

2.2 Problem Analysis

The DR's economic growth needs to be consolidated to ensure its resilience, and requires a stronger focus on environmental sustainability, as well as inclusivity. In order to have a more resilient and green and sustainable economy, the DR must address structural issues in relation to institutional and public finances reforms, policies related to the business model and in particular MSMEs, the reduction of social, gender and territorial inequalities, and the environmental sustainability of the production and consumption model. This is also necessary to confront new shocks such as the economic impact of Russia's war of aggression against Ukraine on rising oil prices, among others.

Some interrelated problems that hinder the consolidation of the DR's sustainable and inclusive economic growth are:

i. The DR's economy suffers from structural weaknesses and it is too vulnerable to external shocks, with high levels of informality and obstacles in the business climate, plus weaknesses related to the competitiveness of micro, small and medium sized enterprises.

Structural weaknesses in the DR economic system still require reforms to consolidate economic resilience, and to address urgent environmental issues and social inequalities. This resilience will also be beneficial in relation to external shocks (pandemics, wars, climate-induced disasters). Low levels of education, especially for women due to traditional expectations, teen pregnancy, poverty and gender-based harassment limiting girls' education⁹, and technical qualifications of the workforce are part of the structural challenges of the DR, despite recent efforts to tackle them and better adapt the technical and vocational education and training (TVET) offer to the labor market needs. Targeted reforms will help to improve debt sustainability and to gather the necessary internal resources (domestic resource mobilisation – DRM) required to finance the DR's development, in particular for the needed investments in key areas such as water and sanitation, waste management, sustainable transport and energy, as well as in (climate resilient) infrastructure and human capital. Well-sequenced reform implementation, to foster inclusive growth and improved social outcomes, will also help to strengthen policy frameworks. In particular, reforms will improve public financial management and transparency, which are key for the implementation of all public policies and to ensure a healthy business environment. Further efforts are needed to address social issues, to reduce territorial and gender inequalities, and would help rendering the DR's growth more inclusive and equitable.

There are high levels of informality in the DR economy, with more than 50% of the DR workforce being informal. The pandemic contributed to further increasing the informalization of the labor market. While the unemployment rate decreased from 8.8% to 6.5% between 2014 and 2019, it picked up to a level of 7.1% in 2020. The unemployment rate for women (age 15+) is 9.5% and for men 4.1%.¹⁰

The MSME sector, which represents a big share of the DR's economy (98% of companies with a participation in the GDP of 38.6% and main providers of employment in the DR), suffer from other obstacles to their development, such as access to credit, low productivity levels and challenges related to quality and environmental standards, including a digital gap and gender gap, which affect their competitiveness. It is also necessary to strengthen support schemes for institutional, financial and business development services.

Furthermore, in order to achieve sustainable and inclusive growth, the DR needs to continue strengthening its institutions, including at municipal level, to face structural challenges: unequal access to and low quality of public services, corruption, citizen security issues and low citizen trust in institutions.

ii. Social, gender and territorial inequalities.

⁹ <https://www.unicef.org/dominicanrepublic/en/node/2026>, one in four women between 20 and 49 years old has had a child before turning 18 and almost half of them had a child before 20 and 22% of women have suffered sexual harassment in educative environments.

¹⁰ idem