The Tourism Industry and Its Link to Poverty Alleviation in the Dominican Republic

By

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Abstract:

The Dominican Republic has an interesting juxtaposition of the largest tourism industry in the Caribbean with some of the worst social conditions in the region such as high rates of unemployment, poverty, and infant mortality. While the Dominican tourism industry experienced growth rates in the double digits in the 1990s, incomes for the lowest wage earners remained flat. This thesis analyzes if and how plans in the Dominican Republic extract greater value from the tourism industry for local economic development. It compares tourism in the Dominican Republic to models of “pro poor tourism” in the development literature. The plans steering the tourism industry in the Dominican Republic mention important factors such as social equity, labor force development and support of local businesses, but they are insufficiently detailed and do not include mechanisms for training and job creation. The private sector has demonstrated leadership in pro-poor tourism efforts in the Dominican Republic. Clustering as a national strategy to organize the tourism industry can be a promising mechanism for helping the poor through tourism in the Dominican Republic by coordinating private sector efforts. For greater distributional benefits to the poor from the tourism industry, however, these plans must be more aggressive and focused on quality job creation.

*Many argue that because tourism is often driven by foreign, private sector interests, it is not well placed to contribute much to poverty elimination. … However, work on pro poor tourism has identified several reasons why tourism seems to be particularly relevant to poverty reduction and to achieving the Millennium Development Goals”.

– International Institute for Environment and Development *

--Table of Contents--

Chapter 1: Introduction
1.1 Background
1.2 Research questions and hypothesis
1.3 Methodology
1.4 Thesis Structure

Chapter 2: Overview of the Tourism Industry as a Poverty Alleviation and Job Creation Strategy in Developing Countries
2.1 The growth of tourism as a development strategy
2.2 The critique of tourism as a poverty alleviation tool
2.3 Employment in Tourism; Defining a “good job”
2.5 The role of planning in tourism development
2.6 Strategies for creating local wealth and jobs through tourism
2.7 Mass tourism vs eco-tourism for development
2.8 Tourism clusters; a global trend
2.9 Successful pro-poor tourism cases

Chapter 3: The Tourism Industry in the Dominican Republic
3.1 Background of Tourism in the Dominican Republic
3.2 Local Realities in the Dominican Republic: High Growth, Low Social Spending, and Youth Unemployment

Chapter 4: An Analysis of Recent Tourism Plans and Interventions in the Dominican Republic
4.1 National and Tourism Plans
4.2 Workforce Development Plans
4.3 Voluntary Efforts from the Private Sector

Chapter 5: Conclusion
5.1 Conclusions
5.2 Recommendations for Future Alternatives
5.3 Future Research

Works Cited
Chapter 1 - Introduction

Tourism is often seen as a panacea for economic development in beautiful but poor countries. The tourism industry accounts for up to 40% of GDP in developing countries as opposed to between 3 and 10% in advanced economies. Tourism is the leading source of foreign exchange in 46 of the 49 least developed countries. While tourism may lead to economic growth, it does not necessarily lead to poverty reduction (Bolwell 2008).

The degree to which local communities benefit from tourism dollars is often scrutinized by development scholars. The field of research in tourism, unfortunately, has typically focused on industry growth rather than its contribution to development in poor countries. In the past ten years, efforts have been made by the United Nations, transnational advocacy groups, government leaders and scholars to design strategies to better link tourism revenues to poverty alleviation efforts in developing countries. The term “pro-poor” tourism has been coined to describe these strategies.

The Dominican Republic is an example of a tourist nation that, despite growing tourism receipts, struggles to implement programs to combat poverty. Labor incomes for the lowest earners in the economy remained flat even during the Dominican Republic’s tourism boom of the early 2000s (World Bank Poverty 33). The number of undernourished people in the Dominican Republic is one of the highest in Latin America, educational levels are below regional average, and youth unemployment rates are
soaring. Nearly a third of young people aged 15-24 are unemployed, 62 percent of 20- to 29-year-olds have not finished secondary school, and the national urban poverty rate hovers around 30% (World Bank 2006).

The paper will assess whether pro-poor tourism strategies exist in the Dominican Republic by evaluating the national development plans and private sector actions. Building off of an understanding of local realities in the Dominican Republic and best practices of pro-poor tourism, the thesis will close with recommendations for how public and private actors might extract greater value from the tourism industry. The Dominican Republic is a fortuitous case to study because it has the biggest tourism industry in the Caribbean, set amidst a backdrop of one of the highest poverty and illiteracy rates in the region.

1.2 Research questions and hypothesis

This thesis aims to answer the question:

How can a growing tourism industry be used to create meaningful employment opportunities? More specifically, how do the Dominican Republic’s tourism development policies compare to what the best practices for equitable tourism development dictate? What other actors are involved in extracting value from the tourism industry and creating jobs for the poorest Dominicans?

This thesis offers an overview of the key public and private sector led initiatives happening in the Dominican Republic to create pro-poor tourism. It then compares the
strategies of those initiatives to what the tourism development literature says are the models for equitable growth.

I hypothesize that:

- There are not opportunities to climb within the hospitality industry in the Dominican Republic.
- Linkages to industries complementary to the tourism industry are undeveloped in the Dominican Republic because of the prevalence of all-inclusive resorts. All inclusive resorts minimize a tourist’s interaction with local businesses, and often import a majority of their goods and services from outside of the host developing country. All inclusive resorts do not necessarily have to leak foreign exchange earnings out of the country, but without regulations on purchasing guidelines likely will.
- Tourism is inherently not a good industry for achieving developmental outcomes because of its reliance on low-skill labor and foreign capital.

In regard to tourism planning specifically, I hypothesize that if the Dominican Republic includes pro-poor tourism language into their development plans, then they will be similar to the best accepted practices in the field. The greater challenge, I would assume, comes in the specificity of the mechanisms for action, oversight and benchmarking in a plan.

1.3 Methodology
The methodology for this research paper consists of a literature review and interviews. The literature review covers broad theories of tourism and development, as well as manuals and articles on best practices and recommendations for pro-poor tourism. I analyzed key Dominican laws and policies, and the Dominican national development plans related to tourism and economic development.

My research is also informed by interviews and observations recorded in the Dominican Republic in January 2009, as well several follow up interviews via phone and email. I conducted interviews with government officials, hotel managers, hotel employees, travel agents, and professors.

1.4 Thesis Structure

My thesis will begin with a literature review of the leading theories on tourism, employment and poverty alleviation. In Chapter II, I will then explain the context of tourism within the Dominican Republic. I will next examine and critique what is currently being done to link tourism revenues and poverty alleviation within the Dominican Republic in Chapter III, closing with general recommendations and conclusion in Chapter IV.
2.1 The Growth of Tourism as a Development Strategy

Beginning in the late 1960s, the World Bank, the Inter-American Development Bank and other international agencies aggressively promoted tourism as a development strategy in small, beautiful countries. Tourism was viewed favorably as a mechanism to diversify developing countries’ economies away from dependence on agricultural exports and toward a service industry. The first international seminar on tourism and development was held in 1976 by UNESCO. Tourism did not require the large capital expenditures needed for industrialization that import substitution policies did, another popular development theory of the 1960s (Hawkins, Mann 2006). Governments invested in tourism with the hopes that it would be a “big push” that led to employment and state revenues for public works.

In the last 50 years, annual tourist arrivals have increased 27 fold, from 25 million to 673 million, a third of which belong to developing countries. For many developing countries, tourism is a pillar for economic development and the main source of employment (Jayawardena, 2003).

2.2 The Critique of Tourism as a Poverty Alleviation Tool
Despite what has seemed like an enthusiastic acceptance of the tourism industry by policy makers and politicians, scholars and activists working in the field of tourism are much more critical of tourism as a poverty alleviation tool. In the past three decades, there have been several strong arguments against tourism as a development strategy. Tourism has been critiqued for ecological deterioration, profit leakage, social displacement, distorted cultural patterns, rising land values, drugs, and prostitution (Harrison, 1992; Crick, 1996; Pattullo, 1996). Tourism has also been linked to the creation of demand for foreign-made goods and for promoting a “dependency model” that may add to already apparent inequalities between the northern and southern hemispheres when its growth is “uncontrolled.” (Britton 1982, 1996; Greenwood 1989, McElroy, 2004). Furthermore, imbalance in tourism ownership results in value lost in the transfer to the local economy, perpetuating existing disparities (Crouch and Ritchie 1999). In 1980, Britton writes:

If provisions are not made to increase local economic participation, this greatly increases the likelihood of the domination of Third World tourism sectors by large-scale, multinational enterprises. For this reason, tourism has sometimes been called ‘a neo-colonial extension of economic forms of underdevelopment’ that reproduces historical patterns of structural inequalities between developed and developing countries (Britton 1980:149).

Foreign domination and external dependency often greatly reduce tourism’s potential for generating broadly based growth. Because of the monopolistic controls exerted by transnational corporations over the ownership and organizational structure
of most countries’ mass-tourism sectors, many analysts contend that the Third World tourism industry often replicates problems of dependency and foreign exchange leakages, which are associated with underdeveloped economies dominated by foreign-owned export enclaves (Britton 1982; Hills and Lundgren 1977; Matthews 1977; Nash 1989, Cabezas 1996). There are myriad other negative externalities linked to the tourism industry as well. Often negative environmental, social and cultural effects result from the tourism activity. (Dann and Seaton, 2001). Some human rights groups argue that the crux of the tourism industry is based upon pleasure at the cost of unfairness to the other (International Network on Fair Trade in Tourism).

Economically, tourist nations do not always benefit from the growing industry because of leakage. Economic leakage is a phenomenon that occurs in the tourism industry of every country. Leakage occurs when tourism dollars are not retained by host nations, and profits are lost to imported goods such as equipment, materials and goods, as well as in the repayment of foreign loans. Excessive leakages neutralize the positive financial aspects of international tourism in developing countries. On average, approximately 55% of tourism expenditure remains outside the destination country, rising to 75% in specific cases such as Gambia and the Caribbean, but as little as 25% for large economies such as India. By contrast, most tourism sectors in the developed world are much better linked to their local economies and consequently have significantly lower foreign exchange leakage ratios (Harrison 1992; Weaver 1988). The financial value per arrival to the developing countries is considerably lower than that to the more economically developed countries (Scheyvens 2002).
The tourism literature criticizes the industry as being a weak agent for local job growth in the developing world for its tendency to employ expatriate management and not support local economies, particularly under the enclave resort development model---explained later (Crick 1989):

The three most lucrative components of tourism in the developing world (i.e., marketing and the procurement of customers, international transportation, and food and lodging) are normally handled by vertically integrated global networks, with airlines and other transnationals occupying dominant positions, not local people (Brohman 1996).

As a result of all of this critique, the World Bank reversed its policies toward tourism from the 1970s, and no longer funds massive infrastructure projects for tourism in the name of poverty alleviation. One reason given by the Bank for this is that power and ownership dynamics of tourism have not benefited the poor, and bigger priorities lay in other investments (Hawkins and Mann 2007). Today, driven by strong country demand, there is renewed interest within the Bank in the role of tourism in the fulfillment of the United Nations Millennium Development Goals. The Bank has again begun funding tourism development projects in the third world, but now they are under the guise of “sustainable development” projects rather than “poverty alleviation.” (Hawkins and Mann, 2007). The naming and rationale is significant because it influences the framework of funded projects in terms of intended outcomes and beneficiaries. There has been a neglect of social issues in much of the sustainable tourism literature. Neto (2003) criticizes the sustainable tourism literature’s overemphasis on environmental issues.
2.3 Employment in Tourism—Defining a “good” job

The exact boundaries of tourism employment are difficult to draw (Burns 1993). Tourism jobs are found in the formal and informal sectors, both directly and indirectly interacting with tourists. When analyzing the economic development benefits of the tourism industry for the poor, it isn’t solely the quantity of jobs created that is important, but the quality of those jobs. Hospitality jobs tend to be low-skill, low-wage jobs by nature of their descriptions. They are also known for requiring long hours, being demanding and hectic, and having high turnover rates (BLS). For purposes of this thesis, I will define good tourism jobs as those that provide livable wages, opportunities for training and advancement, and healthy, non-demeaning work environments.

The ILO reports that within the last two decades, there has seen a growing recognition of the important role of small and medium-sized enterprises (SMEs) in employment creation and the promotion of economic growth and development in the tourism industry, potentially more-so than direct hospitality jobs. For this reason, much of the focus of the paper is on creating linkages to other sectors for jobs as opposed to increased direct employment in hotels.

2.4 An Argument for the Role of Planning in Tourism Development

The tourism sector has not traditionally been planned with the goal of creating distributed benefits. From a public policy perspective, greater emphasis has been placed historically on attracting firms and promoting growth than on any distributional issues associated with tourism. As seen across the developing world for the past two decades, governments have been hesitant to adopt interventionist policies; encouraging free-
market conditions has been the lever for economic development promoted by international donors in this and other industries (Marcouiller 2004). Though GDPs have risen and hyperinflation has decreased in Latin America by attracting private investment, the distribution of benefits to the poor has been severely lacking. As the benefits of tourism have been less than anticipated through free-market conditions (often coming bundled with negative environmental and social externalities), the literature questions if better tourism planning can create more equitable results.

Neo-Marxist scholar Paul Baran would argue that an unregulated capitalist system does not lead to development in “backwards” countries such as the Dominican Republic, and that it is the government’s job to engage in economic planning to create adequate employment opportunities. The choice to have deregulated markets is a deliberate, planned decision just as much as the decision to pursue a more controlled, planned development trajectory.

In the markets vs. state debate, Sanyal explains how the pendulum has now swung again in favor of smart planning as opposed to unregulated markets. Scholars argue that capital must be disciplined (Davis). The latest models for more distributed benefits from the tourism industry call for better planning interventions rather than just increased state revenues. The Dominican tourism industry is a key example of an opportunity for growth to be linked to greater societal and human development. Long-term planning of the tourism sector has generally not happened in the Caribbean (Pattullo).
Potential for poverty reduction through the tourism industry has been insufficiently recognized and exploited by developing country governments and development assistance agencies. Only in the past decade have agencies such as the United Nations World Tourism Organization and the Pro-Poor Tourism Partnership begun to address the relationship between tourism and poverty alleviation. Better strategies for tourism planning that distribute wealth via job training programs, coalitions between government and developers, and strategic domestic linkages are slowly beginning to emerge in the literature and in practice. The term “pro-poor tourism” was first used in 1999 by a report on sustainable tourism commissioned by the UK Department for International Development. Pro-poor tourism is defined as tourism that generates increased net benefit for poor people by increasing their income, assets or participation (ID21). It requires a significant level of planning and intervention.

Within the realm of planning intervention, there is not consensus on whether strong national planning or more decentralized, voluntary policies are better routes for achieving development outcomes. The answer is probably a combination of both:

There is an ongoing debate in the literature on political governance as to whether it is better to decentralize governance and give power to the institutions at the grassroots level than to centralize everything at the national and state levels. Proponents of the first view argue that decentralization brings the delivery of public services to those who ultimately use them and is the best available means to empower the disadvantaged groups and thereby to protect their human rights. Governments help to promote and protect human rights through supporting grass roots activities for indigenous human rights groups and building the institutional
capacity of national human rights bodies. Empirical evidence emerging from
different contexts generally suggests that local control of tourism has generated
more benefits than costs (Westerhausen and Macbeth, 2003; Williams and
Papamichael, 1995).

The counter view is that decentralization may lead to the concentration of powers to a
few local elites and simultaneously may weaken the authority of national institutions in
preventing such situations. Decentralization also makes it difficult to pressure the
powerful private-sector hotel consortiums in the tourism industry.

Tosun believes that there are operational, structural, and cultural limits to local
governance in the tourism development (2000). The International Labor Organization
published a report in 2008, saying that “while many small-scale projects have been
developed to link tourism with poverty reduction, large-scale poverty reduction from
tourism depends upon clear strategies consulted, articulated and monitored through
national poverty reduction strategy plans” (Bolwell 2008).

The conclusion seems to be that unregulated tourism development will not lead to
positive distributional economic outcomes, but it is uncertain whether strong national
planning or bottom-up decentralization monitoring is the better approach. This represents
a false dichotomy however, because there is room for both a national strategic vision, as
well as the grassroots, growth of micro-enterprises to guide the tourism industry.

In the upcoming chapters we will examine what the Dominican Republic is doing
in terms of national planning, as well as what is occurring more sporadically in the
private sector.
2.5 Strategies for creating local wealth through tourism—"Pro Poor Tourism"

An important role for planners in the tourism industry is to promote linkages. Linkages are defined as creating connections between tourism and other sectors for increased job creation. Recognition by government planners and the private sector of the huge potential for increased linkages between tourism and the manufacturing sector, agriculture, and the creative and cultural industries sectors has been lacking until recently (Meyer 2007). Linkages allow the revenues to circulate through the domestic economy, producing larger multiplier effects in terms of both employment and income for the local population (Brohman 1996).

![Diagram of key linkages between tourism and other industries](image)

Figure 1. Examples of key linkages between tourism and other industries
Just as not all industries are equally beneficial to the development of an economy, some forms of tourism are better than others. Pro-poor tourism is about a search for these alternatives, reflecting on Jacoby's argument in 2005, in national development approaches towards the tourism industry.

There are a few leaders in the field of pro-poor tourism research and dissemination of ideas, yet they do not all have the same approach. Here is an overview of the Pro-Poor Tourism Partnership and the United Nations ST-EP program.

Pro-Poor Tourism Partnership

The Pro-Poor Tourism Partnership is a coalition of the International Center for Responsible Tourism (ICRT), the International Institute for Environment and Development (IIED), and the Overseas Development Institute (ODI).

The Pro-Poor Tourism Partnership identifies five main strategies to bring benefits to the people and create local linkages through tourism in developing countries. These are:

1. Bring local producers into the supply chain
2. Build links with local farmers
3. Have excursions involving local people and products
4. Encourage tourists to spend in the local economy
5. Partner with neighborhoods
EXISTING TOURISM SYSTEM

Market forces and government allocations determine where the economic benefits of tourism are allocated and directed

Possible benefits to the poor

OR

PRO POOR TOURISM

Pro poor tourism that generates net benefits for the poor and aims to unlock opportunities for economic gain, other livelihood benefits or engagement in decision-making for the poor

Directed benefits to the poor

Figure 2: The new model for pro-poor tourism

http://www.unescap.org/ttdw/Publications/TPTS_pubs/To_poverty_2265.pdf

These Pro Poor Tourism development recommendations are based on approaches of doing business differently, as opposed to new government legislation, or private philanthropy, as the means for development. In this way, the movement closely reflects ideals from the literature of “development from below.”

United Nations ST-EP Program

The United Nations’ World Tourism Organization started the ST-EP program in 2005, which stands for Sustainable Tourism-Eliminating Poverty. The program identifies seven mechanisms for local wealth distribution from tourism. These strategies are not only about doing business differently, but create a role for government action and regulation as well. This argument makes a case for more and better planning of the tourism sector to extract value.
1. Employ the poor in tourism enterprises
2. Supply goods and services to tourism enterprises by the poor or by enterprises employing the poor
3. Direct sales of goods and services to visitors by the poor (informal economy)
4. Establish and run tourism enterprises by the poor - e.g. micro, small and medium sized enterprises (MSMEs), or community based enterprises (formal economy)
5. Tax or levy tourism income or profits with proceeds to benefit the poor.
6. Promote voluntary giving/support by tourism enterprises and tourists
7. Invest in infrastructure stimulated by tourism also benefiting the poor in the locality, directly or through support to other sectors

2.6 Mass tourism vs. eco-tourism for development

Large-scale resort development has not led to distributed economic benefits for Dominicans as previously discussed, leading many to assume that community-based and eco-tourism are better alternatives for poverty alleviation. Community-tourism was viewed in the 1990s as an attractive pro-poor tourism strategy for local job creation. Research from the International Centre for Responsible Tourism at the University of Greenwhich, UK has found however that community tourism projects around the world have overwhelmingly failed to contribute to poverty reduction or environmental conservation (Goodwin).
A conference in Germany in 2005 brought all of the leading tourism development scholars to debate this very topic of if mass tourism is good for development. One advantage of mass tourism is that small businesses too can benefit from the large flow of tourists. In a study of large resorts in Jamaica, the Dominican Republic and Nicaragua, GTZ found that large hotels provide more jobs per room than small eco-lodges, also offering higher wages. Large hotels also offered career ladders. This study, funded by GTZ, found that large resorts had lower seasonality in jobs and invested heavily in employee training.

While tourism and large resorts may offer a chance for poverty reduction, they have not yet been used in that capacity in the DR; consequently mass tourism should not be viewed as a tool for poverty reduction on its own. It is a challenge to draw quantitative conclusions as of yet because studies have not been completed. Sustainable and poverty alleviating tourism does not have to be at fundamental odds with mass tourism, however (TFI).

2.7 Tourism Clusters: A Global Trend

Clustering is a theory for how to structure economies first developed in 1998. In 2003 there were approximately 500 clustering initiatives in the world, and in 2008 there were over 2,500. The theory on clustering most cited is by Harvard Business School professor Michael Porter: “Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region. Clusters arise because they increase the productivity with which companies can compete.”
The first global conference on clustering within the tourism industry in particular will be held in Punta Cana, Dominican Republic in 2010. This conference will be led by The Competitiveness Institute, a global practitioner’s network for competitiveness, clusters and innovation.

2.8 Successful pro-poor tourism cases

The most examples of pro-poor tourism leadership come from the private sector. It is difficult to gauge the total number and effectiveness of pro poor tourism programs such as these based on existing reports. Journals and online queries on pro poor tourism result in individual case studies rather than any complete or quantitative analysis of private sector efforts. Furthermore, tourism development that aims to benefit the community is much more commonly framed as being about “sustainable tourism” rather than poverty alleviation. Determining the size and strength of this movement is an area for future research. A few pro poor tourism examples are detailed below:

Successful urban-rural linkages were implemented in Jamaica with Sandals resorts. Since 2004, over 80 local farmers have been providing food for all of the resorts across the island, up from 10 farmers supplying two hotels in 1994. Farmers’ revenues increased over 55 times in 3 years, and hotels benefit from lower costs and menus branded as “locally-grown.” This success was made possible by contracts created between farmers and Sandals resorts and by physically bringing chefs to visit farms on a regular basis. The Sandals resort studied buys watermelon and cantaloupe from local farmers for $7,200 dollars a month, allowing 70 farmer families to live above the poverty
line. St.Lucia and Tobago have had positive results with hotels using an “adopt a farmer” program to promote urban-rural linkages as well.

Another successful example of opening up the supply chain to local producers is seen in one hotel in South Africa. In August 2004, hotel management decided to develop a new procurement policy by setting up contracts with all local suppliers. As a result, the hotel saved money, and 6 new businesses have sprung up in South Africa. Things to supply locally range from supplies like linens, uniforms, table-cloths, crafts, candles, decorations and tourism mementos to services such as beach cleaning, flower arranging and maintenance. The success of these projects depended on the presence of a champion and facilitator to initiate change, and flexible resort/producer relationships that included mentorship and up-front payments. In St.Lucia, this role was played by an NGO -- Oxfam. In Tobago, Hilton and a local Co-Op partnered to implement changes (PPT).

An example of local governance and partnerships is seen in Southern Africa. The Namibia Community Based Tourism Association (NACOBTA) facilitates the development of partnerships between local communities with secure rights over wildlife resources and private operators wishing to run safari enterprises on community land (PPT).

In Ecuador, Tropic Ecological Adventures raised funds from clients to buy a radio for one remote community. In another case, Wilderness Safaris (South Africa) has a policy about only hiring local workers. Sanadals (Negril, Jamaica) operates a local elementary school and offers display space in its hotel for local artisanal products (Scheyvens).
Literature Review Conclusion

The consensus in the tourism and development literature has three main points:

- The tourism industry needs to be planned in developing countries if distributional benefits are desired, but the question is how. More empirical research needs to be done on evaluating previous tourism projects, as well as cases of successful pro-poor tourism policy. Interest groups’ focus has recently been on environmental impacts of tourism rather than social impacts.

- Strong linkages of the tourism sector with complementary industries will require enabling government policies and private sector buy-in. Linkages are one of the key strongest mechanisms for creating employment from the sector, and Clustering is one of the recent theories on how to structure tourism economies.

- Tourism development must incorporate wider stakeholder involvement early in the planning stages. Community-oriented and integrative tourism planning will lead to a better understanding of the implications of tourism, and how more opportunities for wealth-creation can be created (Liu 2004).

A few open questions in the literature on tourism and development remain. One gap is in finding a quantitative analysis on how pro poor tourism development will benefit the poor, the private sector and the national development trajectory. The question also remains of how pro-poor tourism development strategies are best implemented—how does positive change happen, and what different approaches would one take in different tourism climates? The literature on pro poor tourism seems to emphasize a piece-meal, business-driven approach to development, yet what role should governments be taking? It
is also challenging to find information on different actors’ views on their responsibility to link tourism and poverty alleviation. Pro poor tourism is documented amongst theorists, but how are those in the field responding to it? Many of the “best practices” gathered by the United Nations reflect individual cases, such as a particular hotelier’s actions or a specific partnership made between a hotel and a local excursion company.

The next section examines the role of tourism in the Dominican Republic, and how the nation incorporates the previously discussed strategies of equitable tourism development. My research adds to the literature gaps by getting a more nuanced view of how tourism is viewed by resorts and the government, and whether poverty alleviation and job creation is on the agenda in the most recent Dominican national plans.
Chapter 3—The Case of Tourism in the Dominican Republic

In this section, I will first go over a brief history of the tourism sector in the Dominican Republic.

During the last decade, the Dominican Republic has been one of the fastest growing economies in the world, outperforming the majority of Latin American economies. In 2005, GDP growth was 7.9% in the DR while the regional average was 3.1% (World Bank Key Development Indicators). The Dominican Republic has enjoyed strong GDP growth since 2005, with double digit growth in 2006. Although the country has long been viewed primarily as an exporter of sugar, coffee, and tobacco, in recent years the service sector has overtaken agriculture as the economy's largest employer due to growth in tourism and free trade zones. The economy is highly dependent upon the US—the source of nearly three-fourths of exports, the majority of tourists, and remittances that represent about a tenth of GDP (CIA Factbook).

The Dominican Republic is the largest tourist destination in the Caribbean in terms of number of visitors and visitor expenditures (CTO 2008). A little less than four million tourists came to the Dominican Republic in 2008, and the Dominican Republic has about 25%—59,082—of all hotel rooms in the Caribbean (CTO 2005).
The Dominican Republic is viewed as a leisure destination, with 96.3% of tourists coming for vacation and only 2% of arrivals coming for business travel (Harvard case).

The Dominican Republic has positioned itself as a low-cost, high volume tourist destination, as portrayed in the following graphic from the Caribbean Tourism Organization.

Source: CTO
The Dominican Republic has over 60,000 hotel rooms, and maintains an occupancy level of about 75% which is remarkably high for the tourism industry. In comparison, Cuba has a rate of 64%, Jamaica 61%, and the Bahamas 65% (CTO). Other
comparisons are shown in the table below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Maldives</th>
<th>Seychelles</th>
<th>Bali</th>
<th>Dominican Republic</th>
<th>Jamaica</th>
<th>Madagascar</th>
</tr>
</thead>
<tbody>
<tr>
<td>International arrivals (000s)</td>
<td>617</td>
<td>179 (2002)</td>
<td>1,457</td>
<td>2,748</td>
<td>1,350</td>
<td>229</td>
</tr>
<tr>
<td>Domestic tourists (000s)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>521</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Growth rate for tourism (arrivals)</td>
<td>9.4</td>
<td>0</td>
<td>18.6</td>
<td>17</td>
<td>4.8</td>
<td>14</td>
</tr>
<tr>
<td>Cruise passengers (000s)</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>500</td>
<td>1,132</td>
<td>n/a</td>
</tr>
<tr>
<td>Contribution to GDP (%)</td>
<td>8.8</td>
<td>20</td>
<td>2</td>
<td>7.3</td>
<td>6.0</td>
<td>2.0 est.</td>
</tr>
<tr>
<td>Foreign exchange earnings (US$ m.)</td>
<td>415</td>
<td>46.4 (2002)</td>
<td>2,000</td>
<td>3,180</td>
<td>600</td>
<td>104.3</td>
</tr>
<tr>
<td>Number of room equivalents</td>
<td>8,429</td>
<td>3,975</td>
<td>19,522</td>
<td>59,000</td>
<td>24,625</td>
<td>10,230</td>
</tr>
<tr>
<td>Room Occupancy</td>
<td>83.9</td>
<td>54 (2002)</td>
<td>47.8 (2003)</td>
<td>74.2</td>
<td>55.5 (2002)</td>
<td>55</td>
</tr>
<tr>
<td>Length of stay (days)</td>
<td>8.3</td>
<td>10</td>
<td>4.1</td>
<td>9.1</td>
<td>9.7</td>
<td>20 (country) 4 (hotel)</td>
</tr>
<tr>
<td>Employment (hotel sector)</td>
<td>14,182</td>
<td>5,000</td>
<td>n/a</td>
<td>20,000</td>
<td>32,856</td>
<td>15,906</td>
</tr>
<tr>
<td>Employment per room</td>
<td>1.7</td>
<td>1.3</td>
<td>n/a</td>
<td>0.8</td>
<td>1.3</td>
<td>1.55</td>
</tr>
<tr>
<td>Landmass (sq. km)</td>
<td>300</td>
<td>450</td>
<td>n/a</td>
<td>49,000</td>
<td>11,000</td>
<td>587,000</td>
</tr>
<tr>
<td>Population (000s)</td>
<td>293</td>
<td>84</td>
<td>n/a</td>
<td>9,000</td>
<td>3,000</td>
<td>17,000</td>
</tr>
</tbody>
</table>

Source: Christie, World Bank. Luna-Kelser, IDB. 2006

**Dominican Republic Tourist Destinations**

The Dominican Republic has five main regions of tourism activity on the island with unique attractions and characteristics. The eastern coast, with places such as Punta Cana, is at the high end of the tourism economy, with average spending of $8,000 per capita and daily visitor densities of 200 per 1,000 locals. It is known for white sand beaches and all inclusive resorts. The north coast, dominated by Puerto Plata, is more middle-range, with per capita spending of $2,300 and 60 daily visitors. It is world famous
for wind-surfing, and a lot of prostitution activity. Punta Cana and Puerto Plata are the
two most popular tourist destinations, whose economies are almost entirely focused on
the tourism industry (Roessingh). Santo Domingo, the capital city of the Dominican
Republic, is the oldest city of the Americas and is a UNESCO World Heritage site. Only
10% of tourists to the DR ever visit Santo Domingo. The central part of the island, the
Cibao Valley, offers ecological and adventure tourism. Lastly, the southern region, offers
beautiful beaches and a national park but relatively few tourist arrivals (Pellerano).

Within these five regions, the government divided the country into nine separate
“tourism poles” with the purpose of “promoting and programming the initiatives of
tourist development in accordance with the respective needs and conditions of each
particular region” (Pellerano). Traditionally, the largest percentage of tourists visit the
country in “all inclusive” tourist packages. The tourism economy is now slowly
diversifying to ecological, sport, mountain, historical and cultural tourism as part of their
master plan (Pellerano). The government enacted law 158-01 in 2001 to offer wide
incentives for private investment in seven of the least developed tourist poles to increase
the pace of investment. Incentives include 100% tax exemption on income tax, national
and municipal construction taxes, and imports for ten years.

3.1 Background of Tourism in the Dominican Republic

It was only in 1967 that the Dominican government started to take an interest in
tourism as an economic development strategy, and formed the Ministry of Tourism. From
the late 1800s until about 1980, sugar production had been the biggest industry in the
Dominican Republic, drawing immigrant workers from across the Caribbean and Haiti.
President Trujillo nationalized the sugar mills in the 1950s, and the 1970s witnessed a sugar boom as prices in the world market peaked. Prices fell in 1980, though; export revenues decreased, and the sugar, cacao, coffee and tobacco industries shrank dramatically in the Dominican Republic. By the 1990s, “the fulcrum of the region’s economy shifted” from the sugary industry to international tourism (Gregory 2007).

Dominican President Joaquin Balaguer began to really develop the tourism industry within the Dominican Republic in 1971 as the sugar industry waned. Legislation was passed granting complete income exemption, duty-free imports and other concessions to investors in the tourism industry through the Tourist Incentive Law. The Department of Tourism Investment and Infrastructure (INFRATUR) was created within the Central Bank to provide low-interest financing and other incentives to investors. The same administration established a Tourism Pole (Polo Turistico) by presidential decree in Boca Chica along the South Coast, relocating residents and transferring coastal property from locals to foreign investors (Gregory 2007). The goal of tourism development was articulated as to improve the economic situation of the country and to raise the living standards of the poor population. The Dominican government played a critical function to attract the private sector by using public dollars to develop infrastructure, public works and hospitality training centers (IDB report 2006). It also received over $100 million dollars in World Bank loans over two project periods. The sector has been a major recipient of foreign direction investment (FDI in Tourism). Private investors and government planners favored spatially congregating resort development in certain areas to maximize the benefits of shared infrastructure—called the enclave resort development model. Even though increasing evidence supports the many negative consequences of a
tourism industry dominated by the enclave resort model, this is still the most popular form of development in the Dominican Republic (Gregory 2007).

The tourism industry led to a mass migration of Dominicans from impoverished rural areas to the coasts in search of employment. This migration is reminiscent of the Lewis model (1954) of urban-rural migration, which explains individuals’ motivation to leave rural production for greater marginal benefits in capitalist urban environments. Despite a growing tourism economy though, not enough jobs were created and few Dominicans had the skills to work in the formal tourism sector. The absence of the sugar industry left thousands looking for work as well, and the informal economy—outside of formal wage-labor and state regulation—expanded. Most informal activities clustered around the tourism industry, such as selling products on the beach, braiding hair, offering motorcycle rides, and giving massages and manicures (Gregory).

While large multinational resorts dominate the tourism sector in the Dominican Republic, there is also an active informal sector of tourism entrepreneurs. These entrepreneurs struggle as a result of the dominance of the large, multinational, all-inclusive resorts in the Dominican tourism industry. Many locals shifted from their previous jobs to new professions in the tourism industry in the 1980s. Nearly 30 years later, ethnographies reveal most of them are disappointed with the results, but feel few other employment options exist because of the region’s dependence on tourism (Roessing 2004).

The Washington Consensus policies of the IMF and World Bank in the 1990s had a large influence in further development of the tourism sector in the Dominican Republic.
Neoliberal policies such as trade liberalization, less government spending and exchange rate devaluation were forced upon the Dominican government (through the New Economic Program) during negotiations with the IMF over unpaid debts. The devaluation of the peso depreciated the value of Dominican labor, further attracting foreign investment in tourism and export processing (Gregory 2007). At the same time, government reforms included a dramatic reduction in social services and employment-related benefits such as health care, social security and education. While tourism and other “growth” sectors increased state revenues, social conditions for the workforce deteriorated (Itzigsohn 2000.)

Tourism has grown to become a very lucrative sector in the Dominican Republic, the revenue from which has increased from $173 million in 1980 to more than $2 billion by 2000. Successive governments have invested heavily in tourism development, creating upgraded airports and other infrastructure.

In the 1990s, resorts across the Caribbean began to adopt the “all inclusive” packaging of tourist visits. “All inclusive” vacations allow the tourist to pay the total
price upfront, with all meals, activities and accommodations included. Punta Cana was the first to adopt this structure, forcing Puerto Plata and other tourist destinations in the DR to offer all inclusive options as well. Revenues that once may have gone to local businesses surrounding the hotels were now being completely absorbed by resorts. Small shops, restaurants and hotels suffered a great loss of business in Puerto Plata as a result of the all inclusive model (Roessingh). The World Bank reported that Puerto Plata lost nearly all tourist visitation to cultural and historic sites after the switch, and few no small and medium enterprises could stay open (Christie).

The majority of the large resorts in the Dominican Republic are owned by Spanish and French investors. As of June 2008, there were 62 Spanish owned resorts—26,580 rooms-- operating in the Dominican Republic, including such names as Barcelo, Occident, Riu, Sol Melia, Iberostar and Fiesta (GW thesis)

<table>
<thead>
<tr>
<th>Selected Hotel Management Groups</th>
<th>Number of Hotels</th>
<th>Number of Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barcelo Hotels (Spain)</td>
<td>9</td>
<td>2,900</td>
</tr>
<tr>
<td>Occidental/Allegro Hotels (DR)</td>
<td>9</td>
<td>2,800</td>
</tr>
<tr>
<td>RIU (Spain)</td>
<td>7</td>
<td>4,000</td>
</tr>
<tr>
<td>Sol Melia (Spain)</td>
<td>5</td>
<td>2,300</td>
</tr>
<tr>
<td>AMHSA Hotels</td>
<td>5</td>
<td>1,500</td>
</tr>
<tr>
<td>Casa Marina</td>
<td>5</td>
<td>1,400</td>
</tr>
<tr>
<td>Iberostar (Spain)</td>
<td>4</td>
<td>1,900</td>
</tr>
<tr>
<td>Princess (US)</td>
<td>4</td>
<td>2,135</td>
</tr>
<tr>
<td>Fiesta Hotels (Mexico)</td>
<td>3</td>
<td>1,300</td>
</tr>
<tr>
<td>Breezes</td>
<td>2</td>
<td>1,200</td>
</tr>
<tr>
<td>Viva Resorts</td>
<td>3</td>
<td>1,000</td>
</tr>
<tr>
<td>Coral by Hilton (UK)</td>
<td>4</td>
<td>2,000</td>
</tr>
<tr>
<td>EMI Resort</td>
<td>1</td>
<td>300</td>
</tr>
<tr>
<td>Club Med (France)</td>
<td>1</td>
<td>243</td>
</tr>
</tbody>
</table>

Source: (Christie).

The Ministry of Tourism provides poor guidance for the industry, and there is little centralized coordination or strategy (WB CEM). The Ministry of Tourism has
offices in New York, Miami, Chicago and across Europe and South America with the primary purpose of advertising and promoting tourism to the Dominican Republic—it is not an agency that has created defining tourism policies, particularly not as they relate to meaningful employment. In addition, the Dominican Republic is not a member of most major regional groups (such as the Caribbean Tourism Organization or Caribbean ILO), which could be a viewed as a lost opportunity for information sharing.

3.2 Employment in Dominican Republic Tourism

The economically active population in the DR is estimated to be around 2.3 million, of which 49% are dedicated to agriculture, 33% to services including tourism, and 18% in industry (Pellerano). Services, including tourism and transportation, were 58.6% of the GDP in 2008 (State Dept). The figure below gives a more detailed breakdown of different sector’s contributions to GDP from 1997 to 2004, and the composition of the workforce in 2006.

![Graph showing GDP by Industry from 1997 to 2004]

Total employment in tourism – including direct and indirect activities – surpassed 180,000 workers in 2004, or 6 percent of total employment (WB CEM). About 50,000
Dominicans are directly employed in this sector, mostly working in hotels, and another 110,000 are indirectly employed as taxi drivers, tour guides, or tourist-shop staff (Latimer 2008). Hotel staff engages in roles such as front desk staff, kitchen, bars, housekeeping, marketing, maintenance, entertainment, grounds keeping, security and other areas.

Estimations show that living in one of the international tourism municipalities of the DR has an additional positive impact on earnings for formal employees in jobs of low to average pay regardless of their economic sector. This positive impact may be due to spillover effects from international tourism onto commerce and transportation, financial services, and real estate in nearby areas (WB). Although inter-sectoral linkages are important in some cases in the DR, for example tourism-related demand for construction, transport, and commerce, they have been somewhat limited (Harvard study, 2007).

Those interviewed employed in the tourism industry claimed to really enjoy their jobs, yet young people reported that all “real money” comes from “working with the tourists”—slang for prostitution.

El Coretecito Inn: Receptonist, Emilio. (employed four months, young man) Playa Bavaro Dominican Republic January 2009.

“Everyone wants a good job in tourism. It is the best option for youth. There are some opportunities for promotion; for example from dishwasher to chef. It is very difficult to find a good job in tourism. Once you have a job, you need to pass a small test from your manager, a prueba, so that he knows that he can trust you. You need an education for a good job. The bigger the hotel, the higher your salary will probably be, but there are pros and cons. One con is that at really big hotels, the work is exhausting. Jobs in tourism are seasonal, and people just work if they want to. Many young people want to work in tourism to sleep with the tourists or find husbands, but I don’t do that. This idea is popular. People come from all over the country to work in tourism. In Punta Cana, nobody that works here is from here. I like the tourism industry in my country and I like the job; it is fun to meet the people from all over.
Employers interviewed expressed an overwhelmingly negative view of Dominican laborers. Managers expressed a preference to hire Eastern European workers who are paid similar salaries, but have more skills. Hoteliers claimed that education level of Dominicans was too low for management jobs and that local schools were awful.

Managers claimed that hotel workers had a modest level of job mobility (i.e., being promoted from washing dishes to serving food) if they took on great personal initiative.

An internal promotion of a local wage-earning Dominican to a salaried management position within a hotel had never occurred in any of the resorts I interviewed, though.

Hotel Carabela Bavaro Resort:: Sub-Director, Xisco Calderon (employed for several years, over 40) Playa Bavaro Dominican Republic January 2009.

“It is not difficult for Dominicans to get a job, but people need to want to work. Many of our employees can’t even write their names, but we try to help them with little things like personal hygiene classes. We had English language classes for employees three years ago, but don’t run programs like these anymore. Other hotels might, but we don’t. Jobs are acquired through friends or family members; it is all one big network. The average age of my 100 employees is 19-22, but the management team is all over 40 years old. The resorts in the Dominican Republic are mostly Spanish chains—Spanish run. We average .06 employees per tourist bed, which is relatively low, and good for our business. We have 2 or 3 internal promotions a month, but small ones. We import a lot of food and alcohol-things you can’t find here. We don’t import pork. We even import fish though; I guess that is pretty shocking. Pro poor tourism is not on my agenda in my job description. Sourcing local food is a good idea, but we would have to talk to the chef about that.”

Extreme Hotel: Owner, Robbie (owned and managed property 5+ years) Cabarete, Dominican Republic January 2009.

“You can’t get good local labor. For management help, I prefer to hire from Eastern Europe for just a little more money. Local labor did help build some of our patio furniture though, and it looks great.”

The PuntaCana Group, Real Estate Development Paola Raineri. December 15, 2009

“Education is a great national problem, and the lack of properly trained employees is a result of this. We emphasize service and we take the time to properly train our employees to offer the best service possible to our clients—our biggest challenge.”
Small entrepreneurs that cater directly to tourists by selling products on the beach, or offering rides and tours, do not do very well in the Dominican economy. All tourism guides and services that cater to the tourist market in the DR are required to register with the Ministry of Tourism. A study of Puerto Plata entrepreneurs found that they are in fierce competition, often selling the same products and discrediting each other to tourists. The result is less business for the entrepreneurs and frustrated tourists (Roessigh). A case study in Belize by Volker and Soree in 2002 found similar competition amongst tourism entrepreneurs, driving down their prices and leading to conflict, in areas dominated by enclave tourism. The hospitality industry (restaurants and hotels) offers significantly higher earnings for self-employed workers at the bottom of the earnings scale than in self-employed workers in other industries though.

Overall levels of informality in the DR are similar to the Latin American average (IDB). However, the DR has by far the largest percentage of self-employed, particularly male self-employed in the region. “Microenterprises have generated the bulk of employment in the DR, albeit at low wages. Promoting increases in productivity for micro and small businesses would enhance job opportunities and earnings” (World Bank Poverty 71).
The proportion of the tourism sector with undocumented workers ranges from 10 to 13% based on World Bank Estimate (WB Poverty 243).

The hospitality industry (which includes hotels and restaurants) experienced massive layoffs between 2000 and 2001 but later kept contracting throughout 2002-2004 in the Dominican Republic. Unemployment of workers who used to work in the hospitality industry experienced a continuous increase during the period.
Table 3.6: Where Did the Unemployed Work? Unemployment Rates by Economic Activity

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity, Water, and Gas</td>
<td>14.9</td>
<td>12.2</td>
<td>12.9</td>
<td>8.6</td>
<td>8.7</td>
</tr>
<tr>
<td>Agriculture, Hunting, Fishing</td>
<td>3.9</td>
<td>3.0</td>
<td>4.1</td>
<td>2.5</td>
<td>2.1</td>
</tr>
<tr>
<td>Mining</td>
<td>18.3</td>
<td>34.1</td>
<td>13.5</td>
<td>17.6</td>
<td>17.0</td>
</tr>
<tr>
<td>Transportation and Communications</td>
<td>5.0</td>
<td>5.1</td>
<td>5.3</td>
<td>5.4</td>
<td>6.2</td>
</tr>
<tr>
<td>Construction</td>
<td>7.5</td>
<td>9.3</td>
<td>13.3</td>
<td>9.8</td>
<td>8.9</td>
</tr>
<tr>
<td>Commerce</td>
<td>6.2</td>
<td>8.8</td>
<td>9.2</td>
<td>8.9</td>
<td>9.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>11.6</td>
<td>14.7</td>
<td>17.1</td>
<td>16.1</td>
<td>15.2</td>
</tr>
<tr>
<td>Public Sector</td>
<td>4.4</td>
<td>10.5</td>
<td>8.1</td>
<td>9.4</td>
<td>8.1</td>
</tr>
<tr>
<td>Hotel Industry</td>
<td>10.3</td>
<td>12.7</td>
<td>13.1</td>
<td>14.7</td>
<td>15.6</td>
</tr>
<tr>
<td>Financial Sector and Real Estate</td>
<td>6.5</td>
<td>10.0</td>
<td>14.2</td>
<td>9.0</td>
<td>13.1</td>
</tr>
</tbody>
</table>

"According to IDB (1997), in the DR around 80 percent of all unemployment episodes end within three months and almost half (45 percent) end within a month. This information, together with the high levels of open unemployment, is consistent with high levels of job creation and destruction(78)." This finding is consistent with the seasonality characteristic of jobs in the hospitality industry.

Two-thirds of all workers in the economy are employed in firms with fewer than 20 employees (WB CEM). Workers—especially young individuals without any tertiary education, and women—face high levels of unemployment. Labor force participation rates are larger for medium and high income households. Average real wages in the DR declined significantly during the 2002-2004 economic crises, and remained stagnant during the economic stabilization despite growth in the tourism industry (Word Bank,
Labor laws in the Dominican Republic require that 80% of the workers of a Corporation are Dominican, yet this does not apply to management or supervising positions (Guzman). In 2001, the Dominican government passed law 87-01 which states that employers would pay 70% of social insurance to their employees, who pay the remaining 30%. The current monthly minimum wage in the DR for companies with assets over RD$500,000 is RD $3,030 for the tourism sector, which is slightly less than the national minimum wage for other industries.

No overview of tourism in the Dominican Republic would be complete without a mention of the sex tourism industry. Sex tourism, defined as traveling to a foreign country with the intent to engage in sexual activity for pay, is most popular in Thailand, Cuba and the Dominican Republic. An estimated 100,000 Dominicans work as
prostitutes. While prostitution is technically illegal in the Dominican Republic, it is widespread and lucrative. Sex tourism in the Dominican Republic is a relatively well-studied topic. This thesis will not discuss sex tourism in detail, but it is important evidence of how local people struggle to extract a livelihood from the tourism sector (Tamayo 1997).

3.3 Local Realities in the Dominican Republic: High Growth, Low Social Spending, and Youth Unemployment

The Dominican Republic was described as a “rich country populated by poor people” with a growing wealth gap in the early 90s. The number of undernourished people in the Dominican Republic is one of the highest in Latin America and educational levels are below regional average (Freitag 1995). Although the economy is growing at a respectable rate, high unemployment and underemployment remains an important challenge. The country suffers from marked income inequality; the poorest half of the population receives less than one-fifth of GNP, while the richest 10% enjoys nearly 40% of national income. Government spending on social programs in the Dominican Republic is less than half of the Latin American average. Below is a comparison of social indicators across the Caribbean; the Dominican Republic is weak in almost every category.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Dominican Republic</th>
<th>Turks and Caicos</th>
<th>Cuba</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infant Mortality</td>
<td>33.3</td>
<td>16.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Life Expectancy (yrs.)</td>
<td>67.6</td>
<td>74.3</td>
<td>77.0</td>
</tr>
<tr>
<td></td>
<td>84.7</td>
<td>98.0</td>
<td>97.0</td>
</tr>
<tr>
<td>------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Literacy Rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per capita GDP</td>
<td>$6,000</td>
<td>$10,500</td>
<td>$2,900</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>16.5</td>
<td>10.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Phones/Population²</td>
<td>342</td>
<td>371</td>
<td>52</td>
</tr>
</tbody>
</table>

(Source: Padilla, 2005).

Poverty rates in the Dominican Republic have not decreased since 1997 despite a significant increase in foreign direct investment, GDP, and tourism receipts. According to a 2006 World Bank Report, poverty levels in 2004 are back to where they might have been in the mid 1980s. Official rates of unemployment have remained at two-digit levels despite accelerated growth. A World Bank study of family incomes found that labor incomes of the poor showed no gain from the economic growth of the country from 1997-2000 when the economy grew by 6.1 per capita annually. The poor experienced a sharp decline in income during the 2004-2004 economic crisis in the DR. Overall, inequality has changed very little since 1997-2004. While in real terms the Dominican Republic has experienced reduction in poverty levels in the past decade, the reduction is modest in comparison to the level of economic growth (World Bank).
Figure 1.12: Poverty Rates Remained Flat in 1997-2002 and Increased Substantially in 2003-2004 (% of individuals poor or extreme poor)

Incidence of Moderate poverty National

Incidence of Extreme poverty National

Incidence of Moderate poverty by area

Incidence of Extreme poverty by area

Figure B.3.2.1: Open Unemployment in “Remittance-Receiving” Countries

Source: ECLAC 2004—Open Employment- an individual is unemployed if he/she is of working age, does not have a job, and has actively looked for a job in the last week
Nearly a third of young people aged 15-24 are unemployed in the Dominican Republic, which is double the unemployment rate for adults. At the same time, Dominican employers are having trouble finding employees—especially employees with management, administrative, and language skills, and secondary school education. When sixty-two percent of 20- to 29-year-olds have not finished high school, it is clear the Dominican Republic will have challenges to economic development in the future without some form of government intervention. Lack of education and relevant technical training of young people for the workforce is a growing problem in the Dominican Republic, a country with one of the least effective school systems in Latin America (Suki 2003).

From this section examining the tourism industry in the Dominican Republic, it becomes obvious that the DR has been active in shaping the trajectory of the industry, and that the economy is heavily dependent on it. Nonetheless, the Dominican Republic is suffering with high rates of unemployment, a weak education system, high rates of poverty and relatively low social spending. Periods of high growth and success in the tourism industry are not captured by improvements in poverty rates.

Next, I will explain some of the current efforts being made to deal with the growing disconnect between a booming tourism industry and local poverty.
Chapter IV- An Analysis of Recent Attempts to Create Economic Development and Good Jobs through Tourism Planning in the Dominican Republic

In this section I examine the current plans guiding the tourism industry in the Dominican Republic. I will examine 3 national development plans, 4 national programs specifically related to job creation, and various initiatives being led by the private sector. I have combed through the development plans to discover if and how they mention poverty alleviation and job creation as pertaining to the tourism industry. I will then compare those elements to what the literature and best practices indicate likely lead to equitable development and job creation. I will lastly review some of the key efforts made by private sector actors to extract greater value from the tourism industry that I have come across in my interviews and research. It should be noted that while I have divided the plans in these ways, there is often overlap. For example national development plans were in some cases funded by international development banks, and some of the national master plans were created with the help of private sector leaders.

4.1 National Development and Tourism Development Plans

There are three national tourism development plans that I will examine. The first two plans were created due to the initiative of the private sector, and the third plan was created by the Dominican federal government. I will note if and how these various national economic development plans mention poverty alleviation and/or job training.
In 1999, the United States Agency for International Development (USAID) led a project to develop a National Competitive Strategy for the Dominican Republic. They hired the consulting firm Chemonics to lead the project. The goal of the project was to establish an “action-oriented framework that would help get underway a national development effort geared to establishing a more competitive, sustainable and equitable economy.” The objective of the program was to support various initiatives underway in the Dominican Republic, especially by the private sector, to develop the country’s competitive capabilities and to improve the standard of living of all Dominicans. (Chemonics). The visioning team that created the Strategy consisted of leaders in the Dominican community such as presidents of Banks, senior economists, and government officials. It was not only for the tourism sector, but the entire economy.

Interestingly, poverty reduction was one of the key areas for intervention that the team focused on, framed as being “necessary to achieve social stability for competitiveness” (Chemonics). Discussion of social equity is sewn throughout the document.
The ten priority projects that comprise the National Competitive Strategy are:

**HUMAN CAPITAL DEVELOPMENT**
1. National Educational Modernization Plan 2001-2010
2. National Health Modernization Plan 2001-2010
3. Pension System Reform 2001

**PRODUCTIVE DEVELOPMENT**
4. Cluster Development Program 2001-2004
5. Productivity Enhancement Program 2001-2004
6. Trade Facilitation Program 2001-2003

**IMPROVEMENT OF PUBLIC MANAGEMENT**
9. Integrated Physical Infrastructure Improvement Plan 2001-2010

**POVERTY REDUCTION**
10. Integrated Plan to Combat Poverty 2001-2010

Modernization of the labor force is identified in a subsection of the plan, not as one of the key ten interventions pictured here, as needed for development in the Dominican Republic. The plan also emphasizes the need to “Increase linkages among national and regional production and value chains.”

The National Competitive Strategy that came out of this process in 2000, although explicitly mentioning a commitment to poverty alleviation and labor training, was not sufficiently specific or action-oriented to motivate changes. They produced a 20 page document, called “Advantage DR!” and graphs such as the following were produced:
The visioning group concluded with commentary on the challenges of the institutional implementation structure in the DR; “Institutional weakness has been the Achilles heel to achieve a modern and effective public management and production environment in the DR.” The four identified challenges to implementation are lack of strategic vision; lack of integrated vision; lack of coordination; and lack of implementation capabilities. The working group criticized USAID for putting too much attention and funding into the visioning of the competitive strategy report, and not enough emphasis on implementation. The “follow-up promotion, assimilation and initial implementation phases” were critical for the leaders who participated in the conference. One reason for their frustration is that
many of the participants in the conference (leading businessmen and representatives from the public, educational, media and governmental sectors) had previously participated in a group called The Competitiveness Group (1997) that led a Development and Competitiveness Symposia in 1998, and another Competitiveness Workshop in 1999 that again, resulted in few concrete results.

**Analysis and Critique:** That the business sector came together to organize and lead a visioning process is a healthy indicator that strategic planning is desired on some level. It is also promising that so much of the document focuses on the importance of implementation, outlining some ideas for how that may happen. While it is positive that a significant percentage of the visioning document is concerned with social equity, particularly in how it contributes to competitiveness, there is no discussion of expanding employment in tourism in particular, only that the existing tourism product base should diversify into higher value activities. There is no specific recommendation on job training or job creation. The human capital development chapter of the plan does not discuss actually training the population, particularly the poor, for insertion into the formal economy. The concept of clustering is introduced in this document, laying the foundation for future plans that promote clustering as a means for equitable and competitive tourism development.

**Plan 2: Plan Nacional de Competitividad Sistemica (PNCS); Plan Nacional de Competitividad del Sector Turismo, 2007**

The self identified weakness in implementation of the DR Advantage! plan led to the creation of an agency called the Consejo Nacional de Competitividad (CNC) in the
Dominican Republic in 2001. CNC’s existence and mandate was ratified into law 1-06 in 2006. Consejo Nacional de Competitividad is the Dominican agency for strategic planning of all economic sectors. Funding for the creation of this organization was made possible by another USAID grant. The CNC developed an economic development strategy for the Dominican Republic in a 200-page document, called the Plan Nacional de Competitividad Sistemica (PNCS), in 2007.

Within this plan, the Consejo Nacional de Competitividad (CNC) developed a specific strategy for the development of the tourism industry called the “Plan Nacional de Competitividad del Sector Turismo.” The tourism plan was produced in collaboration with the Dominican Secretary of Culture. In an interview with Tamara Vasquez, head of the tourism sector of the CNC and responsible agent for implementing the plan, I learned about the national priorities in the tourism sector—poverty alleviation is not explicitly one of them.

Coordinator of Sustainable Tourism, Consejo Nacional de Competitividad: Tamara Vasquez, January 2009 Santo Domingo, Dominican Republic tamara@cnc.gov.do

“The Consejo Nacional de Competitividad developed a national tourism plan in 2007 that works to decentralize and frame each tourist destination into a cluster. Within these clusters, new laws and policies can be developed. There are eight formal destinations. Our four new development priorities are small and medium tourism businesses, gastronomy, ‘cultural tourism’ and artisans. It is through these clusters that we can address pro-poor tourism. For example, the Romana cluster is undergoing a tourism development project with the community—the church, investors, schools and community people. We hope to host cluster workshops that will spark the start to more coordination amongst actors. We would be happy to take an MIT intern to help us coordinate these efforts.”
The plan itself explicitly calls for “an extension of the positive effects of the tourism industry to include more equitable income distribution,” stating that tourism is “an important source of employment” that has potential to “contribute to combating poverty.” The plan addresses the importance of developing skilled human resources and quality labor supply, blaming the “all inclusive” model in the DR for lost employment opportunities. The six tenants of the plan are to focus on the following:

1. Human Resources Training
2. Tourist Infrastructure and Territorial Management
3. Promote Tourism Marketing
4. Improving Public Health
5. Improving Public Safety
6. Community Social Integration

The two categories that relate most to any level of job training or wealth distribution would be Human Resources Training and Community Social Integration.

The Human Resources Training component recommends that the Dominican Republic should aim to compete on the quality of its human resources in the hospitality industry. The recommendation calls for a broad focus on improving primary and secondary education in the DR, as well as the management, information technology and language skills of the local people. The link between educational institutions and the tourism industry should be constructed for better training, as well as for contributing research on the development of new tourist products.
The sixth pillar, Community Social Integration, proposes developing a relationship between tourism and culture preservation. It recommends using community-based tourism as a way to diversify the DR’s tourism offerings, resulting in higher-value tourism products and improved quality of life in communities.

**Clustering within the Plan Nacional de Competitividad del Sector Turismo**

The overall mechanism for implementing the six pillars of tourism development in the plan is through creating networks of tourism clusters. CNC defines a cluster as a concentration of interconnected businesses and organizations, in order to maximize the competitiveness and opportunities in the networks and value chains of the products.

There are nine defined tourism clusters across the country, each with a Cluster director to coordinate the efforts of the businesses, agencies, churches, international organizations, universities and any other actors in the region. The overarching idea is that tourism clusters can accomplish what an individual agent could not on his or her own to promote development for the region, as well to promote linkages between businesses.

A Harvard study on the Dominican Republic found that for every 10,000 tourists in the DR, there are only .75 restaurants. This is less than any other Caribbean nation for which data is available. Barbados has the next fewest number of restaurants, which is still four times as many notable restaurants per tourist than the DR. (Harvard cluster study) This is peculiar, considering that the Dominican Republic has the greatest number of tourist arrivals in the Caribbean, but can be explained by the prevalence of the “all inclusive packages.” Imported products are estimated to account for 60% of the value of goods consumed in the Dominican Republic as well (Pellerano). This data serves to show how weakly linkages have been made between hotels and supporting business such as
businesses, shops, tour guides, and complementary industries, furthering the argument for why clusters, if effective, may contribute to local economic growth and meaningful employment.

Each cluster in the DR develops its own priorities, is at different stages of its formation, and has its own unique composition of members and challenges. The following image shows the key tourism clusters currently within the Dominican Republic. These clusters were identified by the CNC as priority areas of development, but clusters can also form organically and submit an application for formal approval on the CNC website.

- Cluster Turístico y Cultural de Puerto Plata.
- Cluster de Samaná.
- Cluster de la Altagracia.
- Cluster de Romana-Bayahibe.
- Cluster de Santo Domingo.
- Cluster de Barahona.
- Cluster de Pedernales.
- Cluster de Constanza.
- Cluster de Jarabacoa
One of the most important benefits of clustering in terms of poverty alleviation is not only the achievement of broad goals, but the creation of new linkages for job creation and local sourcing. Law 69 in the Dominican Republic mandates local sourcing for companies when products are of roughly the same cost and quality as imports, which has helped build linkages to food and beverage procurement, as well as other items such as furniture, linens, construction, and support services (Harvard tourism cluster 13). A good example of this comes from Wyndham Resorts. With support from the Rural Economic Diversification Project and the CNC, Viva Wyndham Resort agreed to purchase its fruits locally from the Cluster Mango Company. The Viva Wyndham corporate purchasing manager entered into the partnership with Cluster Mango under the conditions that they provide a high quality product, delivered on time. These types of agreements are exactly what clusters hope to promote—sourcing locally and preventing the leakage of tourism dollars to foreign suppliers. As a result, the Mango Company will ideally be able to hire more staff or pay higher wages (el Nuevo).

Another example of using clustering to bolster local economies is by supporting artisanal sales. Tamara Vasquez, head of the CNC Tourism Sector, has emphasized in repeat interviews the importance of developing an artisan economy within clusters to benefit locals and diversity the industry. “The artisanal sub-sector becomes one of the most important activities to promote community integration in tourism. It is a direct correlation with our cultural values, contributing to the preservation of identity and promoting creative and innovative capacity of the community. It is in this sense we
consider it necessary to continue all efforts towards the formation, training, and facilitation of financing mechanisms for small businesses which can be developed in this and other sectors of the economy” (Vasquez).

Tourism clusters are active entities across the island. A current event from November 2009 in the Dominican Today newspaper explains how a collaboration between the Altagracia Province Cluster and the hotel groups Hoteliers Association and Puntacana Group built a firehouse needed in Punta Cana (Dominican Today). Many of the individual clusters have running websites. The language of clustering has become well-known. The CNC maintains a website of all of the executed tourism projects, updated monthly. There are currently 16 actions completed, such as a project for the development and branding of Dominican artisan crafts to sell to tourists, and the formation of action plans in the clusters of Samana, Barahona, and Puerto Plata. The CNC website has a page for the registration of new clusters, as well.

Lastly to note, the larger Nacional de Competitividad Sistemica also has a section on small and medium business development. The section does not mention the tourism sector at all, however. The Dominican agency on small business development, created with the purpose of reducing levels of poverty, does not discuss tourism related businesses on its website either (PROMIPYME).

An Example of a Dominican Tourism Cluster in Action; Puerto Plata

The Puerto Plata cluster, number 1 on the above image, is a good example of a tourism cluster that is attempting to diversify its tourist offerings, leading to varied employment opportunities. Puerto Plata experienced a decline in tourist visits, sparking
different actors in the tourism value chain to want to coordinate efforts to reverse the
trend. The cluster began having meetings, building “a web of trust” amongst locals, in an
attempt to rebuilt Puerto Plata’s competitiveness. According to its own plan, the cluster is
working to:

- Build community alliances to improve local capacity and promote micro and
  small tourism enterprises.
- Improve basic education and include in the curriculum materials to facilitate the
  knowledge of the cultural heritage of the region, the formation of values of
  respect for environment and the assimilation into Dominican culture.
- Remodel and reconstruct infrastructure, monuments and historical buildings,
  especially Victorian houses and the facades of colonial buildings, to expand the
  tourist offerings away from just “sun and sand.”
- Encourage tourism packages based on ethno-cultural or gastronomic routes, with
  local and boutique hotels to attract high-class tourism.
- To reverse the “commoditization” of Puerto Plata, coordinate actions to market
  and promote the destination via the Internet, creating our own website for
  reservations, which promotes it as a unique destination.

This cluster’s first plans are good examples of efforts to integrate broader goals into the
tourism aims of the region as well as widen the scope of who will benefit from tourism.

*Analysis and Critique:* Again, this plan for the development of the tourism sector
goes into insufficient detail, with no clear plans for job creation or technical assistance
training. It points out the same barriers to equitable development as the previous
Advantage DR! plan, namely a poorly trained labor force and lack of diversification in the tourism base with poor linkages to other sectors. The strategy of clustering, as outlined in the literature review, is a promising and relatively new method for decentralizing action that can be catered to local realities. The Plan Nacional de Competitividad del Sector Turismo fills many of the implementation gaps identified in the Advantage DR! plan because the plan and its governing enforcement body, the Consejo Nacional de Competitividad, provides a strategic and integrated national vision for tourism development. The strategy to decentralize action into regional clusters, going as far to actually define the clusters, provides the missing implementation and coordination elements missing from prior visions. With each cluster having its own director, and constant CNC monitoring and fund assistance, the clustering framework seems to be a good one for constructing equitable tourism development.

A 6 month study on small entrepreneurs in Puerto Plata found that entrepreneurs felt they could not count on support from governments, networks, or multinational enterprises, and that they had great difficulty reaching the tourists (Scheyvens). Something like clustering would target those exact problems by building a network of businesses.

That being said, a critical focus on jobs and community participation is not guaranteed or explicitly discussed in any of the clustering plans, running the risk of not becoming a poverty alleviating tool if not used properly. The major gap missing from the plan is addressing the fact that linkages cannot be built if the local business or industries are not developed. The Consejo has set up an agency called Observatorio de Competitividad that
tracks the progress within each section of the Competitiveness Plan and posts them online for public viewing. One critique of this though, is that it is tracked by the same agencies running the program.


In November 2009, the Dominican Republic’s new president released a 20-year plan for the Dominican Republic called the National Development Strategy. This plan overlaps with the previous PNCS plan; it does not replace it. Within this plan, “Decent Employment” is specifically articulated as a general objective, with three subcategories.

<table>
<thead>
<tr>
<th>General Objective</th>
<th>Specific Objective</th>
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<tbody>
<tr>
<td>Decent Employment</td>
<td>-Promote greater levels of investment, both national and foreign, into high value-added activities and capacity of decent employment generation</td>
</tr>
<tr>
<td></td>
<td>-Consolidate the System of Training and Building Capacity for Work in order to accompany the production apparatus in the process of scaling value, ease of insertion into the labor market and to develop entrepreneurial skills</td>
</tr>
<tr>
<td></td>
<td>-Elevate the efficiency, investment capacity and production of small and medium businesses</td>
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Later, the document divides into specific action items. Of about 400 action items, the only specific employment action item is

- Strengthen the job training system to facilitate easier insertion of the population in poverty into the productive workforce.

This recommendation is general, and not linked to any discussion of the tourism industry or jobs within it in particular.

There are 11 action items pertaining to supporting the competitiveness and sustainability of the tourism sector separately, 3 of which relate at all to workforce development and shared community benefits. They are:

- Integrate communities in the development of tourism activity in coordination with local governments, through citizen awareness campaigns, training programs and development of medium and small businesses.

- Promote the development of new market segments, products and forms of tourism that raise the value added of the activity.

- Encourage small and medium companies to adopt systems of tourist management, promotion and commercialization of their products, supported with information technologies and communication, to facilitate links with international tourist flows.

**Analysis and Critique:**

One of the stronger characteristics of both the Plan Nacional de Competitividad del Sector Turismo and the National Development Strategy are the built-in performance measures and accountability agencies. The National Development Plan has a chapter
dedicated to Monitoring and Evaluation. It assigns the duties to the Secretary of State of Planning and Economic Development. It sets deadlines for tracking measures, requires public reporting and also calls for an independent evaluation of the monitoring system every 5 years. Unfortunately, the accountability mechanisms have no requirement for public feedback and review, but they have made their reports public. Therefore, even though the plans and action steps are again very general, that there are accountability measures may increase the likelihood that some positive steps are made.

The National Development Strategy gives insufficient attention to the tourism industry considering its contribution to GDP and role as a key national employer. It reiterates many of the themes found in the earlier two plans, but goes into greater detail. Again, no real explanation of how to promote the development of new market segments or how to run training programs (and in what areas) is found in the document.

Next, I will take a quick survey of some Dominican programs specifically related to job creation.

4.2 National Government Planning Interventions Specifically Related to Job Creation

With the assistance of foreign aid, the Dominican Republic has developed programs to better incorporate youth into the workforce. None of these programs focus exclusively on employment in tourism. Nonetheless, youth are statistically the largest contributors to the tourism workforce. Half the workers in the tourism industry are aged 25 or younger. Workforce development within the tourism industry directly and through
linkages has been repeatedly identified as a national priority for achieving poverty alleviation.

The four programs are:

**Youth and Employment Program Programa Juventud y Empleo** (1999, ~US$15 Million)
The overall objective of the program is to increase employment opportunities for the low-income population, by facilitating access to the labor market through training, counseling and modernization of the country’s labor regulations. Courses for youth would have two phases: classroom training (150-350 hours) and an internship in a private firm (two months with six/eight hour days).

The program’s principal objective is to increase employment opportunities for the low-income population. The program will facilitate opportunities for access to the labor market through work training, counseling and modernization of the Dominican Republic's regulatory framework for labor. The implementing agency is the Dominican Ministry of Labor.

The Project will focus on two complementary channels to enhance employability: i) providing young people with work experience and life skills through the **Youth and Employment Program** managed by the Secretary of Labor, and ii) expanding "Second Chance" education programs to complete formal education through night classes provided by the Secretary of Education. (International Labor Organization 2008)

**Promoting Youth Entrepreneurship in Santo Domingo** (2004, US$1.2 Million)
This Inter-American Development Bank funded project had the aim of “comprehensively promote entrepreneurship through institutions.” It involved four components of building connections between training centers and businesses by funding internships, helping small businesses with young owners develop better business plans, providing thousand dollar loans, and to spread information on the program as well as best practices through a project communication strategy. This program was limited to college educated young Dominicans.

These programs would fill the gap of having an under-skilled labor force as identified in the previous 3 Dominican development plans. Independent reviews of the World Bank funded youth development programs revealed that graduates of the programs were no more likely to find quality employment after training than before, however. Furthermore, employers indicated no strong preference for youth who participated in the programs (Card, Ibarra 2005). My interviews with hoteliers in January 2009 reiterated the same message. Hotel managers interviewed cited that the local hotel management schools were very poor quality.

Interviewing the staff of the World Bank funded Youth and Employment program in Santo Domingo, I learned that the government is only marginally involved in actually securing jobs for youth through these programs, and the programs do not pay specific attention to the tourism industry. The programs provide grants to schools, whose job it is to then recruit eligible students to fill the subsidized spots. Students themselves do not work directly with the Youth and Employment program, and the World Bank has little to
no oversight apart from funding the cost of tuition. Furthermore, the programs are only for those who can already read and write.

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Employee of the Youth Development and Employment Program, Office of the Secretary of Employment: Marta Gonzalez, January 2009 Santo Domingo, Dominican Republic Martha_gonzalez@set.gov.do

“Youth who participate in our programs have to already be able to read and write. Impoverished youth only get one class funded--there are no continuing courses-- but we can help them enter basic schools. It is the job of the schools to place students with jobs. INFOTEP, the Dominican National Institute for Technical Professions, evaluates if the schools we send students to are up to standards. With the World Bank, we are always trying to pilot new programs. In the future we hope to offer basis courses on non-labor related issues, such as family, health, etc. I don’t know where I can find you data on what percentage of the youth in our program enter into the tourism sector specifically or what percentage use their funding for tourism training”

The Institute of Technical and Professional Training (INFOTEP), with the Secretary of Tourism, organizes training courses in all tourist-related areas. The private sector gives financing contributions to INFOTEP. The IADB criticized INFOTEP for “having very few experienced educators” in a 2004 report (Angelilli). There are several other hospitality training programs at universities, as well as bilateral exchange programs with countries such as Mexico, Spain, Colombia and Italy to promote training in hotel administration and management (Pellerano 21).

Some early World Bank loans for tourism development included loans to help develop small micro business directly as well, but they were unsuccessful in generating sufficient revenues for workers. A $71 million dollar WB project in Puerto Plata, completed in 1990, included $600,000 for an artisan’s handicraft center to train 50 apprentices a year. The handicraft center struggled for 8 years and was eventually closed.
(Christie). A third project, completed 6 years later, created 30% fewer jobs than anticipated, and had weak community outreach and integration into the project.

This section does not provide a detailed analysis of these plans, but rather an overview of the key training programs offered by the government, as facilitated by international lenders. It is apparent that while tourism competitiveness and work force development are both national priorities, the training programs are not well-linked to the tourism sector in any real capacity, nor are the current training programs particularly effective according to independent review and Dominican poverty levels.

4.3 Voluntary Efforts from the Private Sector to Improve the Tourism Industry for the Poor

All of the data I have gathered in interviews and literature review, including the foundational theory on pro poor tourism and clustering, argues that change in the distributional benefits of tourism will likely be sparked from leadership in the private sector. Government institutions and policies set up the framework to support private sector initiatives. The private sector is emerging as a champion for equitable tourism development in the Dominican Republic.

The Dominican Republic had its first conference on poverty and tourism in 2006. ASONAHORES, the Hotel Association of Dominican Republic, contacted the Pro Poor Tourism Partnership to train its members in pro poor approaches in July 2005. A workshop was given in Santo Domingo, Dominican Republic for over 40 private sector and government officials in tourism. Good practice guidelines for Dominican Republic were written up shortly after and disseminated via the web and ASONAHORES. It was
interest from tourism operators that brought the conference to the Dominican Republic, which represents the leadership role of the private sector in creating good employment for locals.

Private sector participants in the Pro Poor Tourism Conference reported that it was very informative, and that they were planning on implementing new programs that they had learned about. Hoteliers expressed an awareness of and interest in the problem of the current model of enclave tourism. Months later, however, hoteliers complained that it was too difficult to coordinate parties (taxi drivers, excursion guides, farmers, artisans etc.) to create strong linkages, product diversification, and community involvement. Business leaders struggle with how to get everyone on board for change, especially without government impetus for change (Ashley 2004).

Interviews with Dominican hoteliers and employees in January 2009 gave interesting insight into the managers’ current views on pro-poor tourism strategies. Managers were not opposed to making certain changes that would better serve the community, but there was no motivation or managerial pressure to do so. The incentive structure in hotel management is not designed to reward policies that benefit local economies, such as designing menus that use more local foods. Furthermore, as highlighted earlier, they found Dominican laborers to be insufficiently educated for managerial roles.

An interesting leader in the private sector working to encourage Dominican job creation is foreign travel agencies. First Choice, a British travel agency, tasks its destination managers to find excursions that specifically hire local people and benefit the environment in the Dominican Republic. Outback Safari is one of First Choice’s clients
that gives tours of rural villages to visitors. Outback Safari employs 55 local people, and indirectly supports entrepreneurs who sell products at destination sites (i21). A range of other UK travel agents are interested in supporting locals in the Dominican Republic as well. The UK Travel Foundation funded a project in 2005 on business linkages and community partnership in the Dominican Republic, and has been working with a range of other partners such as the Federation of Tour Operators in the UK, TUI group and Oxfam Caribbean to connect tourists with Dominican businesses (PPT Partnership).

Another interesting actor making pathways to job creation in the DR is universities. In 2007, the Colombia University Center for Environment, Economy, and Society was invited by Dominican president Fernandez to work on an eco-tourism project in Miches. This project fits within the national framework of diversifying the tourist economy away from all inclusive resorts. Dr. James Danoff-Burg, director of the project, informed me that the project was primarily focused on environmental restoration of Miches rather than tourism development and job creation. The Columbia team studied the economics of making Miches a tourism destination primarily for day-trips though. The main industries for employment in Miches are extraction of natural resources and fisheries. Because there are two tourist clusters nearby, the impoverished Miches farmers with which the team works will have an easier time selling their agricultural products and making connections with the established tourism networks. There is a large private investor in the area from Venezuela, the Cisernos group, that Danoff-Burg explains has been very receptive and well-intentioned. He believes they are cooperative because the owners own property in the Dominican Republic, and therefore have a personal connection to the country and the people. Developing an eco-tourism project that
involves the community benefits the Cisenoros group financially and socially, says Danoff-Burg. The Cisernos group has built new schools, trained teachers, fixed energy lines, and helped with building latrines and water distribution systems. Dr. Danoff-Burg’s assessment of the private sector’s leadership role in supporting the community through the project is that their local ties to the area are what make the key different in promoting pro-poor tourism strategies. Lastly, when asked if university-led partnerships may be a new paradigm for spreading pro-poor tourism, Dr. Danoff-Burg said yes. “We hope our involvement is the right push, and then people will take it and implement it themselves. A fundamental transformation in the tourism industry when political and economic ideas are so messy will unlikely happen on its own. The university can act as a truth teller, evaluating the procedures and the situation. The next step-- the actual change-- will come from the business.”

**Conclusion**

Economic growth from tourism will not lead to a reduction in poverty on its own. Recent efforts to capture greater value from the tourism industry for local Dominicans though, particularly in terms of employment, have failed (IDB).

The “all inclusive” resort model in the Dominican Republic has created few jobs for tourism entrepreneurs, and has heightened antagonism between communities and the industry. The national development plans do not include mechanisms for job training or employment in tourism directly, and the direct efforts for job training and employment carried about by the government have had poor results.
Chapter V- Conclusions, Recommendations and Future Research

The tourism industry in the Dominican Republic is projected to grow dramatically and the government continues to invest heavily in the sector. By 2012, billion dollar government infrastructure projects are expected to be completed, including a new road connecting Punta Cana and Santo Domingo, a new cruise ship marina, and a high speed ferry service between Samana and Punta Cana. Private sector investors have raised another $9 billion dollars for these projects (Medina). Now is an important time to evaluate the Dominican Republic’s prior and future tourism development strategy, and to ask if the trajectory will result in better jobs and greater equity for Dominicans. There seems to be a disconnect between the national goals to reduce inequality and the continued investments being made in the tourism industry. While some ecotourism projects and clusters are being initiated with government and foreign development assistance, typical enclave resort development continues. The North Coast continues to be sold to foreigner investors, as the March 2009 headline reads: “Cabarete, Dominican Republic To Get First 5-Star Luxury Caribbean Hotel; 200 million dollar project beginning now, projected to be completed in 2011” (Press Release Newswire, March 2009). Despite relative consensus in the literature that enclave resort development is not beneficial for local economies, especially if local linkages are not explicitly incorporated, this type of development continues.

My research finds 3 overarching conclusions, and I will close with recommendations for future alternatives and study.
5.1

Job creation in the hospitality industry is not a focus in the three Dominican development plans evaluated. Quality job creation in sister industries such as marketing, agriculture, services etc. is not articulated in the plans either. While the plans speak broadly of linking tourism with other complementary industries to diversify the tourism base, no detailed plans of job creation or training are included. As Monica Romis, current World Bank consultant on economic development added “Despite my best efforts, jobs are almost never the focus of these projects or plans, and unions or employees are almost never involved in the discussion.”

A recent World Bank report came to the same conclusions about the Dominican Republic:

The sheer size of unemployment in the DR calls for making employment policies a priority. Since most of the increase of unemployment reflects excess supply of new entrants as well as competitiveness issues, active labor market policies could focus on the skills of the unemployed and the challenge of improving the flow of information about job opportunities. The design of intermediation and training policies, such as information and training centers for the unemployed, should take into account the aforementioned profile of the unemployed in the DR—young and low-skilled (World Bank Poverty 84).”

A USAID report on cluster effectiveness reiterates the need to focus on skill building if the tourism industry will be a tool for long term, decent employment:
Keeping a good investment climate and supporting skill building in labor intensive sectors such as tourism, manufacturing, and construction can be an effective strategy for long-term and high quality employment creation.” (USAID).

One might argue that training programs and workforce modernization plans may be better relegated to cluster-level coordination—which the country has already established a strong infrastructure for. While this pathway seems less appropriate than a national strategy on workforce development, it should still be articulated in the plans if it were the national government’s chosen method.

I focused on the lack of strong training programs and workforce development initiatives in government plans specifically in this paper, but the weak K-12 education system in the Dominican Republic as a whole, in accordance with the earlier statistics, is another major roadblock to building complementary industries with the tourism industry.

Therefore, while clustering initiatives are cutting edge in terms of a governance mechanism and in alignment with best practices on linkages, without more serious labor force development plans, desired outcomes will unlikely manifest. Furthermore, national leadership is critical for developmental outcomes.

5.2

The second broad conclusion is that strong leadership for change in terms of social equity in the tourism sector has been coming from the private sector. The Punta Cana Group, a large private real estate developer in Punta Cana says “In our case, we lead by example, and we spread the word of the things that we are doing, and how in the
end benefiting communities will benefit companies. We believe that by letting others know what we do, we can help promote these practices.” The Punta Cana Group has also taken the initiative to source locally as much as possible:

To give you some examples, many of our roofs, including Puntacana International Airport built in 1983 and part of Grupo Puntacana, are thatched roofs in Cana, which is endemic of the area. Also Coraline stone is used in many of our buildings and homes within our real estate development at Puntacana Resort & Club. This stone is also endemic of the area. In La Altagracia, agriculture is not really prosperous due to its dry land and lack of rain, only sugar cane is really a local produce, which we purchase from the companies that produce it (this is not the type of agricultural product that small farms produce) (Interview December 09).

Through my interviews, I have found three main reasons why private sector tourism actors have taken a lead on promoting social equity and job training. First, some hoteliers have a personal connection to the Dominican Republic and want to see the nation develop, as in the Ciserenos case in Miches and the Punta Cana Group in the northeast. In an interview with the Punta Cana Group Public Relation director, Paola Rainieri said:
Second, tourism industry executives perceive a growing demand from tourists for corporate social responsibility behaviors, and they want to capture this market. Lastly, some hoteliers view the growing income gap in the DR as a source of instability for their industry, and want to build the economy as a whole.

The fate of the Dominican Republic’s development trajectory cannot rely on voluntary initiatives however, and some coordination of these private sector efforts must be captured and steered from the national level.

5.3
Lastly, while it is difficult to predict whether the national development and tourism competitiveness plans will result in shared wealth creation, the clustering strategy is an appropriate mechanism for developing tourism equitably. The plans themselves mention important factors such as linkages, and they also include mechanisms for oversight of the implementation steps. The decentralization through clustering will allow for the incorporation of more community participation and more nuanced strategies catered to location, which is appropriate for the DR’s diverse tourism offerings and destinations. Clusters have already proven useful in generating jobs such as in the agriculture examples previously discussed. Drawbacks of clustering as the pathway to development are that many of the industries for tourism to “link” to may yet be underdeveloped and the success of each cluster is dependent on the vision and skill of the cluster’s manager and participants. Lastly, national projects in cooperation with private investment can easily override a particular cluster’s goals.

5.4 Recommendations for Future Alternatives

- Develop a national strategy for creating developmental outcomes from the growing tourism sector, with concrete recommendations in terms of employment

Extracting distributional economic returns from tourism may require more aggressive intervention and planning from the national level. In Regina Scheyvens’ comprehensive overview of tourism and poverty reduction in island states, she concludes that the onus is on governments to step forward and develop appropriate policies and plans for tourism development if the needs of the poor are to receive priority. The
government in the Dominican Republic has yet to develop a coherent poverty alleviation strategy according to the World Bank (World Bank). There is very little in the development literature about national tourism planning strategies for the DR to build models off of, which is problematic.

A national plan may include setting market prices for agricultural goods, trade policy, and building the infrastructure to allow for rural-urban transport. A policy could be put in place for example that requires the inclusion of a local excursion of local restaurant option within all inclusive packages, or limits the amount of all inclusive packages in an area. Other interventions may be setting wage requirements for hotel laborers, investing in the improvement of hospitality universities, and extracting greater revenue from private resort developers for public works. The Dominican Republic has some of the lowest tourism taxes in the Caribbean (pictured below); the federal government should be spending more on education and social initiatives. Most importantly, the national plan will outline steps for workforce modernization and job creation.

Another national tourism development consideration might be to attract more of the high-end market. One strategy is to focus on business travel, which is only about 2% of arrivals currently. Business travelers may spend more than the average vacationer, and are a big share of the tourism market. Larger tourism receipts could allow for greater employee diversification and higher wages. Requirements need to be placed on new resorts being built however to ensure social outcomes. One study found that there was no difference between 4 and 5 star hotel’s commitment to social responsibly in the Dominican Republic (Stewart).
There are real challenges in implanting pro poor tourism policies. One challenge is in creating the political will to implement new policies or strategies for pro-poor tourism on the national level, especially when tourism royalties will continue to flow to the government. Another obstacle is uncertainty; there are few to no models to emulate of successful pro-poor tourism *national* policies that are written about. An economist such as Alice Amsden would argue having good “role models” to copy from has been crucial in creating development in other regions. Pressure on the government and investors to consider social outcomes will be critical, and there has been strong leadership from the private sector for this.

- Use tourism as a springboard to build other industries

Government planners should focus on interventions which create employment opportunities and linkages in new industries, rather than just job training for tourism jobs. The tourism industry typically provides very low-wage and seasonal labor. Therefore, in regions dominated by rich natural resources and public land, more comprehensive planning toward *other* industries may increase job quality and is a better alternative to
tourism. A study in Idaho found that attracting firms and entrepreneurs in the expanding professional, scientific, and technical service sectors such as engineering, accounting, auditing, management and consulting (those not bound to geographic proximity to clients) would bring in greater quantity and quality of employment than tourism development. This is not entirely surprising, but helps to argue the point that if sustainable tourism development is equally as difficult to manage well as other economic sectors, it is worth evaluating feasibility of other, new industries in the Dominican Republic (McKean 2005). Essentially, it is possible that tourism is not the answer for the DR’s way out of poverty.

- Launch a pro-poor tourism campaign in the Dominican Republic with a component targeted towards external travel agents and tourists

International NGOs such as Oxfam, Tourism Concern, and Pro Poor Tourism Partnership must pressure businesses to implement better policies. Within the Dominican Republic, there are a few agencies that may also be able to play this role-- the Dream Project, the Punta Cana Group, a strong presence of Peace Corps volunteers and national, development-oriented banks are non-governmental actors that can add a voice to the pro-poor tourism effort. The reputation of being a tourist destination that benefits local communities may actually increase revenues and attract more visitors.

Governments and development partners need to be galvanized toward a more systematic and inclusive approach on the design, implementation, and evaluation of the economic, social, and environmental impacts of tourism development interventions geared towards poverty alleviation. Many of the “best practices” in pro-poor tourism do
not require large expenditures, but different organization and new habits. One key example would be pressuring large hotel chains to change their human resources policies to incent managers to source locally and preferentially promote Dominicans.

Through voluntary business associations, a lot can be improved in the tourism industry to create greater levels of local economic development, taking advantage of what seems a general desire to improve conditions in the DR amongst hotelliers. A big piece of this involves “getting the word out” about best practices, and hosting conferences such as the Pro Poor Tourism event in the Dominican Republic in 2005. Non-governmental agencies and non-profits would be the appropriate actors to push for a pro-poor tourism agenda. So far, this process has been gradually building.

Despite limited success of the Pro Poor Tourism Conference, the Dominican Republic is very well-studied in the tourism literature, and the Hotels Association called ASONAHORES is well-organized. Continued leadership in hotel management and proper catalytic policies created can help the Dominican Republic extract greater distributional returns from the tourism sector. No one new law (local purchasing law) or conference (Pro Poor Tourism Conference) has been sufficient to connect the tourism industry to greater local economic development; years of dedication and labor training will be needed. These efforts should be launched and coordinated through a national campaign.

- Focus on job creation at the cluster level as well
A 2003 report from USAID assessing cluster-based approaches identified the following key actions as critical to implementing the Cluster Strategy well after the initial formation of clusters.

- Targeted technical assistance
- Specialized training
- International market research
- Policy, legal and regulatory analysis
- Facilitation of dialogue and engagement with the public sector
- Media outreach and assistance with public communications

The Dominican Republic is missing an emphasis on the technical assistance and training aspect of clustering to make the program have economically distributional results. A USAID assessment of cluster projects worldwide found that workforce issues have typically “never risen as a top priority in developing countries.” (USAID).

If job creation and labor force development is to be run at the Cluster level, I would recommend some of the following key agencies to be involved in sharing the responsibility of ensuring that projects within clusters lead to meaningful employment.

- Technical Bureau for Planning and Programming
- Council of Tourist Promotion ("Consejo de Fomento Turistico - CONFOTUR")
- Institute of Technical and Professional Training (INFOTEP)
(39 Pellerano).

- Clusters should act as business incubators.
Business incubators are programs that accelerate the rate of business development in a particular area by providing special funding and technical assistance. VietAid is a great example of a community development corporation in Boston that helps immigrant communities start businesses. VietAid thinks of business ideas for products or services that fill gaps in the economy, develops the idea and a business plan, and sets up the financing for it. It then seeks out disadvantaged and minority residents to adopt the business as their own. Programs such as these have been very successful in economic development of communities, especially when the target population does not have enough market knowledge or experience on their own. Clusters directors have specific knowledge of market dynamics in each tourist destination, allowing for this highly involved role of helping to launch and guide small business development. One recommendation specifically could be to focus on developing businesses around the popular north coast sports tourism in Cabarete. A business idea could be the production and sales of wind surfing equipment and apparel, or the training of surf instructors, for example.

In another example, Harvard graduate students report how Tortuga Rum Cake is now the #1 export of the Cayman Islands after tourists coming to the country began ordering them at home. Also, Kona coffee has become a popular export product throughout the U.S. after tourists to Hawaii fell in love with it. A strategic vision and marketing around a product such as sheets or furniture could be successful in the Dominican Republic, and provide new jobs (Barrera 2007). A business incubator on the cluster level could develop similar ideas for products, catering to the tourist market and hiring the poor.
Use the existing tourism clusters to promote pro-poor tourism linkages more effectively.

Create a strategic vision and plan to get hotels and tourists to begin purchasing local products. The current Dominican procurement law requires companies to source locally instead of importing when similar products of similar quality and price are available, yet this policy is not strongly linked in tourism-related industries.

The current situation in the Dominican Republic in particular presents itself as an opportunity to engage in local conversations between farmers, hotels, hospitality schools and micro-entrepreneurs. In 2004, the Dominican Republic received a $105 million dollar IADB loan for social reform, focused on capacity building in decentralization of services. The Consejo Nacional de Competitividad –the Dominican agency for strategic planning--has divided the country into sub-region clusters, and government funds are already habitually transferred to city-managers across the island for local governance (Paris 2007). The institutional structure and space exists to create local policy for greater tourism wealth distribution, expanding upon broad national policy.

Tourism-agriculture linkages could be strengthened further in Dominican Republic, for example. There is potential for hotel contracts to be used to help farmers invest in production upgrades, and also potential to develop new tourism products related to food and farms as seen elsewhere. Hotels’ domestic purchasing is from the national economy, mainly via wholesalers in the cities. Linking hotels with local farmers directly can be used to help a farmer improve his or her production specifically for tourism. If farmers can adjust their planting, or invest in improved harvesting and transport, they
may be able to produce higher quality products, more suited for tourism, and generating more local income. The current situation – whereby farmers turn up at hotels on chance, and sell for cash if quality is sufficient – has the advantage of being low-risk and flexible for both sides, but does not enhance supply or demand over time (Ashley 2008).

• Work with travel agents and Dominicans living abroad to incent creation of small and medium sized tourism businesses

Targeting the issue from the demand side, working with travel agencies and evolving customer interests is an important angle to creating good jobs and development in the tourism industry. “Tourists can now book relatively cheap holidays through a network of international tour operators and hotel chains, making the market even more inaccessible for small, poor entrepreneurs. Local, independent hotel operators cannot compete with the prices offered by the strong network of resort hotels.” (Roessigh). Local hotel operators can compete on being locally-run and socially responsible, but only if travel agents and websites offer information on or classify resorts by their levels of social responsibility.

An interesting agent in this process of motivating change due to tourist demands are Dominicans who live abroad. Nearly thirty percent of tourists who traveled to the Dominican Republic in 2003 were Dominicans living primarily in the United States. On average they stay fifteen days and spend about US$65 daily. According to the Tourist Authority, no programs are being implemented to target the Dominican tourist market, such as promoting tour packages, trips, and real estate in coastal areas (World Bank poverty)
• Strengthen Hospitality Education Programs

Youth job training programs have not been successful in the tourism industry. The quality and curriculum of hospitality training programs must be evaluated more thoroughly. Hoteliers emphasized the importance of strong language skills in their employees, for example, but that Dominican hospitality graduates could only speak a few words of English. The government may consider a policy that directs a portion of tourism revenue to strengthen existing hospitality programs. In the meantime, continue to sponsor scholarships for hospitality study abroad in order to improve the quality of labor, increase the level of education, and to acquire international standards.

• Policy improvements will not be enough to assuage the inequalities in the

Dominican tourism industry if spatial planning interventions are not addressed as well.

The enclave resorts lining the coast in the Dominican Republic make it nearly impossible for local entrepreneurs to access tourists. Entrances to resorts have guarded gates. Furthermore, even though the resorts are directly next to each other on the beach, the entrances on the land side are often several miles apart, with driveway entrances as long as a mile, and quite far from the nearest town. Physically, small businesses cannot reach tourists. Hotel managers told me this was because safety of tourists was an issue. Plans should be built that include centers for local business clusters (Sosua paper)
5.5 Future Research

While it is unlikely that the Dominican Republic will stop investing in the tourism industry, it appears to be an important time for change in the island-nation. Attempts to deal with the growing informal labor sector due to tourism (as outlined in the U.N STEP program) and the rapid rural migration to tourist sites appears to be relatively unaddressed in the available literature on the Dominican Republic, but must surely emerge as a priority in the near future. "With few exceptions, the literature lacks research on the formal/informal sector interface within the context of the tourist industry," (Kermath and Thomas).

It would also be critical to evaluate the successes of the relatively new clustering initiative in the Dominican Republic. Do clusters change the dynamics of tourism jobs at all? Will wages, seasonality of jobs, origin of employee, quality of life for tourism laborers improve? Do workforce development programs have to be nationally coordinated or can it be localized in clusters?

Lastly, how can you capture the relative impact of private sector efforts on local development in tourism dependent nations?
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