

## **National Plan for Systemic Competitiveness (NPSC)**

On March 21<sup>st</sup> 2007, President Fernández launched the National Plan for Systemic Competitiveness (NPSC), a wide initiative that compiles guidance and best practices to follow on all sectors and levels for the Dominican economy to enhance its competitive performance. It was a process coordinated in 2006 by the National Competitiveness Council (CNC) and counted with the supervision of Dr. René Villarreal, Director of the Institute for Systemic Competitiveness and Development of Mexico.

The NPSC has 15 chapters, which include aspects as: 1) a modern vision for the future of the country based on systemic competitiveness and globalization (knowledge economy, “mentefactura” (“*mindfacture*”), human and social capital), 2) the industry as a growth motor (strategies and policies for national and free trade zones industrial development, as well as for exports promotion), 3) entrepreneurial competitiveness promotion strategies for micro, small and medium enterprises, 4) policy recommendations for productive sectors and strategic clusters development (mainly tourism, agricultural, manufacture and construction), 5) innovation and technological development system, 6) strategies to achieve a competitive public sector and governmental administration, including initiatives to enhance market competitiveness through antidumping, anti-monopoly and consumer protection mechanisms, and 7) a competitive environment for the country based on adequate logistics and infrastructure as well as macroeconomic competitiveness and stability. The NPSC also includes a chapter dedicated to the implementation and coordination of the initiatives and strategies proposed, focused on the need to restructure the National Competitiveness Council and other local agencies.

It is a very general (although in some cases extremely specific) plan that approaches all sectors of the economy. It has been very well assumed by all sectors as a short, medium, and long-term map to follow (not a checklist), especially as it is right now one of the few, if not the only, systemic initiatives officially launched that effectively give importance to the private sector and the public-private partnerships.

### **Summary of recommendations included in NPSC:**

**Industrial Systemic Competitiveness Strategy:** through innovation and training, adding aggregate value to production, DR should go from manufacture to *mindfacture*. In this sense, NPSC promotes: financial funds to enhance industrial competitiveness, fiscal incentives for innovation and investments (accelerated depreciation, for example), legal framework adjustments to international best practices and to give priority to some sectors (as the textile and shoe industries), technical and scientific training programs (strengthening INFOTEP and some scholarship initiatives), promotion of SMEs through “Compite-MIPYMEs” (program to enhance management skills and competitiveness of SMEs), innovation and promotion programs, and public-private partnerships promotion. This strategy involves both horizontal policies (across all sectors) and vertical policies (cluster-related). Horizontal policies include the expansion and enhancement of the logistic system, exports promotion and foreign direct investment attraction. Vertical policies include trainings, promotion of innovation, a collaborating culture to create more clusters, and investments in new productive sectors, as well as the promotion of networks and practices to reduce illegal competition.

On *clusters*, the National Plan for Systemic Competitiveness proposes the creation of the National Industrial Supplier Program to foster linkages between free trade zones and the national industry; Foreign Supplier Attraction Program; financial alternatives to clusters (credit option for cluster members together, as well as credit funds to particular companies members of clusters); and incentives to industrial parks on cluster development (fiscal, access to competitive energy, etc).

On *logistics and infrastructure*, NPSC promotes the enhancement of the Custom System (one-form, e-government approach), and the creation of the Automated Integral Custom System (information system).

On *market efficiency and competition*, NPSC promotes the creation of the Economic Competition National Commission, part of the Ministry of Industry and Commerce, along with the promulgation of the new Law on Economic Competition (\* draft now before Congress).

NPSC also promotes a *new legal and regulatory framework for the industrial sector*, pushing for the new Law on Innovation and Industrial Competitiveness to be approved (\* draft now before Congress). This law changes the structure of *Corporación de Fomento Industrial* (CFI) to the new Industrial Competitiveness Fostering Corporation (CFCI). Many other changes to the regulatory framework are also suggested, some of them already taken into consideration (\* many decrees have already been given by President Fernández, as the one creating the Regulatory Improvement Office inside the National Competitiveness Council, and the one creating the Unified Integral System for Company Openings, which will create the DR Business Portal, etc).

On the *strategy to promote Free Trade Zones*, NPSC encourages adding value to production through the National System for Innovation and Technological Development, improving infrastructure and logistics, promoting research and development, training programs, creation of more cyberparks, implementing express models and fast-delivery companies, putting DR Customs through ISO9000, reinvent national public ports, fostering linkages between national industries and the free trade zones (cluster development, national and foreign supplier programs, incentives to investments, the creation of the DR Business Portal, and improving the image and public relations of the zones, and updating Law 8-90).

On *exports promotion*, NPSC suggests strengthening CEI-RD strategic plan, especially on commercial promotion, technical assistance, financial support and custom-related and infrastructure issues. It is included in this aspect the modification of CEI-RD's mandate to embrace other responsibilities and to give to Customs some of the current ones. The Plan also suggests creating the Foreign Trade Competitiveness Center, a commercial credit insurance program, a support program to highly potential exporting companies, and creating regional exporter clusters. Also, NPSC encourages a program to finance highly-potential-non-traditional products export companies through CEI-RD and Banco de Reservas. It is also included the creation of the Foreign Trade Bank of the Dominican Republic and a program to modernize all ports of the country.

**Innovation and Technological Development.** This strategy is focused on the creation of the National System for Innovation and Technological Development, based on the Institute for Innovation and Technological Development and its specialized centers, a

program to incubate new enterprises, Cyberpark strengthening, and financial mechanisms to promote research and development, responsibility of the Innovation and Technological Development Council to be created as part of the Ministry of Higher Education, Science and Technology (SEESCYT). Also part of this policy is the creation of the National Quality System that aims to strengthen DIGENOR, create a national authority on certifications and a National Quality Commission, and promote a quality promotion strategy.