

DOMINICAN REPUBLIC

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: UPPER MIDDLE INCOME

LOCAL CURRENCY: DOMINICAN PESO (DOP)

POPULATION AND GEOGRAPHY

Area: 48 670 km²
Population: 10.767 million inhabitants (2017), an increase of 1.2% per year (2010-2015)
Density: 221 inhabitants / km²
Urban population: 79.4% of national population
Urban population growth: 2.2% (2017 vs 2016)
Capital city: Santo Domingo (29.4% of national population)

ECONOMIC DATA

GDP: 172.6 billion (current PPP international dollars), i.e. 16 029 per inhabitant (2017)
Real GDP growth: 4.6% (2017 vs 2016)
Unemployment rate: 5.5% (2017)
Foreign direct investment, net inflows (FDI): 3 597 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 21.9 % of GDP (2017)
HDI: 0.736 (high), rank 94 (2017)
Poverty rate: 1.6% (2016)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

In accordance with the 2010 Constitution, the Dominican Republic is a unitary State with a democratic presidential regime and separation of powers. The Executive power is exercised by the President of the Republic, who is directly elected every four years and may be re-elected once. Legislative powers are vested in the Congress, which is composed of the Senate and the House of Deputies, whose members are also elected every four years. Elections to the Congress are set to take place two years after the general elections.

The country has a one-tiered subnational government structure, composed of 158 municipalities and the Santo Domingo National District, administered by a municipal council elected every four years (Art. 199). The 1994 political crisis brought about a Constitutional reform that mandated national and municipal elections to take place separately, leaving an interval of 2 years' time between them. However, last elections held in 2016 represented an exception to this Constitutional provision, and elections to congress, local and national governments were held simultaneously with violent outcomes. Next general and municipal elections are scheduled for February and May 2020, respectively.

The National District and Municipalities Act 176-07 adopted in 2007 defines the current legal framework for local governance and, together with the Constitution, outlines the organizational structure, responsibilities and resources of local governments. Since 2016, a consultation process has been underway to draft a "Local Administration and Territorial System Law", under the responsibility of a municipal review commission, which is still awaiting approval. In order to clarify the division of responsibilities between the various levels of government, several other bills are currently under consideration. These include the Solid Waste Management Act, the Land Use and Development Act and the Regionalisation Act.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	158 Municipalities (<i>municipios</i>) + Santo Domingo National District (<i>Distrito Nacional de Santo Domingo</i>)			
	Average municipal size: 65 000 inhabitants			
	159			159

OVERALL DESCRIPTION. The Dominican Republic has only one level of subnational government, composed of municipal governments at the lower level of local government. It is located on the island of Hispaniola, part of the Greater Antilles. The country is divided into 3 macro-regions, which are in turn divided into 10 regions. Regions are further divided into 31 provinces and the National District, which has a special administrative status. Provinces are themselves divided in 158 municipalities and 234 municipal districts.

MUNICIPALITIES AND INTER-MUNICIPAL COOPERATION. Municipalities, municipal districts and the city of Santo Domingo constitute the decentralized tier of government. They have their own revenue and budgetary autonomy and are endowed with normative, administrative and land use powers. However, several constraints hinder the execution of their duties, as they depend largely on central government transfers for the exercise of their powers.

There are great disparities among municipalities in terms of surface area, population density, the resources they manage and their technical capacities. The National District is home to 1 029 607 inhabitants while 144 municipalities have less than 10 000 inhabitants and only 4 municipalities have more than 300 000 inhabitants.

The Dominican Federation of Municipalities (FEDOMU) is the organization that promotes inter-municipal cooperation. Together with the Dominican Municipal League (LMD) and under the supervision of the Public Administration Ministry, FEDOMU promotes the implementation of the Public Administration Monitoring System (SISMAP), with the aim of helping to improve municipal governance systems. According to the National District and Municipalities Act, the role of LMD is to make recommendations to local governments. The LMD must not overlook or interfere with the activities of municipal councils (Art. 107).

INTERMEDIARY LEVEL. Provinces are administrative entities headed by an appointed governor who represents the executive branch at the provincial level. Together with the province of Santo Domingo, the National District forms the great Santo Domingo, where most of the population is concentrated. A large

section of the population is also concentrated in provinces such as Santiago de los Caballeros, La Vega, San Cristobal, la Altagracia and Puerto Plata. According to a 2015 study, it was proposed that municipalities be clustered in 7 categories according to the number of inhabitants and population density.

REGIONS. Regions are territorial divisions that are designed to facilitate land use planning processes. Dominican Republic is divided into 3 macro-regions, namely the Northern (Cibao), Southeast and Southwest regions. Macro-regions are in turn divided into 10 “development” regions, as established by the 2004 710-04 Presidential Act.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The National District and Municipalities Act defines three types of competencies for municipalities: own, shared and delegated. A 2016 study on municipalities' competencies and typologies recognizes 24 major responsibilities organized in five blocks: 1) capacity to plan and implement plans related to land use planning, environmental and risk management, economic and social development; 2) regulation and management of public space, municipal works, roads and transport; 3) services shared with the central government (water and sanitation, health and public sanitation, education, recreation, culture, public safety, lighting); 4) exclusive services (waste management, cleaning and decoration, parks, cemeteries, regulation of food and food supply, fire prevention); and 5) competencies related to people and welfare (rights protection, social welfare, housing and animal care).

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

MUNICIPAL LEVEL	
1. General public services	
2. Public order and safety	Municipal police; Urban signage; Civil fire fighters
3. Economic affairs/transport	Urban roads; Urban transports; Markets
4. Environmental protection	Parks and green public spaces; Waste management; Public space; Street cleaning
5. Housing and community amenities	Construction and Renovation; Public lighting; Urbanism; Urban development and housing; Cemeteries; Slaughterhouses; Repair and maintenance of sidewalks, streets, neighbourhood roads
6. Health	Preventive days, such as fumigation and vaccination in coordination with the Ministry of Public Health
7. Recreation, culture & religion	Sports; Libraries; Local museums; Cultural centres; Music groups
8. Education	Adult literacy days
9. Social protection	Social protection for children and young people; Family support services; Student aid; Assistance for the homeless

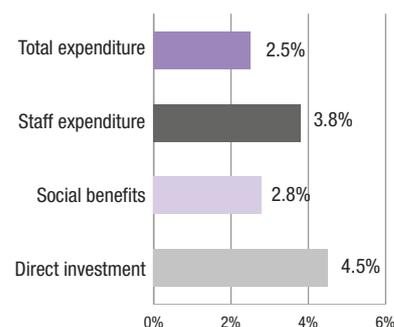
SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: municipalities.	SNA 2008	Availability of fiscal data: Medium	Quality/reliability of fiscal data : Medium
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GENERAL INTRODUCTION. Municipal finances in Dominican Republic largely rely on central government transfers of resources and to a lesser extent on direct revenue collection efforts by local governments. The Municipal Revenue Act 166-03 regulates the amount of central government transfers and provides for their allocation, although in practice, actual local government expenditure does not follow established guidelines. Two fundamental principles set out in the National District and Municipalities Act (Arts. 254 and 255) provide the framework for municipal finances (providing municipalities with sufficient resources and autonomy to establish, implement, manage, collect and control their taxes), but they are also not fully implemented.

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2017	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure	71	0.4%	100%	
Inc. current expenditure	57	0.4%	80.9%	
Staff expenditure	29	0.2%	41.6%	2.5%
Intermediate consumption	20	0.1%	27.9%	3.8%
Social expenditure	4	0.0%	5.8%	2.8%
Subsidies and current transfers	3	0.0%	4.7%	
Financial charges	1	0.0%	0.9%	
Others	0	0.0%	0.1%	
Incl. capital expenditure	14	0.1%	19.1%	
Capital transfers	0	0.0%	0.2%	
Direct investment (or GFCF)	13	0.1%	18.9%	4.5%



EXPENDITURE. Spending autonomy is curtailed by the high dependence on central government transfers. Although 40% of such transfers are earmarked for capital expenditure, current expenditure represented 80.9% of local expenditure in FY 2016/17 - at the expense of service provision and development investments. Expenditure devoted to compensation of employees represented 41.6% of local expenditure, which is also in breach of the 25% limit set by the Municipal Revenue Act (Article 10). Wages paid are below the minimum wage in the public sector (RD\$5 117.00 or US\$103.37 per month).

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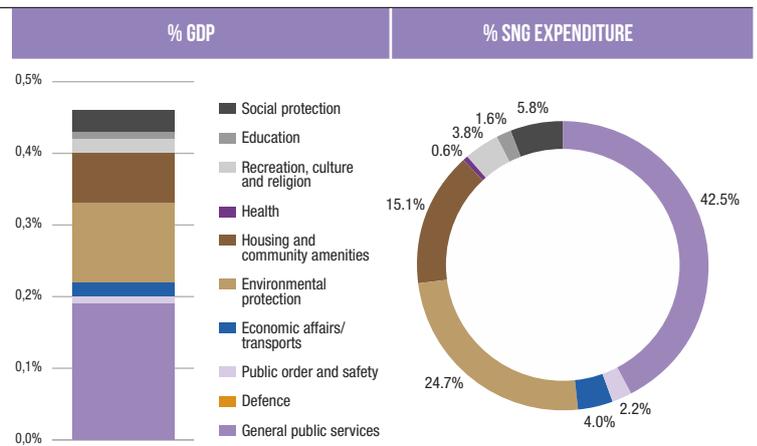
UNITARY COUNTRY

Local governments' spending is not in line with their responsibilities. According to Oxfam, social investment is one of the lowest in Latin America and the country is the third in the region to have benefited the least from economic growth to improve health and education, now with 50% of its population below the poverty line.

DIRECT INVESTMENT. Due to the conditionality of central government transfers, local governments' levels of direct investment are relatively high and are mainly oriented to the construction and repair of streets, sports fields, community halls, parks, squares and cemeteries. However, over the past ten years these investments have decreased significantly due to increased demand for services, higher prices for goods and services and higher operating costs. Moreover, central government transfers have remained the same over the past decade, requiring services to be financed from resources originally earmarked for the acquisition of equipment and the construction and repair of infrastructure, which limits the levels of direct investment by local governments. Most infrastructure work is carried out by the central government in the territories, reflecting the centralization of expenditure and investment.

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

Local expenditure is primarily devoted to general public services, followed by environmental protection and housing and community amenities. Local government spending on housing and infrastructure is relatively high compared to central government spending as investment in the construction and repair of local infrastructures also falls into this category, as is the case for sports fields, parks and squares, cemeteries, markets, sidewalks and containers. Local governments spend most of their income on compensation for employees, cleaning services, collection and disposal of solid waste, the latter being classified as environmental protection expenditure.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2017	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
Total revenue	90	0.6%		
Tax revenue	9	0.1%	0.4%	10.3%
Grants and subsidies	72	0.4%		80.1%
Tariffs and fees	8	0.0%		8.6%
Property income	0	0.0%		0.2%
Other revenues	1	0.0%		0.9%

OVERALL DESCRIPTION. Dominican local governments do not have full control over their budgets, and their revenues rely mostly on earmarked transfers. Local governments received only \$9.2 per inhabitant in tax revenue, and less than \$8 in tariffs and fees in 2017, confirming their low capacities to collect tax. In addition, only few municipalities have an adequate tax base, whereas in the majority of inland municipalities, economic activities are carried out informally, which affects their tax base.

Municipal revenue is less than \$90 per inhabitant, which is partly attributable to the fact that central government transfers consist of fixed amounts that decrease every year due to inflation. Although all municipalities and municipal districts are governed by the same tax rules, great differences appear when it comes to applying them. Larger municipalities as Santo Domingo Este and Santiago have the possibility of collecting significant amounts of taxes and fees (for solid waste collection, advertising, land use permits, transportation of materials, etc.) while medium and small municipalities lack of mechanisms or tax sources to properly collect such taxes.

Central government transfers are determined on the basis of population criteria. This favours the most populated municipalities and in turn increases disparities in tax collection capacities between the larger and the smaller municipalities. A proposal to enhance central government transfers to municipalities has been included in a project to revise the municipal law for the following taxes: tax on the circulation of motor vehicles; property tax; tax on the installation of new businesses or any productive establishment and tax on advertising in public spaces.

TAX REVENUE. Local governments don't have the authority to collect the type of taxes to which they are entitled. The main local taxes regulations apply to construction works; public performance; registration of mortgages, civil registry on operations of movable and immovable property, conditional sale of immovable property, tax on hotels, exploitation of natural resources and collection of electricity bills.

Both the 2010 Constitution and the National District and Municipalities Act hinder the creation of new taxes. For instance, the law states that city councils may not apply taxes that affect national taxes, inter-municipal trade or exports; they may not levy property located, or activities developed, income originated or expenses incurred outside the municipality territory, nor the exercise or transfer of goods, rights or obligations that were not created or were not to be fulfilled in that territory (Art. 274).

GRANTS AND SUBSIDIES. According to the Municipal Revenue Act 166-03, since 2005, the central government must transfer to municipalities 10% of the current revenue included in the general government budget (art. 3). However, this provision has not been respected and, since 2008, a fixed amount has been transferred each year instead. As of 2017, current grants accounted for 60% of total grants to SNG, compared to 40% for capital grants.

Transfers should be distributed proportionally among municipalities according to the number of inhabitants recorded in the last population and housing census. According to the Municipal Revenue Act, 25 per cent of the funds transferred must be used to cover staff costs, up to 31 per cent for the provision of services and operating expenses, 4 per cent for the development of gender, health and education projects and 40 per cent for capital investments. In addition to the regular transfers established by Act 166-03, the central government may, on an exceptional and discriminatory basis, make capital transfers to certain municipalities for infrastructure work or the purchase of equipment.

Article 6 of Law 166-03 provides that the Dominican Municipal League is entitled to receive 5% of the amount set to be transferred to the municipalities from the annual national budgets, in order to finance its operating expenses and meet its obligations.

OTHER REVENUES. Local governments, especially those of larger cities, collect a number of taxes and fees for solid waste collection, permits for use of public spaces, market services and slaughterhouses, among others. The fees and their respective tariffs are established through municipal ordinances prepared by the local administration and approved by the municipal council.

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
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Total outstanding debt

Financial debt*

* Currency and deposits, loans and bonds

FISCAL RULES. In accordance with Article 233 of the Constitution, it is the duty of the national government to elaborate national budgets under the balanced budget rule, ensuring that expected revenues are sufficient to cover for expected expenses. However, the 2016 PEFA assessment for local governments in Dominican Republic points out that some of the financial reports at the local level are not available for assessment, thus complicating the evaluation of whether fiscal rules are complied with or not.

DEBT. With respect to borrowing, local governments must apply the provisions of Act 6-06 on Public Credit, which stipulates that all public entities must submit their applications for internal and external loans through the Directorate General of Public Credit. If deemed appropriate, the Directorate authorizes the processing of the loan by the National Congress, in charge of issuing the final approval. Most local governments do not have the power nor the autonomy to manage or contract loans. Over the years, borrowing has been mainly limited to Santo Domingo and the largest municipalities.



Lead responsible: UCLG
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www.sng-wofi.org

Socio-economic indicators: World Bank // UNDP // UN Desa // ILO.

Fiscal data: Statistics Dominican Republic

Other sources of information: Porto Augusto, Eguino Huáscar and Rosales, Walter (2017), Panorama de las finanzas municipales en América Central, IADB // PEFA (2016) República Dominicana Informe Final // Directorate-General for the Budget // FEDOMU – web portal // Ministerio de la Administración Pública – SISMAP // Study carried out by the Support Programme for Civil Society and Local Authorities - PASCAL, of the European Union.