Globalizations
June 2006, Vol. 3, No. 2, pp. 237–243

Routledge
Taylor & Francis Group

COMMENT

The 'Dominican Model': A 'Work in Progress' towards Sustainable Human Development

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The Dominican Republic, as a country and as a people, has come a long way after having lived through dictatorship and authoritarian rule, like the regimes of Rafael Trujillo (1930–1961) and Joaquin Balaguer (1960–1962, 1966–1978, 1986–1996). The sense of paternalism that these regimes projected upon the Dominican population still lingers, however, as the impoverished to a certain extent still look to political leaders for 'handouts'—short-term monetary assistance, usually given before an election.

In 2000, at the UN Millennium Summit, 147 heads of state and government signed the UN Millennium Declaration, which gave birth to the Millennium Development Goals (MDGs)—time-bound and quantified targets for addressing extreme poverty in its many dimensions (income poverty, hunger, disease, lack of adequate shelter, and exclusion), while promoting gender equality, education, and environmental sustainability (UN Millennium Project, 2005, p. 1). The MDGs have acted as a catalyst for President Leonel Fernandez's second administration (2004–2008), which was the first in the world to establish a Presidential Commission on the MDGs, where Dominicans—men and women, young and old, poor and uneducated—learn that these goals materialize their inherent 'human rights' to quality health care and education, access to freshwater and basic sanitation, freedom from violence against women and young girls, sustainable use of natural resources, and adequate shelter. Dominican citizens have begun to realize that the 'social assistance' they have normally received is being converted into long-term sustainable development opportunities through national and local plans set up to achieve the MDGs by the 2015 deadline.

Having been selected as one of the UN Millennium Project's seven pilot countries due to Fernandez's long record of high economic growth and commitment to combating corruption and poverty, the Dominican Republic conducted an 'MDG Needs Assessment and Costing

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1474-7731 Print/1474-774X Online/06/020237–7
DOI: 10.1080/14747730600752795

Analysis',[1] which was aimed at establishing key actions and investments, also known as public 'interventions', and aligning them with the country's budget for each year from 2006 to 2015, as well as using them as a basis for constructing the country's National Development Plan (Gagain, 2005a, p. 5). The analysis called for increased investments in almost all sectors related to the MDGs, especially education and health.

In August 2004, the Fernandez administration came to power with the country suffering from one of its most severe economic crises since independence. A local currency devalued at over 100% and foreign debt exceeding $500 million left the Dominican Republic with little credibility among the international community, significantly affecting foreign investment (Fernandez, 2004). In early 2005, the International Monetary Fund (IMF) projected GDP growth of 2.5% for 2005. However, Central Bank figures in the Dominican Republic demonstrate that it has surpassed expectations and achieved the highest economic growth in Latin America at 9.3% of GDP, leading the 2005 GDP total to $29 billion, far exceeding the 2004 GDP of $19 billion (Fernandez, 2006).

In spite of economic growth and recent macroeconomic achievements, all of which are laudable, the Dominican Republic, like other Latin American countries, is confronted with the challenge of converting its economic growth into growth that is 'pro-poor', providing results and opportunities to improve the quality and length of life for the disadvantaged and impoverished, while creating and enhancing the local and national capacities that would allow all Dominican citizens to enjoy the benefits of and contribute momentum to the increasingly globalized and interdependent economy. Fernandez stated in his Independence Day Address on 27 February 2006, after having detailed the economic achievements of his administration, 'we propose a new "social policy", based upon principles of equality, in order to support the poorest, giving them access to opportunities, similar to those that the rest of the population possess' (Fernandez, 2006).

The Dominican Republic, however, needs an economic policy that aims beyond only economic measures of success and where the existence and operation of a market are valued in themselves. The Dominican Republic and its international partners, including the IMF, World Bank, and bilateral lenders and donors like the USA and the European Union, must measure any type of success towards creating a better life for Dominicans by comparing it to the achievement of long-term socio-economic development goals like the MDGs. In one of his visits to the Dominican Republic, Jeffrey Sachs, director of the UN Millennium Project and special advisor to the U.N. Secretary-General on the MDGs, stated 'the Goals (MDGs) are not just a matter of market forces, they are about a practical plan that takes into account "focused investments in priority areas" ... rising income alone does not achieve the Goals, does not save women in child birth, does not ensure that child mortality will fall by two-thirds, and certainly does not ensure environmental sustainability' (Gagain, 2005a, p. 14).

In order to achieve a socially progressive political economy and sustainable human development in the Dominican Republic, the donors and lenders must become 'true partners' of the Dominican process to achieve the MDGs and sustainable development. This has been the position presented by Fernandez's Presidential Commission on the Millennium Development Goals and Sustainable Development (COPDES), in several meetings with institutions like the IMF and World Bank (Gagain, 2005a, p. 13). Part of the challenge in the Dominican Republic has been that the first and second versions of the IMF Letter of Intention (LOI) for the Stand-By Agreement, to which the current Dominican Government subscribed, does not even mention 'millennium', let alone 'Millennium Development Goals', and only mentions 'development' five times, and only then in the context of the new Ministry of Planning and Development that the IMF requires the Dominican government to create (IMF, 2004, 2005a). In order to be true partners, the IMF and World Bank need to diverge from the recommendations and actions of the 'structural adjustment era' and move towards what Sachs refers to as 'clinical economics'. This means a 'development economics' that takes into account a 'multifaceted and detailed approach' to development by forming a 'differential diagnosis' for each country's development prescription—rather than the continuous prodding for policies of 'budgetary belt-tightening' and exclusive pushes for 'privatization, liberalization, and good governance'—and that supports results-based approaches to combating poverty and achieving the MDGs (Sachs, 2005, p. 83).

The recent fiscal reform law, *Ley de Reforma Tributaria 557-05*, could be considered a missed opportunity for advancing sustainable human development in the Dominican Republic. It will not serve as a vehicle for equitable distribution of wealth and sustainable and more equitable opportunities for the poor. An effective fiscal reform package could have created a 'progressive tax' (if private-sector investment permits), one of the most viable mechanisms for redistributing wealth among the poor and increasing public social spending, including in education and health as the Dominican MDG Needs Assessment and Costing Analysis calls for. The opportunity was missed principally because the fiscal reform law was prompted by the IMF at the wrong time for the wrong reasons, and was not formulated upon whether it would or could make a financial investment contribution to the achievement of the MDGs.

First, rather than taking into consideration the need to address not only the 'income side' but also the 'expense side' of the national budget, which is normally a sign of 'socially responsible' fiscal reform, Law 557-05 specifically addressed the 'income side' as a means of compensating for the loss of revenue resulting from the Dominican Republic–Central American Free Trade Agreement (DR-CAFTA), which was to enter into effect on 1 January 2006, after having been ratified by both the Dominican and US congresses. Paragraph 19, Section IV of the first version of the IMF Stand-By-Agreement LOI states:

> In view of the need to offset the revenue losses associated with the eventual implementation of the CAFTA and the phased reduction of the foreign exchange commission and financial transactions tax that will begin in January 2006, the government is committed to a carefully sequenced tax reform aimed at simplifying the tax system and broadening the tax base, which will strengthen revenues over the medium term. In this regard, the government will develop, with IMF technical assistance, the details of a tax reform package by March 2005, and by June 2005 will agree to a strategy for its implementation, which could be advanced depending on the date of the approval of CAFTA. (IMF, 2005a)

The fiscal reform law was a prime opportunity to mobilize the domestic resources needed for achieving the MDGs, particularly due to the fact that the MDG Needs Assessment and Costing Analysis evaluated the needs of the Dominican people and placed a price tag upon said needs. The Analysis established a list of specific goods, services, infrastructure projects, and institutional and legal reforms that are required to achieve the MDGs in the Dominican Republic, all of which resulted in an overall cost between 2006–2015 of US$29.5 billion. The Analysis also included costs year-by-year, sector-by-sector, and MDG-by-MDG (Gagain, 2005b, p. 69).

Second, the fiscal reform law was extremely politicized. The law was constructed only months before approving the 2006 budget, and political parties struggled to limit the amount of funds the Fernandez administration was to control for that year. Rather than focusing on increasing revenues for the needed public investment that would help the Dominican Republic achieve the MDGs, the opposition party in Congress—the Dominican Revolutionary Party (PRD)—aimed to block access for the government to more funds during an important election year. The poll on 16 May 2006 could see the PRD majority-led Congress give way to other aspiring political parties, including the

Dominican Liberation Party (PLD), which currently holds a very small minority. The IMF should have contemplated this situation, especially if they had taken a 'clinical economics' approach by knowing the unique domestic political situation in the Dominican Republic.

After the macroeconomic achievements commended by the IMF and other institutions as well as the inherent progress made towards achieving the MDGs, the IMF insisted on the Dominican Republic having a 'balanced budget'. In Ethiopia, macroeconomic 'results' similar to the Dominican Republic were achieved in the late 1990s (zero inflation, falling prices, and steady growth), but here, too, the IMF was unhappy with 'Ethiopia's budgetary position' and suspended its program with the country (Stiglitz, 2003, p. 28). The Dominican Republic, for fear of losing international credibility and jeopardizing the much-needed $620 million or more from the IMF, lost the opportunity to fully harness the results of the MDG Needs Assessment, as debt servicing, the country's energy crisis and fuel imports drained the 2006 national budget. The opportunity was not fully realized because narrow immediate electoral interests prevailed over broad, inclusive national interests. The key interventions and investments of the MDG Needs Assessment were not taken into consideration as they should have been in the fiscal reform package.

What should the IMF have done considering these circumstances in the Dominican Republic? First, the IMF, and economists in general, should not confuse achievements such as zero inflation, macroeconomic stability, and steady growth as goals in themselves. Governments must be supported in a fashion that allows them to harness macroeconomic stability as a means of paving the road towards the MDGs, which should be their overall goal. Macroeconomic achievements are 'a means to an end' due to the fact that high inflation often leads to low growth, and low growth leads to high unemployment, and high unemployment leads to increasing levels of poverty, hence making it more difficult to achieve the first MDG of halving income poverty by 2015, as well as the other MDGs (Stiglitz, 2003, p. 27). To become a true 'partner' in the Dominican Republic, the IMF needs to support the Dominican fight against poverty and not serve as an overseer of fiscal control and macroeconomic stability. The IMF Representation in the Dominican Republic should adhere to the sentiments of its managing director, Rodrigo De Rato y Figaredo, who stated at the 2005 UN World Summit on the MDGs that 'as a partner in the global effort to reduce poverty, the IMF is a strong supporter of the Monterrey Consensus, and is committed to helping countries meet the Millennium Development Goals' (De Rato y Figaredo, 2005). Representatives of the Bretton Woods Institutions in the Dominican Republic have stated that supporting the MDGs is 'not their role', and when asked why they are so tough on the Dominican Republic responded that 'the IMF is not invited to parties', meaning that it is their job to be strict, especially with countries that subscribe to their stand-by agreements (Mandeng, 2006).

The IMF's mission, according to their website, is to 'foster economic growth, high levels of employment; provide temporary financial assistance, etc.' Noting this mission statement, a recent World Bank study gave evidence as to why the Bretton Woods Institutions should support poverty eradication as the ultimate goal. The study showed that 'poverty is part of the reason for a country's poor growth performance', and that 'low growth results in high poverty and high poverty in turn results in low growth', hence 'poverty reduction and high growth reinforce each other' (World Bank, 2006, p. 1). Additionally, a recent study entitled *Linking Poverty Reduction and Water Management*, supported by 19 institutions including development cooperation agencies, UN agencies, and governments, showed that investing in water and sanitation, a specific MDG target and dimension of poverty, 'is a good investment that generates growth and gives rates of return comparable with investments in any other sector' (UNDP et al., 2006, p. 1). The report went further to show that achieving MDG

Target 10 for water and sanitation is an economically sound decision illustrating that the 'benefits (of investment) far outweigh the costs . . . by at least as much as 3 times and by as much as 60 times in major regions'. The report showed that investing in poverty, particularly the water and sanitation dimension of poverty, provides benefits in many forms including raising productivity levels, freeing up scarce government resources from health interventions, saving time through reduced illness and water collection burden' (ibid., p. 40). Benjamin Friedman, in his recent book *The Moral Consequences of Economic Growth*, states that 'economic progress needs to be broadly based if it is to foster social and political progress . . . the absence of democratic freedoms impedes economic growth' (Friedman, 2005, pp. 6, 16). Friedman gives evidence that economic growth is not an end in itself, but a means to an end—the end being the expansion of freedoms. Friedman's point is that growth is not only valuable for the material economic improvement that it brings, but more so for how it affects social attitudes and political institutions, which he refers to as society's 'moral character' (ibid., p. 14). He affirms that 'the tangible improvements in the basics of life that make economic growth important . . . have played out long before a country's per capita income reaches the levels enjoyed in today's advanced industrialized economies'. He noted that 'Americans are no healthier than Koreans or Portuguese . . . and they live no longer, despite an average income more than twice what the Koreans and Portuguese have' (ibid., p. 3).

Despite the challenges posed by the IMF, 2006 has seen promising advances made concerning the 'Dominican Model', which referred primarily in its initial stages to the Fernandez administration's commitment to the MDGs, politically, cross-sectorally, and institutionally. On 30 November 2005, the honorable Dr Margarita Cedeño de Fernandez, first lady of the Dominican Republic, on behalf of President Fernandez inaugurated the Local MDG Needs Assessment and Costing Analysis. The initiative, more commonly referred to as *Pueblo del Milenio* (MDG-Millennium Community) aims to 'harness local leadership, activism, and commitment to poverty eradication at the local-level so that local citizens themselves could lead their community's development process, through a "bottom-up community-based approach" that serves to identify the most pressing needs and solutions to achieving the MDGs at the local-level' (Cedeño de Fernandez, 2005).

The *Pueblo del Milenio* initiative complements the President's 'top-down' approach by creating a 'bottom-up' community-based approach to sustainable development in the Dominican Republic, where eventually a fusion between the country's National Development Plan, based upon the MDG investments of the national MDG Needs Assessment and Costing Analysis, and various provincial–local development plans, also based upon MDG investments of the Local MDG Needs Assessments and Costing Analysis, will lead to an integrated and shared vision. The process has served as a platform for bringing together the central government, municipalities, provinces, communities, political parties, NGOs, local UN agencies, and the private sector to define their own development and invest in the MDGs in the province of El Seybo—including increased support and efficient spending in education, health, water and sanitation, energy, and agriculture and nutrition. The locally based vision, and the possibility of bringing it to fruition, will only be viable should these aforementioned entities continue to join efforts as they have since 30 November 2005.

In 2006, Congressional Law 166-03 will move the 150-plus municipalities in the Dominican Republic closer to receiving 10% of the national budget, which in 2005 amounted to approximately 5%. The Agriculture, Environment, and Women's Affairs ministries, being key ministries for achieving the MDGs, will receive approximately \$184.8 million, \$84.8 million, and \$7.3 million, respectively, after having conducted the MDG Needs Assessment and Costing

Analysis, while municipalities will receive collectively a far larger disbursement of $357.5 million. The increasing amount of funding for the municipalities exemplifies the inherent need to engage them in the quest for the MDGs and sustainable human development.

The *Pueblo del Milenio* aims to channel the funds allocated by the national budget to the 150 municipalities at the local-level with funds of the central Government towards the key investments by actively engaging municipalities, the disadvantaged and vulnerable populations, political parties, and the local communities. The *Pueblo del Milenio* approach has proven to be an effective tool for assessing the community's needs, establishing local solutions, analyzing costs, and harnessing the fiscal commitment of national and local government toward poverty eradication and sustainable development. In El Seybo—the country's second-poorest province (after Elias Pina on the border with Haiti) and the first community of the *Pueblo del* Milenio—has demonstrated the 'specificity' and 'detail' in their needs. At the national level, the results, although concrete, did not meet the level of specificity of local needs as is evidenced in the *Pueblo del Milenio* initiative. For example, the El Seybo MDG Needs Assessment exercise is addressing the needs of its two public hospitals and 15 rural clinics as opposed to the national MDG Needs Assessment, which considered the entire country's needs and the over 120 public hospitals and hundreds of rural clinics for achieving the MDGs. The *Pueblo del Milenio*, as a part of the Dominican Model, highlights the needs by making them more 'human, local, community-based, and "Dominican"' in origin and management to realization and sustainability.

The Dominican Model has become a tool for Dominicans and their development, giving them a sense of ownership that is intrinsically important to achieving the freedoms and rights encompassed in the MDGs and sustainable human development. Due to the unique institutions backing it, like COPDES and the *Pueblo del Milenio*, it has become an example for other developing countries undergoing similar processes to achieve the MDGs. The fact that the Dominican Model is considered a work in progress is important because the country's development is a process and not an event, which will evolve as economic growth and sustainable development strengthens democracy, institutions, and national moral character. The Dominican Model and the MDGs have shined a light on a country with an authoritarian and non-participatory history. The donors, lenders, and international partners present in the Dominican Republic should assume the Dominican Model as a *bona fide* opportunity to support a country, its people, and their development as they choose their own destiny and the type of development they desire for themselves and their families. Should they not harness this great opportunity that the Dominican Model brings, I can only suggest that the Dominican Republic follow the same route of Argentina and Brazil (*The Economist*, 2005): take the decision to repay early its debt to the IMF and then part ways so that the people and their government can achieve, as they undoubtedly deserve to, the Millennium Development Goals.

Note

1 More formally referred to as *Investing in the Sustainable Development of the Dominican Republic: An MDG Needs Assessment*, it was developed and released in 2005 by President Fernandez at the UN World Summit on the MDGs in September 2005.

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John R. Gagain, Jr. was named by Dr. Leonel Fernandez, President of the Dominican Republic, as the Executive Director of the Presidential Commission on the Millennium Development Goals and Sustainable Development (COPDES) on 16 September 2004, where he leads the first Presidential Commission ever to be established for monitoring and evaluating a country's achievement of the UN Millennium Development Goals (MDGs) and coordinating multi-sectoral sustainable development planning. Prior to that, he served as Director of the Center for the Study of Globalization at the Fundación Global Democracia y Desarrollo (FUNGLODE), an international research-based non-governmental organization located in the Dominican Republic and founded in 2000 by Dr. Fernandez after his first term as President (1996–2000).