may be argued that there are other agencies that marginally impact competitiveness.



Figure 1.



## B. DEFINING THE PROBLEMS – THE BUSINESS ENVIRONMENT

To a large extent the business environment is a product of the national value framework. There is wide agreement that the national cultural outlook, or the *estado de mentalidad* (state of mind), is a key factor impeding achievement of greater competitiveness. One Dominican government official explained how, in his view, the country was moving from a traditional economy of privilege to one increasingly based on merit and performance, but that there was still a good deal of work to be done to fashion a more modern and competitive business environment. A leading member of the business community was more pointed when he said that “*las cosas que no tienen sentido pasan aquí*” - things that don’t make sense happen here. This was a theme that was repeated throughout interviews with managers, workers, government officials, private sector leaders, academics, and others. The fact is that, for the DR as well as other LAC countries, the transition in both the public and private sectors requires by in large a cultural shift – i.e., changes in attitudes and behavior that will allow the people and country to survive and prosper in a global market.

The political culture and social value system, as in any country, have helped spawn a set of mores and behaviors that have resulted in a series of problems hindering development of greater competitiveness at the institutional, enterprise and individual levels. Both the survey and personal interviews, supported by a review of the relevant literature, have identified consensus on a set of problems

that has created a business environment that, while making measureable progress toward achieving greater efficiencies, continues to hobble promotion of greater competitiveness.

The impediments to competitiveness may be divided into four components:

1) economic; 2) institutional; 3) political; and 4) cultural.

## ECONOMIC

- Energy

Without question energy, specifically electricity, is considered to be the most widespread, vexing and intractable problem facing business and its ability to reduce costs and compete more effectively. More than 85 percent of the companies interviewed and surveyed cited energy as a - and in most cases *the* - key constraint to improved competitiveness. It is not only the cost of energy that takes a toll, but the lack of reliability and constant outages. Some companies have back up generators, an additional cost to the price of being on the grid. In some instances, outages result not just in down time, but actually damage machinery. This has been a problem since the Trujillo era, when energy was subsidized as part of an effort to buy political support and stability. Since then, a substantial percentage (up to 50 percent, according to some reports) of customers simply do not pay their bills. Others tap into the grid illegally. While the political desire - i.e., the wish to accomplish a particular goal - may exist to take corrective measures to remedy non-payment of electric bills and the pirating of power, the political will - i.e., the willingness to make the decisions and take the risks to try to achieve the goal - appears to be lacking. Compounding the situation has been successive governments' consistent failure to negotiate contracts with energy companies that could bring down costs.

- Tax

Complaints about tax burdens may be predictable, but in the DR the issue goes beyond rates. Some businesses cite the lack of uniform (i.e., fair) enforcement of tax laws, particularly with respect to collections. In the case of the tourism sector, basic items for hotels, such as air conditioners and TVs, are considered luxuries and therefore are subject to the IVA, or value added tax, even though the export sector is supposed to be exempt. Another tax issue that has been cited as a drag on costs is a payroll tax of more than 15 percent.<sup>10</sup> This has been aggravated by a compulsory severance scheme which the government agreed to terminate but has failed to do so thus far.

- Infrastructure

Problems with deteriorating and insufficient infrastructure are widespread but not universal. Maritime ports in particular have been improving. The government has avoided reinvesting in their infrastructure by granting concessions to private companies. For example, the port of Caucedo has two concessionaires - Dubai and the Caucedo Development Corp. - that run the operations and have taken on

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<sup>10</sup> This includes, for the employer, 6.75% for pensions, 7.02% for health care, and 1.3% for "labor risks."

the responsibility to invest in the infrastructure. Airports, too, are generally adequate, although business owners in Santiago indicated that there was a need to improve and expand existing facilities. Roads, by contrast, are in many cases in disrepair. Moreover, in rural areas there were complaints that not enough secondary roads have been built to accommodate transportation of crops to markets, or where roads do exist they are not adequately maintained. Similarly, representatives from the tourism sector pointed to a deteriorated road infrastructure as a problem.

- Finance

High interest rates and short repayment terms have made access to loans difficult, especially for SMEs. This has been a problem traditionally in the DR as well as the rest of LAC. Interest rates for borrowing, for example, declined from a high of 32.4 percent in 2004 to a provisional rate of 17.56 percent in 2008.<sup>11</sup> While businesses can get loan capital, it is difficult and expensive and adds to production and service costs. According to the World Bank's Doing Business 2008, the DR had a ranking of 61, which slipped to 68 in DB 2009. Interestingly, Chile, the most competitive country in the Americas - outside of the US and Canada - ranked the same in DB 2008. However, Panama, had a ranking of 25, El Salvador 40 and Costa Rica 51.

- Transaction/Service Costs

Several respondents to the survey and in the interviews explicitly and implicitly indicated that transaction costs were an impediment to greater productivity. These were incurred specifically in the high cost of transportation, particularly in moving shipments of goods to and from ports. Unions set rates that apparently are fixed and not open to negotiation.

## INSTITUTIONAL

- Education and Training

Another component of the business environment that has proven to be a significant obstacle to increased competitiveness is the lack of adequately trained workers and even managers. This is reflected not only in a lack of adequate vocational and technical educational facilities, but also in what is universally criticized as inadequate basic education. Similarly, there is comparatively little education in the sciences and engineering to fulfill the President of the Republic's stated aspiration to make the DR a leader in high tech, although a program has recently been instituted at INTEC to produce 300 Ph.D.s annually in science and technology. The manager of a U.S. precision automobile engine components company in a FTZ indicated that while his labor force has a good work ethic, the workers all lacked basic math skills when they were hired. He established a training program to correct the problem. Interestingly, he had just moved his operation from China and called his Dominican workers "phenomenal." The proximity to the US market reduced his transportation costs to such a degree as to

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<sup>11</sup> Gobierno de la República Dominicana, Banco Central.

make the DR a much more attractive location, despite the poorly educated work force - certainly in comparison to the Chinese. Many of those interviewed believe that Dominicans have a good work ethic, although a few dissented, citing in their judgment what they view as the prevalence of an “island” or “peasant” mentality.

Some company managers indicated a need for INFOTEP, the National Technical and Professional Training Institute, to design and offer courses to respond to the needs of business. The Director of INFOTEP insisted that the Institute does indeed respond to market demands, but within existing curricula. However, she said that if there is a strong demand for other courses, they are offered. By contrast, other company managers expressed admiration for INFOTEP, and in their experience believe it is doing a good job and meeting their needs.

- **Customs and Related Agencies**

Customs is one area where there have been measurable improvements in terms of reduction of time in processing and clearing shipments and improving transparency, as will be seen in detail in the Results and Impact section of this report. But while significant steps have been taken to modernize and streamline the customs agency, other institutional actors involved in the clearance process reportedly create delays and have been accused of corruption, particularly at maritime ports. Complaints were made about the Departments of Agriculture and Health, as well as the drug enforcement, tax, and military authorities. In addition, unions control the movement of containers within the ports - as well as the transport of goods to and from ports. Owing largely to a lack of trailers, this process is slow and inefficient which results in added costs due to delays and storage fees. This is all complicated even more by unproductive sinecures,<sup>12</sup> as well as concessionaires who are members of the same port authorities who are supposed to regulate them. Customs is particularly important as it collects taxes that account for 19.5 percent of national revenues.<sup>13</sup>

## **CULTURAL**

- **Corruption**

There is consensus that a “culture of corruption,” as one government official put it, exists, especially in many government agencies, and that the rule of law is tenuous and applied arbitrarily. This is evidenced infamously, for example, in the problems associated with the electrical power system and is considered to be especially insidious in the processes involved in clearing products through customs, as noted above. In addition, a general lack of transparency in the public sector also lends itself to corruption. This culture of corruption has a long history in the DR, perhaps reaching its apogee during the Trujillo reign. But it remains deeply ingrained throughout the society at all levels. It is part of the value set and mentality that need to be overcome in order to achieve lasting gains in competitiveness. Policy and institutional reforms to modernize the government and economy alone are not enough to bring about the change required to

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<sup>12</sup> According to one senior Customs official, there are somewhere between 5000 and 6000 sinecures.

<sup>13</sup> Gobierno de la República Dominicana, Secretaría de Estado de Hacienda, 1 January 2006-31 December 2007.

strengthen competitiveness. Without the corresponding attitudinal and behavioral shifts, improvements will only be incremental and incomplete.

- Trust

Trust was considered to be an essential ingredient of improved competitiveness, reducing transaction costs and fostering cooperation. This was especially the case with respect to clusters. Trust was felt to be critical to building the kinds of relationships among the members of clusters (and value chains) to create efficiencies and economies of scale, as well as laying the groundwork for achieving consensus on issues of mutual concern. Indeed, one of the objectives of the NCC is to strengthen trust not only among cluster members, but between the public and private sectors as a foundation on which to build greater competitiveness.

- Awareness

A leitmotif throughout the interviews was - once again - that the Dominican culture does not lend itself to the type of mindset required to bring about improved competitiveness, and that there is little understanding of what competitiveness is and how it can improve standards of living. In fact, the NCC is very conscious of this problem and continues to promote awareness of competitiveness as a key part of its strategy to press for policy and institutional reforms as well as changes in behavior at the company and cluster levels.

## POLITICAL

- Leadership

The verdict is mixed on political leadership. There seems to be agreement, albeit not universal, that the President has offered a vision of where he would like to take the country in terms of competitiveness - making the DR a high tech leader and a regional financial center. He commissioned the preparation of the ambitious PNCS as the centerpiece of his vision for modernizing the economy, although it may be too complex and overreaching to be entirely workable. Indeed, some of those interviewed complained that there was little *articulación* or linkage among the different public and private institutional actors that comprise a loosely defined competitiveness system - i.e., that impact competitiveness. The President has also given a host of speeches and interviews on his aspirations for the country to develop into an established and successful competitive player in the international market place. But there are critics who feel that while his rhetoric has been eloquent and forceful, it has not been matched by follow-up in terms of more concrete actions and measurable results than have been realized to date. The reality is that there have been improvements, but still more to be done.

The private sector is not as well organized as, for example, in Colombia which has a separate private competitiveness council. As a consequence, leadership is dispersed and exercised through the various private sector associations, especially the Dominican Association of Industry (AIRD) and the Dominican Agribusiness Board (JAD), among others. Nevertheless, private sector leaders sit on the NCC

board and, with some exceptions, are actively involved through their associations in supporting policy and institutional reforms to strengthen competitiveness.

- **Political Will**

There is no question that political leadership is vital to achieving the kinds of reforms required to improve competitiveness. But this requires political will which is frequently absent. As will be seen in the Results and Impact section, there has been some clear progress toward securing policy and institutional reforms, as well as a great deal of political desire. But much remains to be accomplished, and there is at times a lack of follow-up and political will to consolidate progress and take on more challenges.

## **COMPETITIVENESS INDICATORS**

Competitiveness indices offer a comparatively stable picture of the relative status of Dominican competitiveness. According to the World Bank Doing Business (DB) indicators for 2008, the DR places 99th out of 178 countries ranked in competitiveness worldwide. It fares better on the Heritage Foundation's Economic Freedom index which places it 87th. It is useful to note that other countries differ widely on the various indices. For example, Honduras has an overall ranking of 121 on the DB indicators, while it registers 78th according to the Economic Freedom index.<sup>14</sup> Georgia is listed in the DB rankings as 18th while the World Economic Forum's Global Competitiveness Index (GCI) lists it as 90th. It is reasonable to infer, then, that the DR's rankings, which are much closer together, are comparatively more accurate in their measurement of the country's competitiveness.

In addition, the DR ranked 9th out of the ten countries in 2007 that achieved the greatest gains in competitiveness, according to DB. The areas in which the DR registered the greatest reform were: opening a business; processing of construction permits; registration of property; tax payments; cross border trade. The gains made by the DR over the past year led the World Bank to label it "a top global and regional reformer."<sup>15</sup> More detailed discussion of the indicators may be found in Section D, Results and Impact.

## **C. SEEKING SOLUTIONS: THE NATIONAL COMPETITIVENESS SYSTEM**

Because of the challenges to improving competitiveness in the DR, the government has taken several important steps to seek and implement relevant policy and institutional reforms. These actions have been led by the President of the Republic who is clearly aware of the need for the DR to improve competitiveness by implementing actions to operationalize the concept. As a key part of his efforts, he commissioned, through the NCC, the development of the PNCS. This has been the product of the President's recognition of the fact that

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<sup>14</sup> See Don Snodgrass, "Alternative Business Enabling Environment Rankings: A Quick Review," 3<sup>rd</sup> draft prepared for USAID, March 25, 2008.

<sup>15</sup> The World Bank Group, [www.doingbusiness.org](http://www.doingbusiness.org), September 10, 2008

there exists a global market and that it is incumbent upon the DR to improve its competitive position in order to grow and develop economically.

## 1. FRAMEWORK

The DR does not have the kind of formal competitiveness system found in Colombia, for example, to manage competitiveness initiatives. Indeed, the head of INTEC observed that there is really no competitiveness strategy at all. Instead, the PNCS serves essentially as the overarching strategic framework meant to guide decisions, actions, and institutional policies and activities with respect to competitiveness.

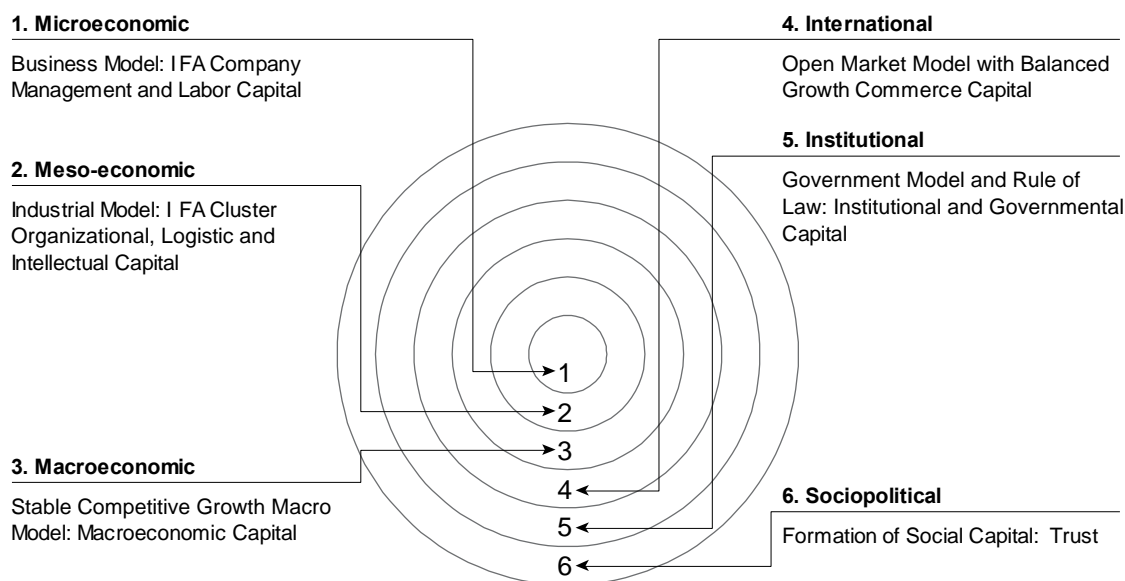
However, the 186 page PNCS, which is very ambitious in scope and aspiration, contains no statement of central goals and measurable objectives. Rather, it focuses on what different sectors should do to improve their competitiveness. It is more a narrative than a concise framework for defining and guiding explicit strategies and actions to: achieve specific goals, objectives, and priorities; allocate resources; set time lines; and benchmark results. It was conceived and drafted in part as a response to DR-CAFTA. It is predicated, at least conceptually, on the “model” depicted in Figure 2 below, and is intended to serve as a “coordination and participation mechanism for implementation” of a wide range of proposed activities. As stated in the PNCS: “The Dominican Republic National Systemic Competitiveness Plan is an action plan that allows, through the implementation of a series of actions that involve the commitment and active participation of the actors in all the sectors, a summary statement of the vision of the future.”<sup>16</sup>

**Figure 2**

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<sup>16</sup> “Plan Nacional de Competitividad Sistémica,” p.181 (authors’ translation.).





In point of fact, the PNCS is not an action plan as much as it a series of suggestive, more than prescriptive, measures that can or should be taken to achieve greater competitiveness (although it should be noted that the NCC has just completed development of a “demand-driven Action Plan for 2009-2011” with more specific priorities and lines of action, based on the PNCS). The PNCS is organized by sector, business size, cluster, economic level, and institutional, legal, educational, and physical support needs. The Plan reveals just how complicated is the set of relationships of the almost 30 public institutional actors that affect competitiveness to varying degrees and in different ways. The NCC is the key organization, of course, but some are more actively or directly involved than others including PROINDUSTRIA and CEI-RD, as well as the Departments of Industry and Commerce, Agriculture, and Tourism, all of whom sit on the NCC board.

The PNCS calls for the NCC to serve as the institutional fulcrum to help coordinate the various actions proposed in the document. The President of the Republic, in a recent move to demonstrate his government’s commitment to competitiveness, awarded the rank of State Secretary to the NCC Executive Director. This is basically equivalent to a minister without portfolio. In effect, it is largely - but not entirely - a symbolic title. It does enhance the Executive Director’s *poder de convocatoria* (convening power), giving the NCC added weight to implement its mandate to work with and coordinate activities of the various government entities involved in competitiveness activities, the private sector, and civil society. But the actual authority of the NCC is limited.

The magnitude and complexity of the effort to improve competitiveness may be seen in the number of public entities involved, either directly or indirectly. Yet despite the number of institutions involved and the complexity of relationships,



progress has been made in strengthening competitiveness, as has been documented in the DB indicators and as will be seen in Section D, Results and Impact. Still, the task is challenging.

## 2. STRUCTURE AND FUNCTIONS

### A. THE NATIONAL COMPETITIVENESS COUNCIL

The competitiveness “system,” such as it is, is structured around the NCC and the Council’s various mandates and activities - irrespective of the wide range of government entities involved in competitiveness. Hence, any analysis of the “system” by implication has to include a review of the NCC.

The purpose of the Council is “to formulate, implement and develop competitive strategies in the productive sectors vital to the national economy, with the goal of structuring a national policy to deal with the challenges of globalization and trade.”<sup>17</sup> The NCC emerged from the National Competitiveness Plan<sup>18</sup> that was drafted in 1998, and the National Competitiveness Strategy that was formulated in 2000 and later revised in 2002. The IDB was instrumental in providing resources to assist the NCC in establishing and maintaining its operations. USAID, too, has worked with and provided assistance to the Council, and continues to do so (see Section E, Donor Initiatives) for details of specific projects).

The NCC is composed of members of both the public and private sectors, selected by the President of the Republic who serves as the titular chairman of the Council. Its mission is to: “Promote, strengthen and coordinate active policies directed at achievement of systemic competitiveness in the Dominican Republic.”<sup>19</sup> This is to be accomplished through:

- Implementation of the PNCS
- Promotion of partnerships (*asociatividad*) as an integral part of corporate social responsibility
- Development of clusters
- Facilitation of public-private sector dialogue
- Promotion of policy, regulatory, and institutional reforms to improve the business climate
- Promotion of reforms and modernization of the national legal framework
- Monitoring and follow-up of competitiveness initiatives

At the national level the NCC works to improve the business climate by developing and proposing policy, regulatory, and institutional reforms. It acts in large part as a facilitator to meet the needs of the private sector to improve its competitiveness. This is the level at which national policies, plans, and agendas

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<sup>17</sup> Consejo Nacional de Competitividad web site ([www.cnc.gov.do](http://www.cnc.gov.do)), 2008.

<sup>18</sup> This is not to be confused with the Plan Nacional de Competitividad Sistémica that was approved by the President on 21 March 2007, and is used to help guide competitiveness activities.

<sup>19</sup> Consejo, *op.cit.*

are formulated. The NCC serves as a forum for bringing together leaders of both the public and private sectors. This is key to identifying issues at the company level that impact competitiveness, as well as bestowing credibility on the Council as a representative institution. It also serves to help create trust between the private and public sectors which is essential to successfully promoting competitiveness and mobilizing support for specific reforms.

The NCC also has taken on a limited advocacy role, advancing policy reforms to promote and strengthen competitiveness. It does not lobby per se, but presents policy options based on objective data and empirical analysis, rather than pressing for any particular ideological or partisan position which is left to the various sector and business associations. Moreover, the mixed character of its board acts as a check and balance on the Council from adopting any overt ideological or partisan stance. This helps maintain the NCC's credibility and legitimacy.

The NCC board is at the top of the organizational pyramid and, apart from the Presidency, is comprised of:

- Secretary of the Economy, Planning, and Development (Vice President of the Council)
- The Secretaries of State for: Industry and Commerce; Agriculture; Tourism
- Administrative Secretary of the Presidency
- The Executive Branch Industrial Advisor
- The Executive Director of the DR Export and Investment Center (CEI-RD)
- Eight private sector members selected from: tourism sector; free zones; manufacturing sector; agribusiness sector; SMEs; service sector.

The next level down of the NCC is the “operational structure” which consists of the Sectoral Action Committees (CAS's) that are coordinated by a president and vice president at the sector and cluster levels, and composed of key private sector leaders, public officials, and in some cases members of academe and civil society. They serve as fora for bringing together public officials, private sector leaders, academics, organized labor, and members of civil society groups to discuss issues, set local or cluster agendas, hold workshops and seminars, and acquire technical assistance.

At the base of the pyramid are individual companies, mostly SMEs. The notion is that there is not necessarily country competitiveness per se, but that competitiveness is an amalgam developed from the company, cluster, and sectoral levels - as well as the national policy and institutional level. Hence, just as the NCC fills the policy and institutional reform role, the CAS's facilitate implementation of assistance interventions for individual companies and coordination of cluster and sector activities.

Like most other countries in LAC, the DR has no private sector NCC. However, there are several private sector associations (or Institutions for Competitiveness -

IFCs) that exercise influence on competitiveness initiatives, including, for example, the:

- Consejo Nacional de la Empresa Privada (CONEP)
- Asociación de Industrias de la República Dominicana (AIRD)
- Junta Agroempresarial Dominicana (JAD)
- Asociación Nacional de Hoteles y Restaurantes
- Confederación Dominicana de la Pequeña y Mediana Empresa (CODOPYME)
- Cámara Americana de Comercio (AMCHAM)

It should be noted that there are still large companies, especially in the tourism sector, that are not supportive of the NCC or competitiveness initiatives in general. These tend to be the firms that traditionally have relied on “privilege” to gain competitive advantage, but with the ever increasing pressures of globalization and a new economic reality this is changing.

Technical assistance at the NCC is funneled through FONDEC - the National Competitiveness Fund, which receives funding principally from the IDB, as well donor agencies such as USAID, the UN, and EU. It also requires co-financing from project beneficiaries. Basically, FONDEC is contracted by the NCC to finance technical assistance and other projects identified in the various CAS strategies, especially at the cluster level. Emphasis is on initiatives that increase and diversify exports through a system of matching grants. FONDEC also helps finance government initiatives that are geared toward improving the business climate. FONDEC does not actually provide funds for isolated individual projects. Rather its strategy is to support specific initiatives that contribute to the growth and/or diversification of exports, promoting national systemic competitiveness.

The NCC also houses the Competitiveness Observatory “unit” that is supported by funds from UNDP. The Observatory’s principal function is to monitor implementation of the National Systemic Competitiveness Plan and follow-up on specific competitiveness initiatives. It acts as a repository of information on competitiveness for use by national and international agencies as well as the private sector.

The NCC receives 20 percent of funding support from the GODR and 80 percent from international donors. This last figure includes funds for specific projects. The total budget for calendar year 2007 was \$3.5 million dollars and \$3.9 in 2008, just a marginal increase.<sup>20</sup> Despite this support, the NCC faces an uncertain financial future, particularly if it is to sustain and expand its current activity levels. As competitiveness is an on-going endeavor, changing as new methods, technologies and economic realities evolve, the Council needs a secure source of revenue, at least enough to fund its core operations. This would permit it to help

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<sup>20</sup> According to Antonio Rodríguez Mansfield, advisor to the NCC, “Since the IDB loan and counterpart funds became operational to date and including the cost estimates for 2009,,the national budget outlays to the [NCC] have represented only 16.6% of resources received; 29% from counterpart funds to the IDB loan; and the balance of 52.2% were direct IDB funds.” E-mail from Antonio Rodríguez Mansfield, December 16, 2008.

consolidate reforms, provide follow-up at the policy, institutional, cluster, and company levels, and expand into new areas as required to help the country maintain a competitive advantage. Moreover, an independent source of income, such as a trust or endowment, would confer of the kind of legitimacy on the NCC to help it maintain its reputation as a professional, non-partisan, and apolitical organization, both in perception and reality, and thereby consolidate its credibility and impact.

## **B. OTHER GOVERNMENT AGENCIES**

As already cited, there are at least 28 government agencies involved in competitiveness in one way or another. These range from: the Presidency that provides overall leadership and policy direction; to the Junta Monetaria which sets monetary policy and helps determine exchange rates; to Customs which inspects imported inputs for production and exports; to various departments and agencies whose policies and programs impact the production of goods and services in the private sector. In between, there is a host of other organizations such as: CEI-RD, which is responsible for promoting investment, especially FDI; the DGII, or Internal Revenue Agency; INFOTEP that provides professional and technical training; PROINDUSTRIA, which promotes industrial development and competitiveness and seeks to expand, systematize, and diversify the nation's industrial base. The complete list is as follows:

- Autoridad Portuarias
- Banco Central
- Centro de Exportación e Inversión-República Dominicana (CEI-RD)
- Consejo Nacional de Zonas Francas de Exportación
- Departamento Aeroportuario
- Dirección General de Aduanas (DGA)
- Dirección General de Impuestos Internos (DGII)
- Dirección de Comercio Exterior (DICOEX)
- Dirección General de Normas y Sistemas de Calidad (DIGENOR)
- Instituto de Formación Técnica y Profesional (INFOTEP)
- Junta Monetaria
- La Presidencia
- Oficina Nacional de Derecho de Autor
- Oficina Nacional de Propiedad Industrial (ONAPI)
- PROINDUSTRIA
- Secretaría de Estado de Administración Pública
- Secretaría de Estado de Agricultura (SEA)

- Secretaría de Estado de Economía, Planificación y Desarrollo (SEEPD)
- Secretaría de Estado de Educación
- Secretaría de Estado De Educación Superior, Ciencia y Tecnología (SEECYT)
- Secretaría de Estado de Hacienda
- Secretaría. de Estado de Industria y Comercio (SEIC)
- Secretaría de Estado de Medio Ambiente y Recursos Naturales (SEMARENA)
- Secretaría de Estado de Obras Públicas
- Secretaría de Estado de Relaciones Exteriores
- Secretaría de Estado de Salud Pública
- Secretaría de Estado de Turismo
- Superintendencia de Electricidad - Comisión Nacional de Energía

A critical government agency in this panoply of public institutions is the Department of Economy, Planning, and Development which coordinates the formulation, management and follow-up of macroeconomic policies.

Similarly, PROINDUSTRIA, which is actually the Center for Industrial Development and Competitiveness, is a key agency working to support competitiveness, specifically in the industrial sector. Its mission is to “foster industrial development in the Dominican Republic... with the purpose of promoting new industries, diversifying and systematizing the productive sectors in the country, and elevating the standard of living.”<sup>21</sup> PROINDUSTRIA was created from the Industrial Promotion Corporation (CFI), which was mandated to assist the industrial sector to become more innovative and competitive. It establishes and works with Industrial Districts and Parks, and operates 20 FTZs with approximately 200 companies. Its principal objective is the development of a competitive manufacturing sector, and it works to promote policies and support programs that seek to create more innovative industries that can compete in international markets.

PROINDUSTRIA complements, especially at the company level, some of the work of the NCC, and the two institutions have a working relationship.<sup>22</sup> But the main agency remains the Council, which is the sole governmental entity mandated specifically to promote, create, and coordinate competitiveness initiatives across all sectors.

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<sup>21</sup> Proindustria.com, 2008 (authors’ translation).

<sup>22</sup> Indeed, the NCC was instrumental in the creation of PROINDUSTRIA.

### **C. PRIVATE SECTOR ASSOCIATIONS**

In addition to the various government agencies that form part of the competitiveness system, several private sector associations are involved in activities to promote competitiveness at the policy and institutional, as well as the cluster and company, levels. The NCC itself has eight members from the private sector - out of a total of 16 - on its board, representing the tourism, agribusiness, manufacturing, FTZ, and services sectors, as well as SMEs. Unlike the NCC, however, many of the associations actively lobby for specific policy and institutional reforms, typically those that affect their own interests but at times as a group - or in groups - when they are pursuing common goals. The NCC maintains close relationships with many of these organizations, including, for example, the AMCHAM, CONEP, CODOPYME, AIRD, and JAD, among many others. While these associations as such have no formal participation in the competitiveness system, they play an important role as stakeholders in aggregating and articulating interests, helping to inform the policy process and pushing for reforms.

### **D. RESULTS AND IMPACT**

Measuring results and gauging impact is the ultimate test of the various competitiveness initiatives that have been undertaken. Several trends emerge with respect to the types of initiatives that have been carried out and the aggregate impact of their perceived and actual effectiveness as measured by key variables including, resource allocations and policy changes at the national level, and numbers of new jobs created, profit margins, and revenues, for example, at the company level.

#### **1. POLICY LEVEL**

As measured by volume alone since 2000, there has been significant output in terms of legislation and other legal reforms dealing expressly or indirectly with competitiveness. Specifically, 42 laws have been enacted, 16 decrees signed, 5 rules issued, 5 institutions and commissions created, 3 regulations promulgated, 3 treaties/agreements negotiated, 2 resolutions passed, and 2 ordinances passed, representing a total of 80 actions taken. Of those, 51, or almost 65 %, were acted upon between 2006 and 2008, or during the tenure of the current government and NCC. Time and resources did not permit detailed examination of all the actions to determine the kind of follow-up, enforcement or implementation that has taken place. It is instructive to note, however, that the NCC was made operational just prior to this period. In addition, the Department of Economy, Planning, and Development was created to coordinate the formulation, management, implementation, and evaluation of macroeconomic and sustainable development policies. While not included in the 80 measures listed above, the PNCS was finalized and signed off on by the President of the Republic in 2007.

The actions (for a complete list with detail, see List of Reforms in the Appendix) have been directed at issues concerning customs (DGA), internal revenue (DGII),

energy, corruption, access to credit, and education. Examples of some of the more directly relevant reforms include:

- Law 426-06 authorizing implementation steps for DR-CAFTA. The DR is now fully integrated into the DR-CAFTA regime and that makes it more important than ever for the country to strengthen its ability to compete effectively in the regional market. In fact, the total value of exports has risen steadily, if not dramatically, since 2002, increasing from \$5,164,926,500 to \$7,236,765,800 in 2007.<sup>23</sup>
- Law 226-06 granting functional, budget, administrative, and technical autonomy to the DGA and DGII. This has been intended to streamline operations and decision making in order to be more responsive to the needs of the private sector. The “Doing Business 2009” summary indicated that the DGII “sped up formalities in several areas by making them electronic. An online system for filing and paying taxes, piloted in 2006, is now fully operational. And entrepreneurs can complete several start-up formalities online, including name verification, and commercial and tax registration.” The Dominican Republic also reduced the corporate income tax rate from 29% to 25%, and abolished several taxes, including the stamp duty. The cost of property registration fell, thanks to a reduction in the transfer tax, from 4.3% to 3.0%. Transferring property now costs 3.8% of the property value, down from 5.1%.
- The DGA reduced the time it takes to export by three days by improving the online portal for customs documentation and payment. In addition, a senior DGA official reported that the time the agency takes to clear shipments has been reduced to one day. However, delays occur as the result of the involvement of other agencies, especially the Departments of Health and Agriculture, as well as drug enforcement authorities. This same official alleged that representatives from these other entities also engage in corruption. That was confirmed in interviews with several private company managers.
- Law 172-07 authorizing establishment of an income tax rate that is competitive with all of the countries in Central America that form DR-CAFTA.
- General Rule 04-2008 (modified by 05-2008) promoting the renovation and modernization of industries through establishment of a series of fiscal incentives.
- The General Electricity Law 125-0 (modified by Law 494-07) amending the former law in order to achieve greater implementation of rules and procedures to guarantee that the agents involved in the electric sector carry out their responsibilities effectively in order to ensure a stable electric system that does not do damage to end users.
- Agreement on Energy Transformation to promote installation of reliable generators that use low cost alternative fuels, reducing dependence of the energy sector on fossil fuel.

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<sup>23</sup> Government of the Dominican Republic, Secretaría de Estado de Economía, Planificación y Desarrollo, 2008.



- Law 76-02 that authorizes a new Penal Process Code to streamline the judicial processes in the pursuit of corruption cases in public agencies.
- Law 3024-07 establishing the National Directorate for the Pursuit of Administrative Corruption to manage the investigation, pursuit of, and follow-up on cases dealing in any way with administrative corruption in the DR.
- Resolution (2008) issued by the Monetary Board that amends the Assets Evaluation Regulation to increase the credit limit for commercial debtors to improve access to loans for SMEs.
- Decree 190-07 mandating linkages between the network of institutions (academic, public, private and international) and public policies to promote innovation and technological development in order to increase the capacity of clusters and strategic sectors and foster integration of value chains.
- Decree 334-05 that calls for the implementation of a foreign trade policy that supports the national export sector and establishes the Presidential Commission for Promotion of National Exports.

There is little question but that the DR has taken many steps to develop a policy framework to enhance competitiveness. And the efforts have not been in vain, certainly with respect to reforming the legislative and regulatory environment. Indeed, as cited earlier, the “World Bank Doing Business 2009” lauded the DR as one of the best performers in taking steps to improve competitiveness.<sup>24</sup>

Another indicator of competitiveness is the unemployment rate. Since 2004, the year the current administration was voted into office in the midst of an economic crisis, the rate of unemployment has been declining every year, from a high in 2004 of 19.7 percent to a low in 2007 of 15.5 percent. While the decline is not entirely the result of competitiveness initiatives, it is reasonable to infer that companies that are more competitive are able to generate new jobs as the result of increased sales and revenues. In fact, a large majority of the enterprises that were interviewed along with those in the survey, virtually all of which had interactions with the NCC, reported creating new jobs during 2006 and 2007.

## 2. INSTITUTIONAL

If the legislative and regulatory framework partially exists, or at the very least continues to evolve, to strengthen competitiveness, what can be said of the institutional infrastructure to implement the policy reforms? A year before its ratification into statute in 2006, the NCC was created and given a budget in order to begin developing the institutional capacity for initiating, coordinating, implementing, and monitoring competitiveness activities. While governments prior to the current administration created institutional reforms that could strengthen competitiveness - for example, anti corruption and educational measures - these efforts were not necessarily perceived in those terms nor were they part of a strategic process. It is only with the 2006 act that a central coordinating authority was give full statutory status.

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<sup>24</sup> The World Bank, “Doing Business, 2009, Country Profile for the Dominican Republic,” 2008.



A significant measure of policy commitment may be found in the budgetary process.<sup>25</sup> That is, to what extent over time do budget, or expenditure, patterns reflect commitment to policy decisions? There is no line item for competitiveness per se in the Dominican national budget. But it is possible to examine outlays that can be associated with competitiveness and infer to some extent from those data the priority the government places on competitiveness. Unfortunately, time did not permit examination of institutional budgets and expenditures to map internal resource allocations. However, a review of outlays by functional classification<sup>26</sup> reveals the following.

Before proceeding to a review of outlays, it is important to state a caveat. While the trend and amounts of expenditures by budget item can be indicators of commitment to specific goals, they do not address issues of quality and focus. While increases in education, for example, may be a sign of government commitment in general, further and deeper analysis is required to make judgments on the nature and impact of the resource allocations. Unfortunately, time did not permit examination of this level of detail.

Education represents the single largest outlay and accounted for 10.1 percent of all expenditures in 2006 and 11.0 percent in 2007.<sup>27</sup> Moreover, the increase in outlays from 2006 to 2007 was 28.5 percent, a significant commitment of additional resources to deal with one of the major obstacles to stronger competitiveness. The second largest item is energy, with outlays of 9.0 percent of total expenditures in 2006, but falling to 7.0 percent in 2007. No explanation was available to account for the decrease, but as energy is consistently ranked by companies as the most pressing problem, it is somewhat surprising that there should be a drop in expenditures in this account.

Equivalent figures for transportation are 5.3 and 7.9. In terms of actual expenditures, this represents a decrease of 47 percent, equally as puzzling as the figures for energy as transportation is a key cost factor. Support for agriculture accounted for only 2.9 percent of total outlays in 2006 and virtually the same - 2.8 percent - in 2007. Yet there was a net increase in actual expenditures of 19.2 percent, an important gain. Tourism, which is considered to be so vital to the Dominican economy had direct government support of just 0.38 percent in 2006, which fell to 0.29 percent in 2007. This was accompanied by a 2.1 percent decline in outlays during the same period. Expenditures on industry and commerce fared scarcely better in terms of outlays as a percent of total expenditures - respectively of 0.47 and 0.70. However, in terms of actual expenditures for the Department of Industry and Commerce itself, there was a 25.8 percent increase.<sup>28</sup> And the

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<sup>25</sup> See Aaron Wildavsky's seminal work: *The Politics of the Budgetary Process*, Little Brown, 1964.

<sup>26</sup> Outlays by Institutional classification differ in amounts but only slightly. No explanation for the variance could be found.

<sup>27</sup> By way of comparison, it is instructive to note that similar figures for the US respectively are 3.6% and 2.4%, although these represent federal outlays and do not include state and expenditures.

<sup>28</sup> Outlays are expressed as "functional" and "institutional." Unless otherwise explicitly stated as a specific institutional expenditure, all outlays referenced are functional.

Department of Higher Education, Science and Technology<sup>29</sup> registered an even greater jump in outlays, growing by 36.0 percent between 2006 and 2007. Finally, it is useful to point out that outlays for the General Administration<sup>30</sup> account were the third highest at 8.3 percent of total expenditures for both 2006 and 2007.<sup>31</sup> In terms of actual expenditures, this represented a substantial 21.1 percent increase.

Thus the picture is generally positive if somewhat mixed. Clearly, there has been a strong commitment to education and innovation, crucial components of any effective competitiveness strategy. Similarly, the Department of Industry and Commerce, a critical agency with respect to competitiveness, increased its expenditures considerably. However, the second largest gain in outlays was for General Administration, not an especially encouraging sign for achieving government efficiencies, especially in light of its ranking in outlays.

Expenditures in other sectors important to competitiveness - agriculture, tourism, energy, - were little changed. It is reasonable to suggest that noticeable increases in support for these sectors would have been expected in a government that has created an NCC, conferred cabinet rank on its Executive Director, and features promotion of competitiveness as one of its hallmarks.

Outlays by *institution*, however, are more encouraging and reflect a stronger commitment to competitiveness. The Department of Higher Education, Science and Technology (SEESCYT) registered an increase in outlays of 36.1 percent from 2006 to 2007. Public Works and Communication experienced an extraordinary 67.3 percent jump during the same period. Once again, it was not possible to determine the reasons for the changes, but it is apparent that there is an emerging pattern of growth in expenditures for competitiveness related functions and institutions, however uneven it still may be.

Despite this trend, it should be noted that GODR direct outlays for the NCC itself have been modest at best. Given the importance attached to competitiveness by the administration, it is somewhat surprising that greater financial support has not been forthcoming. Indeed, the large majority of support has been from donor agencies, primarily the IDB.

In addition to government outlays from the national budget, the GODR has acquired loan and grant funds (see section on Donor Projects) from USAID, the IDB, World Bank, and the governments of South Korea, Taiwan, and Japan to invest in a series of significant interventions directly and indirectly impacting competitiveness. USAID has supported three projects dealing with trade and agricultural and rural development, one in tourism, and one, the Competitiveness and Policy Program, specifically addressing competitiveness issues. The other donor agencies have and continue to provide resources and technical assistance in areas that impact competitiveness.

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<sup>29</sup> The Department of Higher Education, Science and Technology is the lead agency for innovation and research and development, focusing on improving the competitiveness of enterprises in the productive sectors.

<sup>30</sup> General Administration refers to the resource amounts allocated to overhead and other administrative functions (unspecified in the available data).

<sup>31</sup> All figures are taken from data provided by the GODR, Secretaría de Estado de Hacienda, SEGIF.

The World Bank has provided three loans to be used for comprehensive rehabilitation of the power sector, specifically electricity, which may account in part for the fall in budget outlays. The IDB has also made a loan to the GODR for the purposes of improving electricity, as well as funding for strengthen the DGII. The Government of South Korea has provided \$RD900 million to assist Customs in automating its processes, plus \$1 million to upgrade engineering school curricula.

The Taiwanese government has agreed to donate \$60 million for the development of the Parque Cibernético - the high tech FTZ including construction of R&D facilities, and purchase of equipment. And the Government of Japan provided a RD\$200 million grant for the construction of a new office building for CEI-RD.

In addition to outlays - and donor assistance - as a measure of government commitment to competitiveness, selected Doing Business indicators serve to track institutional performance in terms of reforms that have been achieved.<sup>32</sup>

### Starting a Business

	2007	2008	2009
No. of Procedures	9	9	8
Duration (days)	72	22	19
Cost (%GNI per capita)	30.2	31.1	19.4

### Registering Property

	2007	2008	2009
No. of Procedures	7	7	7
Duration (Days)	107	60	60
Cost	5.1	5.1	3.8

### Paying Taxes

	2007	2008	2009
Time (hours)	286	286	280
Total tax rate (% of profit)	36.5	40.2	35.7
No. of Payments	75	74	9

### Cross-Border Trade

	2007	2008	2009
No. of Documents for Export	7	6	6
Time for Export (days)	17	12	9
Cost to Export (US\$ per container)	770	815	916
No. of Documents for Import	10	7	7

<sup>32</sup> A complete list of all indicators may be found in "Doing Business 2009: Country Profile for the Dominican Republic," [www.doingbusiness.org](http://www.doingbusiness.org)

Time for Import (days)	17	13	10
Cost to Import (US\$ per container)	990	1015	1150

There have been marked improvements in most of the indicators. It should be noted that the rising costs of imports and exports per container are beyond the control of the GODR. But beyond that, there are clear improvements in cross border trading, especially with respect to the time it takes to import and export goods and the associated costs.

The NCC has been responsible directly or indirectly for many and perhaps most of these impacts and results. In addition, it has helped to form and support 23 clusters in the tourism, agribusiness, and industrial sectors.

### 3. COMPANY/CLUSTER LEVEL

The bottom line at the company level is the ultimate measure of the impact of competitiveness initiatives. In the survey of companies, fully two-thirds of those reporting indicated that their revenues had increased, reaching growth as high as 50 percent between 2006 and 2007. The figure dipped slightly to 62.5 percent of these same companies between 2007 and October 2008. A little over 70 percent reported that between 2006 and 2007 their profits had improved, while between 2007 and 2008 the figure contracted as just under 65 percent stated they had experienced a growth in their margins. Between 2006 and 2007, 61.1 percent of those reporting indicated that they had created new jobs, while 58.8 reported an increase in job growth between 2007 and 2008. The numbers are positive, even if the sample is small and there has been a marginal down tick between 2006-2007 and 2007-2008, although changes in the last quarter will not be available until 2009.

A review of the company survey by sector (i.e., manufacturing, agriculture, services) shows strong agreement on the issues that are of most concern and that are perceived as the greatest obstacles to improved competitiveness. Once again, there is virtually universal agreement that energy, electricity in particular, is the most vexatious in terms of blackouts, quality, consistency, and cost. Black outs, for example, not only disrupt production, but can even damage machinery. Similar frustrations are voiced with respect to the poor quality of infrastructure, especially roads, and the tax system. In the case of the latter, respondents complained of high rates and “unfair” application of tax law, mostly with respect to collections.

By contrast, while companies in the manufacturing and service sectors expressed concern over the quality and offerings of the educational system, businesses in the agricultural sector showed less concern. This may be due to the need for more sophisticated and precise skills in services and manufacturing, especially in technology. Interestingly, agriculture was also the odd man out regarding perceptions of the current business climate. While companies in the services and manufacturing sectors felt the climate for doing business had not improved in the

past 3 years, not one agricultural firm shared this sentiment. Conversely, no respondent from the service sector indicated any issues with respect to customs, while companies in both agriculture and manufacturing complained about the slowness and corruption in clearing customs (although they did admit that much had improved in the last 2 years). However, there was complete agreement among all sectors that corruption was a pervasive and corrosive problem that requires decisive political action. Nevertheless, most respondents expressed their doubts that enough political will existed to combat the problem effectively. Given the political culture and history of the DR, this is certainly understandable.

No data were available to measure the impact on clusters, other than those on specific companies that form part of a cluster. The one “impact” that was reported, however, was with respect to the NCC. All the clusters interviewed agreed that the NCC has been instrumental in helping them to develop and operate. Assistance has ranged from creating awareness of competitiveness issues to developing strategies and interventions to strengthen cluster/company abilities to compete in the international market. Cluster leaders - i.e., the cluster representatives who coordinate cluster activities and relationships - expressed their satisfaction with the NCC’s support and at least one co-financed the Council’s assistance.

Clusters have a prominent role in exports, working in particular with SMEs. The most current available data show that exports (F.O.B.) steadily rose from 2005 through 2007<sup>33</sup>, from US\$6.1 billion in 2005 to US\$7.2 billion in 2007. Interestingly, free trade zones (FTZs) experienced a decline in revenues from US\$4.7 in 2005 to US\$4.5 billion in 2007, reflecting, so it was reported, increasing competition from China and elsewhere in Southeast Asia. The relative decrease as a percentage of total exports, from 36.9 percent to 22.7 percent over the same period of time, was also bad news for FTZs. However, other sectors were able to increase their exports, especially cacao and minerals.

While cluster development is expanding in the DR, it is important to point out that several cluster officials indicated that cluster members typically come together during times of economic stress in order to achieve economies of scale and protect common interests, only to relax their cooperation when there are fewer challenges. Prevailing opinion is that a lack of real trust still exists and is hard to overcome. This is consistent with the literature, and a problem faced elsewhere in the region and beyond. Still, several clusters - for example, the mango, wood products and leather/shoe clusters - operate effectively, have professional staff, and members are reported to be benefitting from their common efforts.

#### 4. CULTURE AND AWARENESS

The literature is conclusive in its agreement that culture is considered to be the single most important factor in developing greater competitiveness.<sup>34</sup> As has been discussed earlier in this report, the DR is no exception to this rule. One individual who was interviewed expressed his belief that the DR continued to suffer under

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<sup>33</sup> Banco Central de la República Dominicana..

<sup>34</sup> See Austin and Inglehart, *op. cit.*

what he called a “*campesino* mentality.” Others referred to a cultural legacy, set of values, and outlook that have shaped behaviors and attitudes that in many respects are antithetical to a way of doing business that is “competitive.” For example, status or position is ascribed rather than earned; business relationships are basically personal and paternalistic rather than professional or institutional; privilege trumps merit. While this has been changing, the impact still lingers.

The NCC understands the role played by culture or *estado de mentalidad* (state of mind) in approaching competitiveness, and has sponsored 55 events since 2006, including workshops, seminars, conferences and training sessions to raise awareness of the need to be more competitive and develop strategies to achieve that goal. The subtext in many of these presentations is the need to change attitudes and the prevailing *weltanschauung*, or outlook. In a Power Point presentation on updating its strategy, the Council cited as a key lesson learned that “changes in attitude play a critical role in achieving competitiveness.”<sup>35</sup> Indeed, one of the principal activities of the NCC is developing awareness of competitiveness - what it is, what it means for the economy and standard of living, and what is required to strengthen companies to be more competitive. Partly in recognition of this need, the NCC developed a communications strategy,<sup>36</sup> a component of which is the implementation of awareness initiatives focusing on specific target groups. Two of its eight “General Objectives” are to: 1) ensure that the public at large internalizes the positive values and hopes of the National Competitiveness Program; 2) encourage a positive attitude toward work and professionalism.

It is instructive to note that the Instituto Tecnológico de Santo Domingo (INTEC) was founded by a group of young professionals seeking to establish an institution of higher education to contribute to the transformation of Dominican society. It focuses on innovation through scientific research and also recognizes the continual need to develop the human resource base and as a consequence provides continuing education courses. INTEC has as a goal to produce 300 Ph.D.s annually, highly ambitious but a reflection of the recognition that in order to maintain and grow its competitiveness the DR must have scientific and other skilled professionals.

## E. DONOR INITIATIVES

There has been a range of donor projects dealing with competitiveness. USAID has been the most active, certainly in terms of the number of interventions. But other donors have and continue to support competitiveness initiatives, particularly the IDB which has been instrumental in providing resources in support of FONDEC and is also working with the DGII and in electricity distribution. In addition, the World Bank has provided funds through four loans for a comprehensive rehabilitation of the electrical energy system. And the

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<sup>35</sup> “Consejo Nacional de Competitividad, Actualización Lineamientos Estratégicas y Sostenibilidad del CNC, Power Point presentation, Sept. 15, 2008

<sup>36</sup> “Estrategia de Comunicaciones y Recomendaciones Programáticas,” prepared by Newlink Communications for the Consejo Nacional de Competitividad, no date.



Government of South Korea has provided \$RD900 million to assist Customs in automating its processes. The review below includes both present and completed initiatives.

## 1. USAID

### CAFTA-DR IMPLEMENTATION PROJECT

#### PROJECT BACKGROUND

The CAFTA-DR Implementation Project (CAFTA-DR IP) is designed to assist the Dominican Republic in implementation of the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR). The project provides technical assistance to local organizations, including DICOEX, SEIC, private firms and business associations, and civil society organizations, to strengthen their ability to implement and manage successfully CAFTA-DR provisions, in large measure through more effective public-private sector dialogue. Many of these institutions currently lack the ability to exploit the opportunities provided under CAFTA-DR, including: broadened opportunity for Dominican exports; increased private productive investment; and identification of labor productivity bottlenecks.

#### *Objectives:*

- Create a viable institutional framework of public and private sector entities to implement CAFTA-DR;
- Strengthen DICOEX's capabilities so that it can effectively act as the institutional nexus overseeing implementation of CAFTA-DR;
- Provide institutional support in priority areas to other entities involved with CAFTA-DR implementation, such as SEA, SEMARENA, ONAPI, AMCHAM and CONEP.
- Establish consultative mechanisms for expanded CAFTA-DR public-private sector dialogue, increasing knowledge of CAFTA-DR and building civil society ability to research and analyze the impact of CAFTA-DR.

#### *Expected Results:*

- Improved DICOEX's ability to monitor and oversee CAFTA-DR implementation
- Improved DICOEX's research and data analysis capabilities
- Clearly defined roles and responsibilities of the various entities overseeing CAFTA-DR implementation
- Institutional strengthening support provided to other entities (e.g., SEA, ONAPI, AMCHAM, etc.) in selecting priority areas
- Strategic partnerships formulated and committees established to create consultative mechanisms for increased CAFTA-DR public-private sector dialogue
- Dialogue about CAFTA-DR generated along with the institutional capacity and desire for CAFTA-DR research and analysis

- A DICOEX communication and public relations campaign for CAFTA-DR created and implemented.

## **DR – COMPETITIVENESS AND POLICY PROGRAM**

### **PROJECT BACKGROUND:**

The USAID funded DR Competitiveness and Policy Program (CPP) worked with local NGOs to design poverty reduction initiatives with an eye toward increasing revenues through greater competitiveness in growing trade opportunities. CPP worked in tourism, helping businesses to prepare for competitive engagement in CAFTA-DR and other regional trade accords. Principles guiding CPP's work included: 1) demand as the driver behind initiatives and technical assistance; 2) a program that supports those who help themselves; 3) group leadership and commitment as essential; and 4) responsibility to be shared and actions taken jointly.

Key to the project was changing entrepreneur mindsets to think more strategically and engage in strong collaborative efforts for greater competitiveness across the board. CPP's focus on policy reform transformed small business and microenterprise associations into effective lobbying groups that helped make legal frameworks friendlier to competitiveness building, eliminating anti-competitive and trade-distorting practices. All of these efforts assisted the DR to prepare for entry into the Free Trade Area of the Americas (FTAA) and to meet membership requirements of the World Trade Organization.

#### *Objective:*

To build international competitiveness by developing clusters in tourism and agriculture, maximizing supply chain resources and pursuing niche markets.

#### *Results:*

- Tourism clusters in La Romana-Bayahibe, Puerto Plata, and La Vega have been successfully developed and are currently assisting entrepreneurs in Punta Cana, Barahona, and Samana.
- Agricultural clusters developed in specialty coffee, oriental vegetables, and mangos.
- Trade capacity building has assisted businesses in analyzing trade issues and implementing trade agreements effectively.
- Policy reform undertaken with the private and public sectors working to identify, analyze, and address restraints to competitiveness.

## **CAFTA-DR REGIONAL TRADE PROGRAM**

### **PROJECT BACKGROUND:**

The CAFTA-DR project is intended to advance the member state economies to a level of increased openness, diversification and a more expanded economy. In order to accomplish this, the project will continue to provide technical assistance with the goal of promoting external trade capacity, as well as conformity of the



member states with international trade standards. Through implementation of improved technologies and standardized practices, the project will encourage a greater degree of rapid and transparent trade between the member states of CAFTA-DR. This will be done through the establishment of a technology infrastructure for customs agencies and standardized practices by personnel, including the reduction of hard paperwork to speed border transfers at no cost to security.

*Objectives:*

To establish a strong economic base to comply with the standards and requirements established by CAFTA, through the improvement of customs practices and trained personnel, provision of technical expertise to facilitate external trade, and promotion of the adoption of a common trade base.

*Expected Results:*

- Individually tailored design protocols for each of the CAFTA-DR countries.
- Establishment of a solid technical base which will be used to design and implement activities and strategies in CAFTA-DR countries.
- Hosting of seminars demonstrating the methodology and implementation of rules of origin based on CAFTA-DR guidelines, reaching as many as 210 participants.
- Hosting regional fora in which regional leaders are able to meet to discuss strategies which work for other regions, and discuss how best to implement those strategies in their home regions.
- Preparation of customs agencies for the implementation of GEODEL (Generador de Documentos Electrónicos), which will allow agents to more easily determine the origins of goods and to create certifications for them.

## **SUPPORTING RURAL ECONOMIC DIVERSIFICATION IN THE DOMINICAN REPUBLIC**

### **PROJECT BACKGROUND:**

The USAID-funded Rural Economic Diversification (Agro-RED) program is working to diversify and strengthen agricultural production by small farmers in the Dominican Republic. The goal of this project is to develop competitive value-added clusters for agricultural and wood products produced on small farms, in keeping with market demands. By increasing domestic sales of cluster products and helping Dominican farmers compete more effectively in global markets, this program will also increase rural incomes.

Dominican producers of traditional grains and legumes are vulnerable to competition from low-cost imports made possible by trade liberalization under CAFTA-DR. To combat this dilemma, the project will identify opportunities for small producers to diversify into niche products and market segments, increase their integration into global supply chains, and increase their income. By

replicating and amplifying previous production and marketing successes with bananas, mangos, and other cluster products, the project hopes to catalyze millions of dollars in new exports.

*Objectives:*

- Design and implementation of interventions to strengthen promising clusters in the Dominican agricultural sector, in coordination with institutions, input suppliers, and buyers.
- Improvement of the ability of agriculture-related micro, small, and medium enterprises (MSMEs) to compete at the national and international levels.
- Improvement of the enabling environment for MSMEs and increase in their access to finance.
- Assist residents, the private sector, and the Dominican government to invest in sustainable natural resources management practices.
- Analysis of key basic infrastructure for the marketing of agricultural goods and development of project proposals to fund the installation, rehabilitation, and maintenance of this infrastructure.
- Establishment of alliances with the private sector to leverage USAID funds.
- Development of a sustainability strategy to ensure the continuity of project interventions beyond the term of the contract.

*Expected Results:*

- Establishment of direct linkages between clusters of small-scale producers and buyers, maximizing the benefits to producers and integrating product clusters as strategic partners in buyer supply chains.
- Enhanced ability of small producers to meet market demands and identify trends through the development of producer networks and product clusters and addressing critical supply chain constraints.
- Assistance to the DR's NCC to strengthen linkages between public and private sector institutions and international donors.

## **DOMINICAN SUSTAINABLE TOURISM ALLIANCE**

### **PROJECT BACKGROUND:**

The USAID-funded Dominican Sustainable Tourism Alliance (DSTA) program continues to build upon USAID's previous assistance to the tourism cluster. The DSTA works closely with the CNC to strengthen the tourism cluster with an emphasis on developing sustainable public-private partnerships to enable local businesses to become more directly engaged in the tourism industry.

The objectives of the DSTA are to promote sustainable tourism and to assist with the diversification of the tourism products available in the DR, with a focus on including a greater number of SMEs. The DSTA will work to: provide capacity building and training of the work force; identify and develop new tourism

products; provide access to promotional materials and assistance in marketing efforts; improve access to both the national and international tourism markets by developing linkages with other tourism intermediaries and suppliers; and assist with the preservation of biodiversity.

## 2. WORLD BANK

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Power Sector Technical Assistance Program: The Power Sector Technical Assistance Project for the Dominican Republic, implemented by PA Consulting, aims to: 1) strengthen the Government's regulatory and consumer protection performance; 2) improve policy formulation and implementation; 3) design the transmission grid and the wholesale power market; 4) increase the quantity and quality of electricity for the poor; and 5) protect the environment. There are five main components added to the project management component. Component 1 reviews and corrects problems with the regulatory system and the institutional structure, and strengthens the Electricity Superintendency (SIE) and the Consumer Protection Office (PROTECOM). Component 2 (i) promotes a national dialogue to achieve a consensus on required reforms and the participation of the private sector; (ii) strengthens the National Energy Commission (CNE); (iii) funds public consultation processes; and (iv) improves the management of government interests as shareholder in power sector enterprises through the Fondo Patrimonial (FONPER). Component 3 improves system reliability and increases competition in the wholesale power market by supporting business plan creation, installing training programs, identifying alternatives for private sector participation, establishing a transmission expansion plan, and reviewing the methodology used for setting transmission charges. Component 4 improves rural electrification programs and the Blackout Reduction Program in urban barrios. Component 5 supports the preparation of sectoral environmental documents.

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Power Sector Program: the power sector program consists of two policy-based loans and an investment loan for transmission and service expansion, and seeks to support the government's strategy for the recovery of the power sector and in particular to: improve the quality of service, especially by reducing the widespread blackouts of recent years; establish conditions that would permit the financial sustainability of all efficiently-operated companies in the sector; and, increase the percentage of the population with access to electricity. The project will seek to improve service and access to legal electricity connections and to reduce risk by engaging the private sector over the medium-term and by the institutional strengthening support to be provided under the Power Sector Technical Assistance Loan.

## 3. INTER-AMERICAN DEVELOPMENT BANK PROJECTS

Electricity Distribution Network Rehabilitation Project: This \$40 million loan project seeks to finance projects to rehabilitate the networks of the Electricity Distribution Enterprises—adding and regularizing users, enhancing energy efficiency, and improving the quality of electricity service—as well as activities

enabling the companies to establish closer ties to the communities, especially those with low rates of collection and high levels of electricity theft.

Strengthen Internal Revenue Agency: In 2007, IDB provided \$10.5 million to modernize the DGII. The program will modernize the DGII and improve its capacity to collect taxes. It will also reduce tax compliance costs by introducing new technologies and simplified procedures for small and medium-sized taxpayers. The program will sponsor tax education campaigns for new taxpayers and schoolchildren to raise awareness of the importance of paying taxes to finance better social programs as well as to publicize the DGII's new technological tools and services.

#### **4. OTHER FOREIGN ASSISTANCE SUPPORT**

The Government of South Korea has committed resources (US\$26.5 million) to assist Customs in automating the customs process, including development of a strategic plan, process flow improvements, and system (technology) improvements. The aim is to reduce the customs clearing process to less than 48 hours. Korea has also committed \$1 million to improve the curriculum of engineering schools in the DR to meet the growing needs of private industry.

In 2006, the Government of Taiwan signed an agreement with the GODR to donate US \$50 million for the development of the Parque Cibernético. Funds will be used for the construction of research and development centers, purchase of equipment, and acquisition of additional land to expand the park. An initial disbursement of \$10 million was made in January 2008.

The Japanese government donated RD\$200 million for the construction of a new office building for CEI-RD which will be located in the Parque Cibernético. The building will also house a facility to provide Dominicans with training in export business practices.

The Dominican Republic, in coordination with CARICOM, has signed an economic partnership agreement (EPA) with the European Union effective January 1, 2008. Under the EPA all CARICOM/DR goods will be entitled to duty-free and quota-free access to the EU. The EPA covers not only goods and services, but also addresses investment and trade related services such as innovation and intellectual property rights.

## VI. LESSONS LEARNED

Several lessons can be drawn from the review of the Dominican national competitiveness system, almost all of which are consistent with the experiences in other LAC countries. In that sense, there are few surprises and general agreement on what the issues are, at least with respect to strengthening competitiveness. The challenge is how to put into practice what the consensus says needs to be done.

### Leadership

- **Lesson Learned:** Presidential commitment and leadership are critical to promoting competitiveness and creating an environment in which the relevant policy, regulatory, and institutional reforms can be enacted.
- **Best Practice:** In the same way that leadership is required to create a competitiveness system, so it is needed to ensure that the relevant institutions function effectively and the national competitiveness agenda is advanced. The national leadership must be convinced that competitiveness is essential to a country's economic growth and development. That is partly philosophic and partly personal. But leaders can also be encouraged by the private sector, which can provide a constituent base to help consolidate leadership and political will.

### Political Will

- **Lesson Learned:** Similarly, political will plays an essential role in the decision making process, but needs to be distinguished from political desire. While public officials may want to make certain reforms to remedy a problem such as corruption, political will can be, and frequently is, circumscribed by political realities and pressures that ultimately dictate what actions are taken - or not.
- **Best Practice:** Mobilization of constituent or stakeholder support is essential to creating political will. That is difficult when entrenched interests exercise pressure on policy makers. But that is part of the political process which evolves in such a way as to permit (or deny) change. At the same time, external factors impact internal decisions. The fact that nations are part of a global economy is a reality that cannot be ignored if there is to be growth and development.

### Culture

- **Lesson Learned:** By the same token, the decisions that are taken in the public arena stem from the national political and social culture. Public policies and institutions are both a cause and effect of the cultural context in which they exist, and determine the possibility, extent, and nature of reforms.

- **Best Practice:** In order to bring about institutional and policy change it is imperative to focus first on modifying attitudes and behavior. This can be a lengthy process, although in the short term important reforms are still possible, such as several of those put into place in the DR. In fact, the leadership of the President on competitiveness represents an important signal indicating a shift in the way business has been done in the past, and that the country is now beginning to operate under new rules of the economic game in an attempt to make it more competitive in a global market.

### Central Coordinating Authority

- **Lesson Learned:** An NCC must be endowed with sufficient authority if it is to be able to coordinate a competitiveness system efficiently and effectively. This is relatively difficult to achieve as ministries and other government agencies tend to guard their “turf.” Presidential commitment and political will are vital to mitigating institutional jealousies. The President has already taken some steps to demonstrate the depth of his commitment to competitiveness by commissioning the PNCS and elevating the NCC director to cabinet rank, among several other actions.
- **Best Practice:** Heads of state need to make clear to public agencies their priorities, but this has to be followed-up by a process whereby ministers and agency directors are held accountable. Once again, this is partly a question of political will and leadership. But the private sector has an equally important role to play in supporting the NCC, strengthening its credibility and effectiveness as a representative institution and honest broker between business and government.

### Grassroots Participation

- **Lesson Learned:** The policy and institutional reform process functions best from the grassroots up. That is, in order to maximize policy relevance and effectiveness and to ensure workable institutional reforms, it is incumbent upon decision makers to respond to the needs and demands of the stakeholders at the company and cluster levels.
- **Best Practice:** One of the strengths of the NCC is its ability to work effectively at the cluster level, not just providing technical assistance, but acquiring feedback from companies that is used to inform the policy making process, or the reforms that are proposed by the Council.

### Trust

- **Lesson Learned:** Trust is key to developing and sustaining the collaboration that helps foster the kinds of activities and actions required to improve competitiveness. This is especially so in the case of public-private sector dialogue, seeking agreement and cooperation on critical issues. It is also essential in developing and sustaining clusters.

- **Best Practice:** Identifying common goals and seeking solutions to shared problems promotes confidence and helps to engender trust. The NCC has been effective as an interlocutor between government and the private sector in reaching consensus on critical issues. This is one of its most critical roles.

### Follow-Up

- **Lesson Learned:** Sustained follow-up is required to nurture clusters to the point where they can operate competitively on their own. This can be a relatively long (i.e. 3-4 year) process, but it is necessary to protect the initial development investment and maximize opportunities for success.
- **Best Practice:** One of the essential tasks of the NCC is to maintain its relationship with the various clusters and continue to provide assistance, transferring the knowledge and skills required for the clusters to be able to operate effectively on their own. In point of fact, this is part of the NCC's strategy.

### Human Resources

- **Lesson Learned:** Development of the human resource base - or work force - is essential to achievement of stronger competitiveness. This requires not only vocational and technical training, in addition to higher education, but effective primary and secondary education as well. Workers need to be numerate, literate, and able to think analytically at a basic level. This is vital, among other reasons, for attracting foreign investors.
- **Best Practice:** Resources to support education at all levels is essential. But curricula, especially in vocational and professional educational institutions, must reflect the needs of business and the market place. Similarly, higher education must strengthen and expand curricula in the sciences and engineering to help form the knowledge base for innovation. At the primary and secondary levels, the educational system needs to be strengthened to provide students with basic analytical skills and greatly improved numeracy and literacy.

### Innovation

- **Lesson Learned:** Innovation is a cornerstone of competitiveness. While much innovation is shared on a global basis, individual countries need to be able to innovate within their own national context, providing fresh ideas and appropriate technologies.
- **Best Practice:** Once again the role of education is the key to innovation. Schools, specifically institutions of higher education, need to improve and expand their curricula to include course offerings and career paths that meet the skill needs demanded by the global market. However, care must be exercised not to focus exclusively on professional skills, but also to provide a sound liberal arts

educational base as well. In addition, more resources must be made available for research and development across economic sectors.

## Finance

- **Lesson Learned:** Access to affordable finance is essential if businesses are to improve their competitiveness by cutting non-production costs and acquiring the capital they need to run and expand operations.
- **Best Practice:** The financial sector needs to work with the Central Bank and other relevant government agencies to develop ways whereby loans to business can be made at more affordable rates and on less onerous terms. Loan guarantees and special business loan funds are among some of the options that could be considered.

## NCC

- **Lesson Learned:** In order for a competitiveness system to function productively, it is critical to have at its center an NCC with sufficient authority to carry out its functions effectively. Equally important is the need for a sustained source of income to allow the Council to function as an independent, apolitical organization, able to continue its work credibly across changes in governments.
- **Best Practice:** The most effective - perhaps the only - way to achieve this kind of financial independence is through establishment of a predictable and secure source of income such as an endowment. This could be used to underwrite core operations while other funds could be sought from donors for specific projects. Fees-for-service, advertising in NCC publications, hosting of events, and other income generation mechanisms could also be considered.



## VII. CONCLUSIONS

Overall there have been measurable gains in competitiveness at the policy, institutional, and company levels, and the government, under the leadership of the President and with the active involvement of the NCC, has clearly taken the lead in seeking to promote necessary policy and institutional reforms. Not surprisingly, there is still more to be done and some key issues remain unaddressed or deferred. Specific conclusions show that:

- The reforms that have been achieved have made a difference and this has been the result in no small measure of the activities of the NCC. The Council has been very active at all levels - company, cluster, sectoral, and national. It is addressing not only the “mechanics” of competitiveness, but has been working to change attitudes and behavior, raising awareness of what competitiveness is and means, and how it can be achieved. It is conscious of the critical role played by culture in the improvement of competitiveness; but, in order for it to continue to work indefinitely; it needs to secure an independent and secure source of income.
- The review of budget outlays was somewhat mixed, with some key accounts experiencing significantly more spending while others remained basically unchanged. But on balance, there has been a trend for the government to support its rhetoric with actions, even if there continues to be a need for more resources. By this measure the government has demonstrated its intention to boost competitiveness.
- The PNCS is extremely ambitious and somewhat cumbersome. A more streamlined and manageable plan with clear and measurable objectives would most likely yield greater results. Such a plan would permit focus on priority areas - which are not explicitly defined in the Plan but need to be established in rank order - for the rational allocation of resources and stronger coordination of the various government agencies involved.
- The failure of political will to address forcefully the critical and thorny challenges of energy and corruption has served as a drag on greater competitiveness. The ingrained nature of corruption (which is part of the energy problem as well) admittedly makes it very difficult to confront and overcome - or at least substantially mitigate. But it is essential to make greater inroads, perhaps with more forceful participation of the international donor community serving to provide “political cover” to some degree.

- The apolitical professionalism of the NCC has endowed it with the credibility and legitimacy that it needs to remain effective. As the literature points out repeatedly, credibility and legitimacy are the currency of an NCC. This has allowed the Council to gain and maintain a reputation as a serious and impartial organization seeking policy and institutional reforms to benefit the country as a whole and not favoring one group or sector.
- As the centerpiece of the GODR's competitiveness system, the NCC still lacks the kind of independent financial stability required to ensure its operations indefinitely and across changes in governments. Given the political pressures to which it can be exposed, it would be advisable to consider seeking other sources of income, such as an endowment, to provide the NCC with the kind of independence needed to ensure the credibility and apolitical professionalism that are necessary to maximize its impact.

## VIII. RECOMMENDATIONS

Competitiveness has clearly been an issue of national concern in the DR. The establishment of the NCC, the drafting of the PNCS, and the many policy, regulatory and institutional reforms that have been identified, outwardly constitute a clear commitment on the part of the government to strengthen competitiveness. However, there are additional steps that can be taken to reinforce and expand on what has been accomplished to date.

- The NCC's current structure with the President as the titular head and the Director holding cabinet rank gives it the authority it needs to bring together the key institutions in both the private and public sectors to address competitiveness. In order for the Council, the institutional heart of the competitiveness system, to be able to maintain its apolitical and professional independence and remain credible and effective, it needs to explore ways to generate revenues from sources other than the national budget. This would permit it to continue its operations irrespective of changes in government. It would also allow it to provide critical follow-up to initiatives where donor funding has terminated.
- As the NCC is a public agency, its funding could be subject to significant fluctuations depending on the prevailing political climate of the moment. In order to avoid this and maintain a predictable source of support, at least for core operations, one alternative would be to establish an endowment. Any given donor could take the lead in making an initial contribution, using it as leverage to solicit matching funds from other actors. In that way, a sufficient capital base could be built both to support NCC operations and grow the endowment. Other income generating mechanisms could include: membership dues; fees-for-services (e.g., technical assistance, training); advertising in NCC publications; information/research for specific groups; hosting events/trade fairs; non-cash donations (e.g., equipment, real estate, securities). The NCC would also continue to seek other funding for specific projects.
- The GODR should seek to provide greater budget resources to government institutions whose activities are essential to strengthening competitiveness, such as education and training, science and technology, and public works, among others. These resources should be earmarked specifically for activities directly related to improving competitiveness.
- USAID and other donors should consider funding significant initiatives to upgrade basic education. The human resource base in the DR lacks elementary literacy and numeracy skills. While attention has been focused on strengthening skills and knowledge at the tertiary level, especially in science and technology, the K through 12 levels have been largely left to languish. Without a basic skills

infrastructure, it will not be possible to achieve significant, widespread and sustainable gains in competitiveness.

- By the same token, a serious effort to expand and make available vocational and technical training, such as that in the *Parque Cibernético*, is essential. This should be coordinated closely and on a continuing basis with the business community to keep curricula relevant to changing skills demands in the market place.
- A renewed push to solve the energy problem needs to be undertaken. The World Bank and IDB are currently supporting some efforts to try to solve the problem, but the donor community as a whole should coordinate closely in a multilateral, sustained, and aggressive initiative to bring about the necessary institutional, regulatory, enforcement, and contractual (with the private energy companies) reforms that can improve the quality, dependability and cost structure of energy, specifically electricity. This will be a difficult challenge, but until this problem is resolved, companies in the DR will not be able to compete on a level playing field with their neighbors and other countries.
- Given the stated emphasis on competitiveness at the national level, it may be useful to establish a national competitiveness prize, such as the Malcolm Baldrige Award,<sup>37</sup> to motivate enterprises even further to be more innovative, productive and competitive. This could not only serve as an incentive, but would confer prestige on the notion of competitiveness as a national value. This could help create greater awareness of the need to be more competitive and showcase how that can be done. A similar award could be established to recognize the contributions of organizations as well, both government agencies and private sector associations, including clusters.
- The NCC should consider establishing Centers of Excellence, bringing together government, the private sector and universities to promote the kinds of synergies required to develop collaborate approaches to specific problems related to strengthening competitiveness. These could be in fields such as technology, information and communication, and education and training, among many others.
- More emphasis should be placed on the role of the diaspora to recruit both financial and human capital. Business and government need skilled technicians and managers who have the kinds of skills, experiences, and contacts that can be recruited from the diaspora. And greater efforts could be made to seek investment from Dominicans living abroad, particularly in terms of developing policy incentives.

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<sup>37</sup> The Baldrige Award is given by the President of the United States to businesses—manufacturing and service, small and large—and to education, health care and nonprofit organizations that apply and are judged to be outstanding in seven areas: leadership; strategic planning; customer and market focus; measurement, analysis, and knowledge management; workforce focus; process management; and results.

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## A. COMPANY QUESTIONNAIRE (INDIVIDUAL INTERVIEWS)

1. In what year was your company established? \_\_\_\_\_
2. What is your title? \_\_\_\_\_
3. What goods and/or services does your company produce/provide?
4. Who are your principal customers? \_\_\_\_\_
5. Is your company publicly owned? Yes\_\_\_ No\_\_\_
6. Do you have foreign investment in your company? Yes\_\_\_ No\_\_\_
7. How many employees do you have on the payroll? \_\_\_\_\_
8. How many are in mid to senior level management positions? \_\_\_\_\_
9. Have you ever heard of the CNC? Yes\_\_\_ No\_\_\_
10. What does it do?
11. Have you ever had any contact with the CNC? Yes\_\_\_ No\_\_\_  
If you answered "yes," please describe the nature of the contact.
12. Has your business increased its revenues since 2006? Yes \_\_\_ No \_\_\_  
If you answered "yes," please indicate the percent of increase from  
2006 to 2007 \_\_\_\_\_; from 2007 to 2008 \_\_\_\_\_  
  
Has your business increased its profit margins Yes \_\_\_ No \_\_\_  
If you answered "yes," please indicate the percent of increase from  
2006 to 2007 \_\_\_\_\_; from 2007 to 2008 \_\_\_\_\_  
  
Has your business created new jobs? Yes \_\_\_ No \_\_\_  
If you answered "yes," please indicate how many jobs were created from  
2006 to 2007\_\_\_\_; from 2007 to 2008\_\_\_\_
13. What do you consider to be the major impediments to improving your  
company's productivity and profitability? Please list below.
14. Is there any organization of agency that is doing anything to address these  
issues? Yes \_\_\_ No \_\_\_  
If you answered "yes," please list those organizations and/or agencies.

15. Do you think the climate for doing business has improved in the last three years? Yes \_\_\_\_ No \_\_\_\_
16. What steps do you think the government should take to improve competitiveness?



## COMPANY QUESTIONNAIRE (SELF-ADMINISTERED SURVEY)

1. In what year was your company established? \_\_\_\_\_
2. What is your title? \_\_\_\_\_
3. What goods and/or services does your company produce/provide?
4. Who are your principal customers? \_\_\_\_\_
5. Is your company publicly owned? Yes \_\_\_ No \_\_\_
6. Do you have foreign investment in your company? Yes \_\_\_ No \_\_\_
7. How many employees do you have on the payroll? \_\_\_\_\_
8. How many are in mid to senior level management positions? \_\_\_\_\_
9. Have you ever heard of the CNC? Yes \_\_\_ No \_\_\_
10. What does it do?
11. Have you ever had any contact with the CNC? Yes \_\_\_ No \_\_\_  
If you answered "yes," please describe the nature of the contact.
12. Has your business increased its revenues since 2006? Yes \_\_\_ No \_\_\_  
If you answered "yes," please indicate the percent of increase from  
2006 to 2007 \_\_\_\_\_; from 2007 to 2008 \_\_\_\_\_  
  
Has your business increased its profit margins: Yes \_\_\_ No \_\_\_  
If you answered "yes," please indicate the percent of increase from  
2006 to 2007 \_\_\_\_\_; from 2007 to 2008 \_\_\_\_\_  
  
Has your business created new jobs? Yes \_\_\_ No \_\_\_  
If you answered "yes," please indicate how many jobs were created from  
2006 to 2007 \_\_\_\_\_; from 2007 to 2008 \_\_\_\_\_
13. Do you have a business plan? Yes \_\_\_ No \_\_\_  
If you answered "yes," in what year was it prepared? \_\_\_\_\_
14. Has it ever been revised? Yes \_\_\_ No \_\_\_  
If you answered "yes," in what year was it revised? \_\_\_\_\_
15. What do you consider to be the major impediments to improving your  
company's productivity and profitability? Please list below.

16. Is there any organization of agency that is doing anything to address these issues? Yes \_\_\_\_ No \_\_\_\_  
If you answered “yes,” please list those organizations and/or agencies.
17. Do you think the climate for doing business has improved in the last three years? Yes \_\_\_\_ No \_\_\_\_
18. Please explain your answer.
19. What steps do you think the government should take to improve competitiveness?

## B. LIST OF REFORMS

LIST OF INSTITUTIONAL REFORMS OR MEASURES TAKEN (2000-2008)		
Law, decree, regulation, treaty	Date signed	Goal(s)
<b>TARIFF AND TAX REFORMS</b>		
<b>CUSTOMS</b>		
<b>LAWS</b>		
Law No. 146-00 on Tariff Reform	12/11/02	With the enactment of Law 146-00, it is absolutely prohibited to establish taxes on foreign trade through administrative provisions.
Law No. 426-06 on CAFTA-DR Implementation	09/06/2005	(a) Foster trade expansion and diversification among all Parties; (b) Remove all trade barriers and facilitate the transboundary flow of goods and services across all Parties' territories; (c) Promote an environment that enables loyal competition across the free trade area; (d) Substantially increase investment opportunities in all Parties' territories; (e) Protect in an appropriate and effective manner intellectual property rights, and enforce all related provisions in each Party's territory; (f) Put in place effective procedures for applying and enforcing this treaty, its joint administration, and dispute resolution; and (g) Establish guidelines for bilateral, regional and multilateral cooperation, aimed at broadening and improving the benefits of this treaty.
Law No. 226-06. It provides the General Internal Revenue Bureau (DGII) and the General Customs Office (DGA) with autonomy in functional, budgetary, administrative, and technical matters, and authorizes them to manage their own resources and assets.	07/19/2006	Provide the DGII and the DGA with autonomy in functional, budgetary, administrative, and technical matters, and authorize these bodies to manage their own resources and assets.
<b>DECREES</b>		
Decree No. 3-05	01/06/2005	Remove duty exemptions and other taxes established by decree or by any other administrative provision, leaving valid only the exemptions established by the Constitution and by special laws. The General Customs Office and the General Internal Revenue Bureau will take all necessary measures to enforce this Decree.
Decree No. 402-05 on express	07/26/05	Address issues related to the growth of

LIST OF INSTITUTIONAL REFORMS OR MEASURES TAKEN (2000-2008)		
Law, decree, regulation, treaty	Date signed	Goal(s)
shipping		express international shipping of documents and merchandise via specialized companies, and the need to implement measures to regulate this type of systems.
Decree No. 627-06	12/22/2006	Apply a customs service fee schedule.
<b>REGULATIONS</b>		
General Regulation No. 1-06	01/16/2006	Establish procedures for settling and paying value added taxes on fossil fuels and oil products.
General DGA/DGII Regulation No. 01-08	03/4/2008	Establish procedures for applying selective value added taxes on consumption of alcohol products, alcoholic beverages, beer, tobacco products, and imported cigarettes.
<b>TREATIES</b>		
<b>DGII</b>		
<b>LAWS</b>		
Law No. 11-01 on Tax Amnesty	01/17/2001	Establish measures that help taxpayers comply with their tax obligations in a timely and transparent manner.
Law No. 12-01	01/17/2001	Modify some tax concepts and instruments in the Tariff Reform and the Tax Code Law (Law 147-00), and establish gradual taxes on advertisement services.
Law No. 288-04 on Fiscal Reform	09/28/2004	In Point 7 of the Supplemental Memorandum on Economic Policy, the Dominican government committed to preparing a proposal for tax reform. As a result of agreements with the World Trade Organization (WTO) and the Free Trade Agreement with the United States of America, there will be a significant reduction in the amount of customs duties collected and, therefore, the Dominican State should establish taxes to offset revenue losses, and address a number of distortions in the current Tax Law. The revenues of the Dominican government will be reduced because several taxes established temporarily will expire, and because the minimum tax of 1.5 percent on gross income will be eliminated. It is also necessary to implement a fiscal policy that contributes to the sustainability and balance of public finance, as a means for achieving macroeconomic stability.
Law No. 557-05 on Tariff Reform	12/08/2005	Amend Laws 11-92 of 1992, 18-88 of 1988, 4027 of 1955, and 112-00 and 146-00 of 2000.
DGII Law No. 227-06	06/19/2006	Give legal status and autonomy in functional budgetary, administrative, and technical

LIST OF INSTITUTIONAL REFORMS OR MEASURES TAKEN (2000-2008)		
Law, decree, regulation, treaty	Date signed	Goal(s)
		matters, and authorize the General Internal Revenue Bureau (DGII) to manage its own resources and assets.
Law No. 173-07 on Efficiency in Tax Collection	07/17/2007	Amend various laws in order to improve tax collection by using modern technological advances, to create systematized mechanisms and manuals for keeping records of taxpayers in an effective manner.
Law No.172-07 that reduces current income tax rates	07/17/2007	Ensure that the income tax rates for all national productive sectors are competitive with other countries of Central America and the Caribbean that are also parties to CAFTA-DR.
<b>DECREES</b>		
Decree No. 1521-04	11/30/2004	For the General Internal Revenue Bureau (DGII) to draw on the principle of legality to promote that taxpayers comply with their obligations in a timely and accurate manner.
General Regulation No. 01-2008	01/28/2008	For the Tax Code to empower the DGII to authorize total or partial exemptions from advance payments of both income taxes and taxes on assets, in response to requests for exemptions due to extraordinary events or forces beyond control that make it impossible to make these payments.
General Regulation No. 02-2008	02/22/2008	Allow DGII to manage the Tax Refund Special Fund, in order to process refund requests made by taxpayers in a prompt, efficient manner.
General Regulation No. 04-2008 (amended by General Regulation 05-2008)	07/23/2008	Promote industry modernization and renewal by establishing tax incentives whose application must be regulated.
General Regulation No. 06-2008	08/05/2008	Manage and collect taxes in an appropriate, efficient manner.
Law No. 19-00 on Stock Market	05/08/2000	Promote and regulate the stock market, in order to achieve an organized, efficient, and transparent market that contributes to the economic and social development of the country. The stock market includes the supply and demand of stocks related to capital, credit, debt, and products. It also includes derivative instruments related to both securities and products.
<b>ENERGY</b>		
<b>LAWS</b>		
General Electricity Law No. 125-01	07/26/2006	Create the Dominican Corporation of State-owned Electricity Companies.

LIST OF INSTITUTIONAL REFORMS OR MEASURES TAKEN (2000-2008)		
Law, decree, regulation, treaty	Date signed	Goal(s)
Regulation to apply the General Electricity Law No. 125-01, (amended by Law No. 494-07)	09/05/2007	Amend the General Electricity Law with the purpose of achieving greater level of enforcement of rules and procedures. This, in order to ensure that energy agents and operators play their roles more efficiently, and to guarantee a more stable electric system that does not affect end users.
<b>DECREES</b>		
Decree No. 1554-04	12/13/2004	Establish a program for reducing future blackouts.
Decree No. 16-06	01/18/2006	Regulate operations of the Rural and Suburban Electrification Unit (UERS), an office of the Dominican Corporation of State-owned Electricity Companies (CDEEE).
<b>AGREEMENTS</b>		
General Agreement of the Dominican Energy Sector	03/01/2006	Create the Energy Sector Recovery Committee and establish an action plan to provide sufficient, high-quality, affordable and reliable energy services.
Agreement on Energy Use Transformation	03/22/2006	Promote the installation of reliable generating units that use low-cost alternative fuels, in order to reduce the sector's dependence on oil.
<b>ANTI-CORRUPTION</b>		
<b>LAWS</b>		
Law No. 10-04 on the "Chamber of Accounts"	01/20/2004	Establish the powers and competencies of "the Chamber of Accounts" ( <i>Cámara de Cuentas</i> ), create the National Oversight and Auditing System, harmonize all existing legal regulations within this system, identify the institutions that will be responsible for enforcing the regulations, and establish hierarchies of authority. The law also seeks to facilitate inter-institutional coordination, promote ethical, effective, efficient, and cost-effective management among those who manage public resources, and facilitate accountability and transparency among those in public office or who manage public funds.
Law No. 6-06 on Public Credit	01/20/2006	Ensure the establishment of borrowing policies for the public sector, set borrowing limits, identify public credit operations, effectively raise resources resulting from this financing source and use them only for their intended and rightful purposes, and efficiently manage all debt service costs.
Law No. 76-02: The new Code	10/2006	Establish the new Code of Criminal Procedure

LIST OF INSTITUTIONAL REFORMS OR MEASURES TAKEN (2000-2008)		
Law, decree, regulation, treaty	Date signed	Goal(s)
of Criminal Procedure		and set forth its implications for prosecuting corruption cases in public administration in the Dominican Republic.
Law No. 448-06 on Bribery in Trade and Investment.	12/06/2006	Put in place measures that provide greater legal security and transparency in commercial exchanges and investment flows, and guarantee a national environment characterized by the integrity of public services and effective measures to combat corruption.
Law No. 498-06 on Planning and Public Investment	12/28/2006	Prioritize, follow-up, and evaluate public sector investment projects. Another goal of this law is to increase the installed production capacity of the country, in accordance with the targets and objectives outlined in the plans, and optimize the use of the resources allocated.
Law No. 10-07 (that establishes the National System of Internal Control and Oversight, and the General Comptroller's Office of the Dominican Republic)	01/08/2007	Create the National System of Internal Control and Oversight, its governing bodies, and its components; establish the mandate and powers of the General Comptroller's Office of the Republic; regulate the internal oversight of public funds and resources and oversee institutional public management and its correlation with public service responsibilities, external control, political and social oversight; and identify the corresponding institutional powers and duties in these matters.
Law No. 176-07 on the National District and Municipalities	06/22/2007	Regulate the organization, scope, powers and resources of town halls in all Dominican municipalities and the National District, ensuring that, in accordance with their autonomy, they can make use of their inherent powers and services, promote development within their territories, improve the social and cultural well-being of their populations, and foster effective community participation in managing local public affairs.
Law No. 3024-07 (that creates the National Office for Prosecuting Administrative Corruption)	07/03/2007	Regulate how to handle aspects related to investigation, public prosecution, and case filing of any act of administrative corruption in the Dominican Republic.
Law No. 53-07 against High-Technology Crimes and Offenses	04/23/2007	Fully protect systems that use information and communication technologies, as well as their contents. The law also prevents and penalizes crimes and offenses against these systems or their components, or those committed using these technologies to the physical and/or moral detriment of a natural person or legal entity, according to the terms of this law. The integrity of information systems and their components, data stored in or transmitted by them, commercial and other types of

LIST OF INSTITUTIONAL REFORMS OR MEASURES TAKEN (2000-2008)		
Law, decree, regulation, treaty	Date signed	Goal(s)
		agreements and/or transactions made through these systems and their confidentiality are all legal assets protected by law.
Law No. 41-08 on Public Service (that creates the State Secretariat for Public Administration)	01/16/2008	Regulate the working relationships of all people appointed by relevant authorities to fill any budgeted public position in State, municipal and autonomous bodies, in order to professionalize and distinguish the work of public servants.
<b>DECREES</b>		
Decree No. 287-06 on Sworn Statements of Assets	07/17/2006	Submit [statements] through the new Automated Standard System of Sworn Statements of Assets. Submissions will be made using a form that is digitally and electronically administered through a webpage specifically established for this purpose by the National Treasury and the Department for the Prevention of Administrative Corruption (DPCA).
Decree No. 310-05 (that establishes the Operational Regulations for the Commission on Ethics and Fight against Corruption)	05/16/2005	Regulate the internal operations of the Commission on Ethics and Fight against Corruption. The decree also limits the powers and scope of the Commission's bodies, establishes procedures for adopting and validating its decisions, puts mechanisms in place for managing its resources.
Decree No. 130-05 (that approves the regulations of the Law on Free Access to Public Information)	02/25/2005	
Decree No. 1523-04 (that establishes procedures for contracting public and external credit operations in the country)		
The National Energy Commission (created by the General Electricity Law No. 125-01, and amended by Law No.186-07)		The National Energy Commission (CNE) was established to implement projects for identifying or assessing incidental parameters related to energy consumption and demand that will define policy guidelines submitted to the Executive Branch by the CNE. To this end, the Commission is authorized to create and manage the National Energy Information System (SIEN).
<b>ACCESS TO CREDIT</b>		
<b>LAWS AND REGULATIONS</b>		
Monetary and Financial Law No. 183-02	11/21/2002	Establish a regulatory regime for the monetary and financial system in the Dominican



LIST OF INSTITUTIONAL REFORMS OR MEASURES TAKEN (2000-2008)		
Law, decree, regulation, treaty	Date signed	Goal(s)
		Republic.
Law No. 92-04	01/27/2004	Create the “Exceptional Program for Risk Prevention of Financial Intermediary Institutions.”
Regulations for Prudential Standards on Capital Adequacy, passed by the Third Resolution issued by the Monetary Board	03/30/2004	
Law No. 288-05	07/26/2005	Regulate the creation, organization, activities, operations, and closing of credit information bureaus and credit reference services, as well as the information provided in the market, in order to guarantee respect for privacy and information owner's rights, which are recognized by the Political Constitution of the Dominican Republic and by current legislation. The primary goal is to promote veracity, accuracy, effective updating, confidentiality, and the appropriate use of this information, in order to minimize risks and contribute to the adequate functioning of the banking, financial, credit, and economic systems in the country.
Law No. 6-06 on Public Credit	01/11/2006	Build the State capacity to raise resources for productive investments, restructure its organization, respond to national emergencies, and refinance its debts.
Law No. 494-06 on the Organization of the State Secretariat for the Treasury	12/27/2006	Grant powers to the State Secretariat for the Treasury to manage all aspects related to spending, tax and budget policy, as well as internal and external financing.
Law No. 498-06 on Planning and Public Investment	12/28/2006	This law sets forth that the Technical Secretary to the Presidency, in consultation with the State Secretariat for Finance and the Central Bank of the Dominican Republic, will be responsible for the developing macroeconomic programming, which will include analyses and projections related to the state of the national economy.
Law No. 174-07	07/12/2007	Establish guaranteed loans granted by commercial banks to free trade zones in the Dominican Republic.
Law No. 392-07 on Industrial Competitiveness and Innovation	12/04/2007	
Second Resolution issued by the Monetary Board	01/17/2008	Approved a publication for gathering the opinion of stakeholders about the proposed amendment to section c) of Article 22 of Regulations for Prudential Standards on

LIST OF INSTITUTIONAL REFORMS OR MEASURES TAKEN (2000-2008)		
Law, decree, regulation, treaty	Date signed	Goal(s)
		Capital Adequacy.
Resolution issued by the Monetary Board	02/14/2008	Amend the Regulations for Assessment and Evaluation of Assets, in order to increase the credit limit of commercial borrowers, thus helping productive sectors of small- and medium-sized enterprises have increased access to credit.
<b>INSTITUTIONS AND BODIES CREATED</b>		
The Public Debt Council and the General Public Credit Office (created by Law No. 6-06 on Public Credit)	01/20/2006	Law No. 6-06 created the Public Debt Council and the General Public Credit Office within the State Secretariat for the Treasury, with the primary goal of managing the credit public system.
The Integrated System for State Financial Administration (created by Law No. 5-07)	01/04/2007	Law No. 5-07 created the Integrated System for State Financial Administration.
<b>EDUCATION</b>		
<b>LAWS AND ORDINANCES</b>		
The "PAE-REAL" school meal program	Year 2000	An initiative created to distribute locally produced food portions among poor students, especially in rural areas, in order to encourage higher levels of production, participation and development in beneficiary communities.
Organic regulation	08/11/2000	Make Education Law No. 66-97 operational.
Law No. 139-01 (that creates the National Education System)	Year 2001	Increase the level of effectiveness of education-related services in the Dominican Republic.
Ordinance No. 3-2001	09/11/2001	Establish a Teachers' Training Curriculum.
Departmental Order No. 17-2003	07/07/2003	Establish rules for the selection and promotion process within the Dominican school system.
Departmental Order No. 008-2005: State Secretariat for Education	10/11/2005	Move the Department of Education on Computer Science up to the Head Office level.
Ordinance No. 13-03	12/10/2003	Establish the regulations for the Teaching Career Committee.
Regulations for the Teaching Statute, in force by Decrees No. 639-00 and No. 728-03	06/26/2003 and 07/19/2003, respectively	
Law No. 222-07	08/18/2007	Amend Article 78 of the General Education Law (No. 66-97) dated April 9, 1997.
<b>PLANS AND OTHER RELATED DOCUMENTS</b>		

LIST OF INSTITUTIONAL REFORMS OR MEASURES TAKEN (2000-2008)		
Law, decree, regulation, treaty	Date signed	Goal(s)
Competitive Selection Processes	In force since April 2006	The State Secretariat for Education is committed to raising the quality of education in the Dominican Republic, and strengthening the institutional nature of the education sector.
Decennial Education Plan	From 2008 through 2018	A plan developed jointly by the State Secretariat for Education, the State Secretariat for Higher Education, Science and Technology, and the National Institute of Professional and Technical Training. The plan encompasses the entire education system in the Dominican Republic and coordinates all education subsystems at all levels in the country.
The National Technological Innovation and Development System — SNIDT (established by Decree No. 190-07)	04/03/2007	Coordinate in a practical manner a network of (academic, public, private, and international) institutions and related public policy, in order to further technological innovation and development to build the capacity of existing clusters and other strategic sectors, and foster greater integration of related value chains.
<b>National Competitiveness Council</b>		
<b>LAWS AND DECREES</b>		
Law No. 13-74	10/27/2004	Create by decree the National Competitiveness Council (CNC) and prioritize competitiveness-related issues and the National Plan for Systemic Competitiveness.
Law No. 1-06 (that creates the National Competitiveness Council)	01/10/2006	Establish the National Competitiveness Council (CNC), as the legal and institutional body in charge of implementing a participatory process for developing policies and strategies aimed at improving competitiveness in the country, and implementing related projects that foster entrepreneurial competitiveness among all productive sectors.
Law No. 392-07 on Industrial Competitiveness and Innovation	12/04/2007	Create a new institutional framework and legislation that allows the manufacturing industry to achieve competitive development. To this end, a number of policies and support programs are proposed to foster the renewal and innovation of the industrial sector, in order to achieve greater diversification of the national productive system, establish forward and backward linkages by supporting industrial parks, and linking them to international markets.
Decree No. 326-06 that reduces the time limit to issue formal trademark registration	08/08/2006	Regulate the processes that drive the goals of the Unified Integrated Assistance System for Starting Businesses in the Dominican

LIST OF INSTITUTIONAL REFORMS OR MEASURES TAKEN (2000-2008)		
Law, decree, regulation, treaty	Date signed	Goal(s)
certificates		Republic.
Decree No. 190-07 on the National Technological Innovation and Development System (SNIDT)	04/03/2007	Coordinate in a practical manner a network of (academic, public, private, and international) institutions and related public policy, in order to further technological innovation and development to build the capacity of existing clusters and other strategic sectors, and foster greater integration of related value chains.
Decree 191-07 (that creates the Unified Integrated Assistance System for Starting Businesses)	04/03/2007	Ensure that all instruments for facilitating quick business start-ups, creating a Dominican business portal, and providing government services to businesses and entrepreneurs are working well and in an efficient manner.
Decree No. 192-07(that creates the Regulatory Improvement Program)	04/03/2007	Conduct a careful analysis of rules that regulate government activities, in order to make them compatible with the requirements needed to have a responsive, transparent, and competitive type of government.
Law No. 426-7 on Stowaway Activity in the Dominican Republic	12/17/2007	Monitor, investigate, discover and prosecute all people involved in this disloyal activity.
Decree No. 587-08	Year 2008	Ratify the appointment of Mr. Andrés van der Horst Álvarez as the Executive Director of the National Competitiveness Council, to the rank of State Secretary.
<b>PLANS AND PROGRAMS</b>		
The National Plan for Systemic Competitiveness (PNCS)	03/21/2007	The PNCS is a national plan that includes policies, strategies, and initiatives to achieve greater systemic competitiveness (at all levels and in all sectors) in the Dominican Republic.
" <i>Crea tu Empresa</i> " [Create Your own Business]	02/19/2008	Assist investors and entrepreneurs in starting their businesses, by providing integrated processing and advising services. Have an automated, online business registration system that allows them to generate in a secure, simplified and centralized manner, all documents required to start and formalize businesses in the country. The goal is to reduce the time required to register a business—which, in turn, fosters competitiveness and the formalization of the business sector, and increases capital flows— as well as to do all the paperwork required to start a business through this system.
Observatorio.gov.do	02/28/2008	Monitor and follow-up on the progress achieved in the Dominican Republic regarding the PNCS; support the design of public policy that addresses competitiveness-related issues

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Law, decree, regulation, treaty	Date signed	Goal(s)
		and promote timely decision-making processes; and conduct comparative analyses of competitive performance, as well as other related studies.
Strategic Science, Technology and Innovation Plan	10/21/2008	Design science, technology and innovation-related policy that allows for coordination among these sectors and other public and private economic actors. Foster scientific and technological development to facilitate production and competitiveness improvements, and advance sustainable development in the Dominican Republic.
INSTITUTIONAL		
LAWS		
Law No. 20 -2000 on Industrial Property	05/08/2000	Contribute to the dissemination and transfer of technology, to the mutual benefit of producers and users of technological knowledge, in order to favor the social and economic well-being in the country.
General Law No. 64-00 on the Environment and Natural Resources	08/18/2000	Contribute to achieving harmony between human beings and the environment, and prevent, remedy, correct or eliminate actions or situations that harm natural resources and the biosphere.
Commercial treaty between Panama and the Dominican Republic	In force since 11/02/2003	The treaty includes a total of 103 Dominican products that can enter the Panamanian market free of custom duties and, in turn, the Dominican Republic allows the duty-free entry of 101 Panamanian products. The treaty also includes a list of products manufactured in export processing zones or in free trade zones.
Law No. 194-04	07/22/2004	This law makes reference to the budgetary and administrative autonomy of the Attorney General's Office and the Chamber of Accounts of the Dominican Republic. It also establishes the budget for each of them, and for the legislative and judicial branches, whose autonomy is established by Law No. No. 46-97, of February 18, 1997.
General Law No. 385-05 on the Protection of Consumer and User Rights	09/06/2005	Establish a regime that protects the rights of consumers and users, and that guarantees legal security and equity in the relationship between providers and consumers of goods and/or users of services. This can be in the context of public or private law, or between national or foreign actors, in accordance with the provisions contained in sectoral laws to this effect. In case of doubt, the provisions of

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		the current law will always be interpreted in a way that is most favorable to the consumer.
Resolution 357-05	09/09/2005	Approve CAFTA-DR.
Law No. 10-07 (that creates the National System of Internal Control and Oversight, and the General Comptroller's Office)	01/04/2007	Create the National System of Internal Control and Oversight, its governing bodies, and its components; establish the mandate and powers of the General Comptroller's Office of the Republic; regulate the internal oversight of public funds and resources, and oversee institutional public management and its correlation with public service responsibilities, external control, political and social oversight; and identify the corresponding institutional powers and duties in these matters.
Law No. 1-08 on the National Council for Dominican Communities Abroad	01/14/2008	Establish the National Council for Dominican Communities Abroad (CONDEX) as the legal and institutional body in charge of implementing a participatory process for developing policies, programs and actions that involve Dominican emigrants in State administration-related issues.
Law No. 42-08 on the Defense of Competition	01/25/2008	Promote and defend effective competition in order to increase economic efficiency in markets for goods and services, in order to benefits and value added for consumers and users throughout the country.
Law No. 158-01 on Tourism Incentives	05/09/2001	Implement a streamlined process throughout the country for the development of the tourist industry in regions with great potential or regions that have excellent natural conditions for tourism, and that have not yet reached expected levels of development, whether or not these areas have been declared tourism hubs.
Decree No. 334-05	06/16/2006	Apply a foreign trade policy that supports the national export sector, and establishes mechanisms for short, mid and long-term solutions to the problems facing the national industrial sector.
<b>INSTITUTIONS AND BODIES CREATED</b>		
The National Institute for Consumer Protection (created by Law No. 358-05)		Protect consumers against any physical or economic harm that may result from the personal or family use of goods and services. (The National Institute substituted the former General Price Control Office).
The National Council of Export Processing Zones (created on January 15, 1990 through the	01/15/1990 Amended on 12/04/2007	Establish businesses in free trade zones, establish special free trade zones and parks (for businesses that must be established

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implementation of Law No. 08-90, modified by decree on August 29, 1997. Its current version was submitted on December 4, 2007 by the Legal Advisory Department of the Council).		outside of an industrial park), establish sales and product exemptions, issue certifications for businesses and residences, and regulate transfer of benefits and changes in name or location.
The Center for Industrial Development and Competitiveness —PROINDUSTRIA (created by Law No. 392 of December 4, 2007, on Industrial Competitiveness and Innovation)	12/04/2004	Promote industrial development in the Dominican Republic by stimulating all productive sectors of the national economy, in particular small- and medium-sized enterprises (SMEs), and by providing assistance to these sectors (except for agriculture and the sugar industry). Promote new industries, and foster greater diversification and systematization of all national productive sectors, in order to improve the standard of living of the population at large.
The Export and Investment Center of the Dominican Republic — CEI-RD (created by Law N.º 98-03)	06/17/2003	Respond to requests for specialized and technical assistance to export businesses and foreign investors. Coordinate actions with other government bodies (INFOTEP, CNFZE, CFI, etc.) in order to promote exports and foreign investment in the Dominican Republic. Enforce Laws No. 84-99 and No. 16-95, which refer to reactivating and promoting exports and foreign investment. The CEI-RD is also in charge of a network of representatives in the United States and Puerto Rico, which provides assistance to all interested parties. The Center also organizes fairs, trade shows and delegations, and validate certificates of origin.
The National Industrial Property Office — ONAPI (created by Law No. 20-00 )	Year 2000	ONAPI has technical and budgetary autonomy, and is responsible for applying legislation related to industrial property, for its development and protection in the country.
The State Secretariat for Economy, Planning and Development (created by Law No. 496-06)	12/28/2006	This law created the State Secretariat for Economy, Planning and Development, with the purpose of developing and coordinating a process for the design, management, follow-up and assessment of macroeconomic and sustainable development policies, aimed at achieving economic, social, territorial, and institutional cohesion in the Dominican Republic.
The Presidential Commission on the Millennium Development Goals and Sustainable Development (created by Law No. 1215-04)	09/16/2004	Monitor and evaluate the progress made in achieving the United Nations Millennium Development Goals (MDGs)



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