

Inaugural address – President Leonel Fernandez – 16 August

On this date in history, 141 years ago, the best of this nation's spirit expressed itself with authentic nobility, giving birth to the heroic event of the Restoration of the Republic.

Almost a century and a half after that extraordinary feat, what grips our nation is a brave, titanic struggle to return it to its roots and begin a period of moral and patriotic rebirth, as well as an economic, social and institutional reorganization, that may enable us, like the phoenix, to emerge from our own ashes.

With the support of nearly 60% of voters received in the past election, I assume, for the second time, the immense honor and the great distinction of bearing the tricolor emblem on my chest.

I do so aware of the gravity of my responsibilities and the delicate state of the nation today.

I am aware that our country is undergoing one of its most acute and severe crises of all time. Our people are suffering. They feel unprotected and frustrated, but at the same time, they hope and dream that, with the efforts of the government that begins today, they may advance again along the road of stability, progress and wellbeing.

He who speaks to you solemnly commits, at this crucial time in our history, to put forth the best of himself, as well as that of all members of the government team, so that the Dominican people may ensure their right to nutrition, employment, education, health and a modern and civilized life. That is, dignified and decent living.

I acknowledge that it will not be an easy task. There are many dangers ahead. Many obstacles are in our way. Difficult times await us. To sit in the Presidential seat will be to walk through a minefield or to sit on an open pit of fire.

Nevertheless, no one should be mistaken or deceived. Just as throughout history we have emerged triumphant from several ill-omened and sorrowful moments, once again the Dominican people, based on the sweat of their labor, their capacity to make sacrifices, their confidence in themselves and their faith in God, will overcome this crisis, defeat it, suffocate it, destroy it, and march straight and proud towards the construction of a brighter future.

Until a short time ago, the Dominican Republic had been the object of praise and recognition from the international community. During the 90s, and especially the second half of that decade, our country experienced impressive economic growth, the greatest in Latin America and one of the greatest in the world.

This growth happened with stability. We had control over inflation, which never surpassed one digit. There was certainty regarding the exchange rate. Interest rates declined. Thousands of jobs were created. Buying power increased. Commerce expanded. Poverty was reduced and the country lived with the satisfaction that we were on the threshold of a period of prosperity and progress.

But all of a sudden, all of that vanished. It escaped like water through one's fingers, and now, our people are asking, why? How could it be? What happened in the Dominican Republic that in such a short time, the country went from being a paradigm of Latin American progress to an archetype of failure?

I would like to clarify that I have not come before this august National Assembly with the spiteful intention of raising an accusing finger at anyone. Such an act would be contrary to my natural behavior and contrary to the solemn nature of this ceremony.

Nevertheless, I cannot remain silent, leaving the people unable to acknowledge the true magnitude and depth of the crisis that currently encumbers us and the enormous efforts that we all will have to undertake, the governors and the governed, to overcome it.

The economic crisis that is presently upon us is of such a nature that only last year, in 2003, the total production of goods and services, what the economists call Gross Domestic Product, dropped, in terms of dollars, by US\$5 billion. If we multiply that amount by 45, which is the average exchange rate to the US dollar, we have RD\$225 billion. Hear me when I say, last year we did not produce RD\$225 billion.

In addition to that decline in the production of wealth, it happens that at this moment in the Dominican Republic we have a consolidated fiscal deficit of RD\$56 billion, which equals almost half of the budget being implemented at this time. We have an annual accumulated inflation of 60%. High interest rates. A devaluation of the currency by more than 100%. Lost buying power, wages and incomes. Decline in consumption. Massive job loss. Negative net reserves. Less than zero growth. Capital flight and barred access to capital markets. Difficulties to secure international funding and new flows of foreign investment. Public foreign debt equivalent to 60% of the GDP.

The National Fund of the Nation, which is meant to cover the expenses for operations and investments of the central government's institutions, has a negative balance of RD\$1.8 billion. Likewise, the special fund used to pay the workers' Christmas bonus is also in the red. This means that the incoming government will not have a single cent with which to start working and will have to make great efforts to pay government workers the Christmas salary in December.

To sum up, the government that starts today inherits one of the worse economic crises in our history.

Regarding the foreign debt, it is worth mentioning that when we first came to power in 1996, the foreign debt of the Dominican Republic was of US\$3.81 billion. Four years later, in 2000, when we left government, that debt had been reduced to US\$3.64 billion. Who in a right frame of mind would have thought that during the constitutional government period that ends today that debt would have increased to US\$7.20 billion, that is to say, almost double that of four years ago?

What occurred that in such a short period of time the foreign debt has increased in such an extraordinary way? What motives forced this to happen?

Some ideologists and vociferous advocates of taking on foreign debt, would repeat, during the period of glory, that, given that the debt was a low percentage of national production, the Dominican Republic had unlimited capacity to assume debt. In the face of such sophisticated reasoning, the simple people, the common woman and man, would answer back with the wisdom of common sense. Perhaps the capacity to take on debt has no limits. What does have limits is the capacity to pay debts back.

And, precisely, what is happening now is that we have to pay; and the bad news is that they have left us without the means to pay.

In its 6 August edition, the influential US daily, The New York Times, carried the story that there was the impression in the international capital markets that the Dominican Republic was on the verge of a default, meaning a cessation of payments or a nonfulfillment of its obligations.

To counteract such a perception and arrest the harmful consequences that this could generate, the Dominican Republic will immediately proceed to restructure the foreign debt, consistently with the criteria of the International Monetary Fund and the Paris Club, so that our country may receive relief from the fulfillment of its financial burden.

In meditating on the new profile of the Dominican Republic's foreign debt, we discover the complexities of the contemporary world, and the caution that needs to be exerted to represent our national interests in the best possible way.

Now, those who decide the financial destiny of the people of the world are those 25 to 35 years old, very educated and well trained, those who work for risk qualifying rating agencies, such as Moody's, Standard and Poor's, Bear Stearns, as well as for investment banks such as J.P. Morgan, Lehman Brothers and Morgan Stanley.

These young people issue grades to countries according to their economic performance. Some are granted an "A," which means they are doing very well. Others are given a "B+" to indicate they are

doing well; others are simply given a “B” to indicate they are performing in a normal way; and others a “C” to indicate that they are doing poorly.

The Dominican Republic has received a “CCC,” which is a way of saying that we are doing very, very, very poorly.

At present in Latin America, only Argentina, after a devastating financial collapse some two years ago, has a financial rating below that of the Dominican Republic.

We need to change this image urgently, revert this process. If not, we will be without new flows of resources and fresh investments. We will be isolated from the world, which would irremediably precipitate our economic and social dissipation.

Members of the National Assembly, illustrious guests:

The most important task that the Dominican Republic currently has before it, and that from which our fellow citizens expect the best results, is to tackle the economic crisis described above, which has so drastically affected all social sectors.

We warn that we do not have godly gifts to perform miracles. During this eclipse of national life, it would be more appropriate to evoke the unforgettable phrase of the British political genius, Winston Churchill, who to defeat the Nazis only offered his people “blood, sweat and tears.”

Amidst the many voices that have been raised to suggest solutions to the national economic drama, there are some that have leaned in favor of a decline in taxes as a way to reactivate growth. I respect those ideas, but I do not share them, because the incoming government is not able to prepare a plan of action to fight the present crisis by taking ideas from the fictitious world of Alice in Wonderland or the magical universe of Harry Potter.

To resolve this crisis, what is first required, ladies and gentlemen, is the recovery of confidence. And to recover it, this next government is compelled to take a series of actions, among which the most important, perhaps, will be to declare that as of this very instant we begin a period of austerity.

That austerity means to make every effort to reduce government spending by 20%.

There are many government jobs that are not needed, which have been created by the traditional, corrosive practice of political patronage or are the product of a duplication of jobs within our government bureaucracy. These will be eliminated.

I am of the opinion, with firm conviction, that the opportunities to create jobs need to be undertaken primarily in the private sector, which is the great creator of national wealth. One role of the state is to make this goal possible.

In the economic development model we envision, the private sector is to be entrusted with the role of motorizing the train of progress, and the state is the simple operator that places it in movement on the rails.

In this government that begins today, no official or autonomous organization is authorized to carry out purchases or transactions that go beyond what is strictly indispensable.

No one, absolutely no one, will be able to use government funds to purchase new “jeepetas” [luxury SUVs] or to make telephone calls, local or international, without time limits. Dietary allowances and expenses need to be cut and superfluous expenses eliminated.

We must eliminate the deputy minister positions in government that have not been written into the laws of each ministry.

We will dictate the standards that prohibit any central government institution from taking out loans with domestic commercial banks without due authorization from the National Budget Office or the General Controller’s Office.

We will send Congress a bill to modify the laws that govern the revenue of consuls, who, instead of receiving revenue equivalent to 25% of the services rendered, will receive a salary, just as everyone else in public administration does.

But, at the same time, measures will be taken to significantly reduce the current expenditures of the government. It is essential that Congress approve, as quickly as possible, the tax reform bill they have received, which is the fruit of the agreement reached by the past administration with the International Monetary Fund.

According to estimates made by the Fund, to achieve stability and economic recovery, a fiscal adjustment of 4% of the GDP is necessary, equal to RD\$30 billion.

The tax reform bill sent to Congress would generate 2.5% of the GDP, and thus the difference of 1.5% of the GDP, equivalent to RD\$10 billion, would have to be achieved through improved management and a

reduction of subsidies.

To establish a regime of discipline in the management of public finances, the new authorities will resume the currently suspended agreement with the IMF. That way, we will have access over the next year-and-a-half to US\$1.2 billion from the IMF, the World Bank and the Interamerican Development Bank.

To confront the Central Bank's quasi-fiscal debt, caused by the salvaging of deposits of the three collapsed banks last year, the new government has obtained a commitment from prominent businesspeople, both national and international, who will deposit their future investments to the Central Bank or the Banco de Reservas, at an interest rate that is above market rates.

With those deposits, during a reasonable period of time, we aspire to undo the quasi-fiscal debt, which currently represents RD\$90 billion, and the payment of RD\$30 billion per year in pesos not backed by reserves, which is the principal reason behind the devaluation of the peso and the high levels of inflation that affect consumers.

Regarding those who hold certificates of savings issued by the Central Bank, the new government ensures that it will fulfill and respect the terms established when the general public and financial entities made these deposits.

In applying the series of measures as previously explained, the economy will shift towards stability, and from that stability the recovery of growth will ensue.

This growth will stimulate the return of capitals that has flown in recent times and will encourage new direct foreign investment. New jobs will be created. Demand and consumption will increase. The cost of living will decline and, from a vicious circle of stagnation and prostration, we will move on to a virtuous circle of prosperity and progress.

To achieve full recovery, it will be essential to improve the mechanisms of supervision and control of the national financial system. We cannot afford the luxury of allowing the collapse of other banks in the Dominican Republic. We would not have the means to salvage more deposits and it would be unfair to burden the population with the costs of another financial ruin. Thus, the health of the banking system is vital for the national economy.

But, in the same way, it will be essential to energetically and radically confront one of the worst ills that affects the development of the people and renders inefficient any sincere struggle against the hecatomb of poverty: the phenomenon of corruption.

Corruption is morally and legally unacceptable. That is why, during the administration that starts today that I will be directing, we will adopt every conceivable measure so that, as established in the Interamerican Convention against Corruption, we prevent, detect, prosecute and punish all fraudulent acts that conspire against the public patrimony.

Upon returning to the helm of this nation's destiny, I do not hold any feelings of revenge or retaliation within me. I have experienced a bitter persecution, conducted against me with mischief and destructive intentions and, regardless, it has only strengthened my spirit against villainy and slander, as well as serving to reaffirm my convictions against abuse and arbitrariness.

But just as no one will be prosecuted for reasons of political revenge, neither will this administration become a flag bearer for erasing the slate and starting anew.

Democracy is based on a rendering of accounts. He who does not have his accounts in order, be it from the public or private sector, should know that from now on, justice will not be subject to obstruction nor manipulation from the Executive Branch, nor to deviate us from our codes and laws.

I wish to act always in a transparent manner without opacity or entanglements. I take this opportunity to reiterate what I have said before: Let no one whisper in private what they are not able to tell me in public.

Members of the National Assembly:

The gravity of the economic crisis affecting the Dominican people has serious social consequences. In my travels to all corners of the country, I have been able to ascertain the misery and marginalization in which hundreds of fellow citizens live. With profound sorrow, I have perceived that hunger is punishing large segments of our population.

According to the information from the Program of the United Nations for Development, as a result of the present economic crisis there are now a million more Dominicans living under the poverty level. Thus, we will enact a responsible social policy, based on a territorial and integral focus, in harmony with the needs of the communities and the most vulnerable sectors of the population.

As of tomorrow, I will order the restructuring of the social cabinet and give instructions to involve the civic society in the management and implementation of several of these programs.

From the first days of our government we will put into practice various integral social programs in the areas of health, food, nutrition and education. We will strengthen and expand the program for school

breakfasts, the programs to reduce maternal and infant mortality rates. We will carry out training programs to reactivate jobs, renew housing programs, provide technical assistance and promote micro-business credits.

We know, however, that given the scope of the crisis, we must immediately address the most pressing needs of food and medicines for our people. The government that I preside over as of today has adopted the popular saying that one must first eat. The program to be known as “Eating comes first” will represent an emergency food initiative for families living in conditions of extreme poverty. From now until January 2005, this program will be implemented to benefit 25,000 families located in the most depressed barrios and zones of the country. Subsequently, it will be expanded to reach 200,000 families. I aspire to a situation, as I have said several times before, in which no Dominican goes to bed with an empty stomach.

In the same way, as of next week, the government will implement a national emergency program to supply all public hospitals with basic medicines, so as to put an end to the alarming situation of the scarcities that affect all public hospitals.

I must now refer to two other aspects of great importance that demand the urgent attention of the administration that begins today. The first is that of the national power system, today immersed in one of its most acute crises, with the consequences being the long blackouts that affect the population’s normal course of living. The other is the supply of propane gas, which has wrought serious inconveniences and difficulties to consumers, or what Dominicans describe as “cogiendo lucha” (having a hard time).

Regarding the power industry, even if we have been accused many times, because of undertaking the capitalization process, of being responsible for the system’s crisis, we know today that it is not so.

In the first place, the blackouts in the Dominican Republic did not begin during my previous government. We have been suffering them for the past 40 years.

Those of my generation will remember that the blackouts were once blamed on kites that would get tangled with the transmission lines.

Before the emergence of a government monopoly that for several decades had shown its inefficiency, its incapacity to renew itself, its financial unsustainability and its lack of transparency, we proceeded, as many other countries in Latin America and the world had done, to seek investments and technology from the private sector to relaunch and modernize the industry.

If the process had imperfections or failed in areas, all that was necessary was to modify it, improve it, complement it and continue to develop it based on new experiences and solutions.

But that did not happen. Instead, they demonized it, politicized it, and now five years later, after the

capitalization of the national power industry, we are faced with a new structural crisis that has the entire population rightfully mad and indignant.

On Page 3 of the recent report published by the National Energy Commission and the Special Energy Commission, created by Decree 1036-03 of 28 October 2003, and titled “Proposal for the Reform of the Electricity Sector,” it reads:

“Private capital has seen important investments in the Dominican power sector, with a significant increase in generation, especially due to the construction of power plants of great efficiency and the repair of existing plants, and with important investments made to distribution. A wholesale market for power has developed that is in a condition to stimulate the economic efficiency of the sector. The institutional framework to channel private initiatives has been created for the sustainable development of the sector and to render it capable of meeting the needs of Dominican society.”

I confess that I could not have had better defense.

But what this is about here is not personal vindication, but of finding the true causes that can explain the present crisis, how to confront it and resolve it.

At present, the problem consists, simply, in that there are not sufficient funds to cover the energy production costs. Each month, the power sector loses US\$20 million to US\$25 million.

Since there are not sufficient funds to cover the monthly costs of generating power, there is an accumulated debt of around US\$400 million.

The lack of resources, at the same time, limits the capacity to purchase the fuel to produce power, and thus, with a demand of 1,500 megawatts, supply is only at 950 megawatts.

To sum up: blackouts.

The question is then: Why are there not funds to sustain the national electricity industry?

There are many reasons. The first is that the generation costs of power are sky-high, due, on one hand, to the increase in fuel prices on international markets and to the devaluation of the peso that has made everything more expensive.

The second reason is that half of the production of power is lost or not paid for.

The third is that the government has been unable to meet the payment of the subsidy.

Due to the capital importance the power sector forms in all national development plans, there is a consensus among the various sectors regarding the measures that need to be taken for its recovery.

Among these measures are the following:

Contract a line of credit in the short term for US\$50 million to purchase fuel, so as to immediately normalize the supply of electricity.

Evaluate or renegotiate the contracts for the purchase and sale of power among the Corporación Dominicana de Empresas Electricas and independent producers (IPPs), as well as between the generators and distributors.

Make the costs of the electricity sector transparent.

Direct the electricity subsidy to families that consume up to 200 kWh.

Increase the rate of collections.

Carry out international tenders to transfer the administration of Ede Norte and Ede Sur to private companies specialized in the administration of public services.

Carry out a program to train technical personnel in regulation, design and formulation of policies in the electricity sector.

Strengthen the Superintendence of Power and the National Commission of Power.

Approve the bill that provides incentives for renewable energy, and

Obtain a strong injection of new capitals into the sector.

As can be observed, there is no shortage of ideas. I am sure that with the backing of the multilateral organizations, especially the World Bank and the Interamerican Development Bank, the coherency and systematic application of this package of measures will soon bring light at the end of the tunnel.

Regarding propane gas, in the coming days we will be implementing a series of measures to normalize the supply nationwide.

Legislators and honored dignitaries,

I do not pretend to abuse your indulgence, nor burden you with our woes. What I have tried to do is place before my fellow citizens the true scope of our present difficulties and the efforts needed to overcome them.

But it is not only about social and economic problems. It is also that our country is affected by serious institutional problems. And that has to change.

During the four decades after Dictator Rafael Leonidas Trujillo was shot to death, the Dominican Republic has been immersed in a continual process of transition to democracy.

In a general sense, we have advanced in this process. But during 40 years we have not been able to create the institutions of a true state of rule by law that may guarantee juridical security and the protection of citizens.

Instead of institutions and governance, the country rested itself on three charismatic and respected leaders who knew how to impose their authority in the respective areas of political influence. Those three leaders, the great men of the 20th Century in the Dominican Republic, were Professor Juan Bosch, Doctor Joaquin Balaguer and Doctor Jose Francisco Peña Gómez.

The Dominican people owe a great debt of gratitude to these three because, despite the marked

ideological and political style differences between them, they dedicated themselves with love and sacrifice to offer the best of their years and their talents to guide our country.

During these decades, those three leaders placed moral breaks on the unbridled ambitions with which certain sectors sometimes act.

But today, unfortunately, those enlightened leaders are not with us anymore. It is now up to the new generation, the relay runners, to fulfill the sacred task of building a true state of law that the most civil leaders of the Restoration movement dreamed of.

The Dominican Republic cannot continue as it has been going. It cannot continue without civic security. With the trafficking of influences. With political patronage. With illicit wealth-making. With abuses in power. With lack of respect. Summing up, with a lack of seriousness in everything.

The Dominican Republic cannot continue to harbor fears of fraud in every electoral process. The citizens cannot feel intimidated or persecuted by the government of the time. The press cannot be censored.

The powers of the state, with their respectful and responsible attitude, should conquer the trust of the people anew. The members of Congress need to assume the role for which they were chosen with dignity. The relations between the legislative chamber of the Executive Branch need to be built on collaboration, as a guarantee of democratic governance of our country, always to defend our national interests.

Our people expect a resolution to the present economic crisis through the members of the legislative and executive branches. Our people hope that during these times of great national distress we may place ourselves above political party differences.

Until now, the Dominican people have been patient. They have displayed exemplary civic conduct. But one cannot abuse it. Let us not challenge the capacity for tolerance of the Dominican people.

If there is something for which the present crisis has served, it has been to expose the bankruptcy of a system that has proven to be incompetent, unfair and corrupt.

Let us change it. Let us shake the tree of Dominican democracy. May the rotten fruit fall.

Let us build a new society. More solitarian. More fair. More prosperous. More human. More democratic. More transparent. With more participation.

Dominican people:

Together we can work on the fulfillment of uncompleted taxes in this industrial and pre-modern era. Together we can put a stop to the blackouts and to hunger. Together we can guarantee the distribution of medicines in the hospitals and provide access to potable water. Together we can build streets and rural roads.

But at the same time it is essential that we work on the agenda towards modernity and progress that corresponds to this age of information and the digital era.

In a brief but substantial essay, titled “Creating a New Civilization,” Alvin and Heidi Toffler affirmed the following:

“Humanity faces a great leap forwards. ...The human species has experienced until now two great waves of change.... The first wave of change, the agrarian revolution, took thousands of years to develop. The second wave, the industrial civilization, needed only 300 years. History now advances at a greater speed, and it is probable that the third wave may progress and be completed in just a few decades. ...

‘Third-Wave’ information-age society brings with it a truly new style, based on diversified and renewable sources of energy, methods for production that make assembly lines old-fashioned, new nuclear families, an institution that we may call the electronic home, and schools and companies of the future radically changed.”

With an eye on the future, education is the top priority on the national agenda. But traditional, formal education is not enough. We have to advance towards more demanding parameters with curriculum and quality of education.

During our past government, we became one of the first Latin American countries to install computer labs in public high schools. Now we will extend the program to elementary levels, while starting bilingual education programs so as to eliminate the threat of a digital divide and inequity between the public and private school programs.

My big wish is that the children of the poor families of the Dominican Republic may have public schools that compare to the best private schools in the country: clean, organized, with highly prepared and motivated teachers, full of creativity and imagination, equipped with computers, libraries and physical recreation centers.

We will install community technology centers and telecenters, both in rural and marginal city areas, and we will introduce the first community colleges, as they are known in the United States, to quickly train the young labor force of the country.

We will educate our children and youth for democracy. We will give them a solid and modern civic education and reinforce in them the highest values of our nation.

On our agenda of progress and modernity, it is essential that we approve a new Constitution of the

Republic that, with time, may affirm individual guarantees, and incorporate economic, social and cultural rights.

It is of vital importance, equally, that we pass a law of social participation. It is necessary to start the development of a criminal issues policy, to guarantee security and citizens' peace, without affecting individual rights, due process and the state of law.

We must continue the process of reform and modernization of the state. We must strengthen the judicial system. We must reform the prison system. We must make the government prosecutors professional. We must improve the quality of the services that the state offers.

In matters of foreign relations, we will stimulate policies that seek to promote peace and international security. We will reinforce multilateral mechanisms and will act according to the guidelines of the United Nations, and, in regional affairs, follow those of the Organization of American States (OAS).

We will work to contribute to a dynamic and harmonious international cooperation. We will strengthen and diversify bilateral relations with the peoples of the Americas, Europe, Africa and Asia and will pay special attention to our neighbor, Haiti.

The new society of progress and modernity will be capable of creating a new model of economic development, which, while it protects the environment and natural resources, provides the farming sector and national industry, free zones, medium-sized, small and micro companies, and the tourism sector, with greater levels of productiveness and competitiveness, generating greater wealth for the welfare and happiness of the Dominican people.

Dominican society has immense human resources to move ahead with its exquisite historic task. It has a studious youth filled with integrity. Noble and committed women. It has hard working farmers and laborers and an active and dynamic expatriate community, a source of pride for the whole country.

To begin building this new society, I propose the creation of a Government of National Unity that integrates in an Economic and Social Council the representatives of the business, labor, civic society and church sectors. That it may provide sense and orientation to regional councils and provincial development groups. That includes everyone in the task of rebuilding our destiny.

During this critical and transcendental moment in which once again the Dominican people have deposited so many responsibility on my shoulders, I ask God, the almighty, as I did in this same hall eight years ago, to provide me with the wisdom he granted King Solomon, so that, filled with divine encouragement, I may lead our people with unwavering humility to the deserved road of glory and expansion.

From now on, a new spirit needs to take hold of the people. A spirit of optimism, faith, confidence and

determination.

So that in cities and farms, in valleys and hills, there may be only one cry that says: “Dominicanos, e’ pa’lante que vamos!”

Let’s get going!