

DOMINICAN REPUBLIC

UNITARY COUNTRY

LATIN AMERICA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - UPPER MIDDLE INCOME Local currency - Dominican Peso (DOP)

POPULATION AND GEOGRAPHY

AREA: **48 734** km²

POPULATION: **10.405** million inhabitants (2014),
an increase of 1.3% per year (2010-14)

DENSITY: **214** inhabitants/km²

URBAN POPULATION: **79%** of national population

CAPITAL CITY: **Santo Domingo** (27.6% of national population)

Sources: OECD ; UNDP-HDI ; World Bank database, ILO

ECONOMIC DATA

GDP: **138** billion (current PPP international dollars)
i.e. 13 262 dollars per inhabitant (2014)

REAL GDP GROWTH: **7.3%** (2014 vs 2013)

UNEMPLOYMENT RATE: **14.5%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **2 385** (BoP, current
USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **21.5%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.715** (high), **rank 101**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT COMPETENCES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
159	-	32	191
MUNICIPALITIES (MUNICIPIOS) + SANTO-DOMINGO NATIONAL DISTRICT (DISTRITO NACIONAL) AVERAGE MUNICIPAL SIZE: 65 440 INHABITANTS		DEPARTEMENTS (DEPARTAMENTOS)	

MAIN FEATURES OF TERRITORIAL ORGANISATION. The Dominican Republic is a unitary State with a one-tier subnational government structure, made of a total of 159 municipalities (Municipios). Besides, 32 Provinces (Provincias) are considered as deconcentrated entities as their governor is nominated by the government. According to the 2010 Constitution, geographical regions are the basic unit for the articulation and formulation of public policy in the country, and Provinces the intermediate political demarcation in the territory. They are divided into municipalities, municipal districts, sections and places. Municipalities, as well as the city of Santo Domingo with its special status, compose the first tier of decentralization. They form the only elected level of government, and are "legal persons of public law, responsible for their actions, they enjoy their own assets, budgetary autonomy, with regulatory, administrative and land use authority, established expressly by law and subject to the power of control of the State and control social citizenship, under the terms established by this Constitution and laws."

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. Municipal competences are defined by the Law on municipal governments provisions, and are divided between mandatory and optional responsibilities. Mandatory functions include : public lighting, potable water, cemeteries, markets, roads located on municipal territory. Optional functions include : civil protection, school equipment, health and leisure, planning (regulation, zoning, permitting, land registry). In 2013 the Constitutional Court clarified the degree of autonomy of municipal districts in relation to municipalities and gave constitutional support to open access to public information.

SUBNATIONAL GOVERNMENT FINANCE

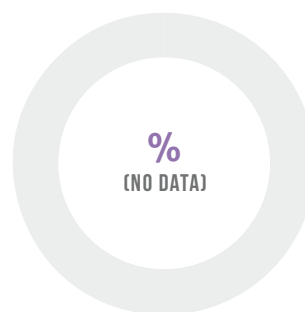
EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	0.7%	3.4%	100%
CURRENT EXPENDITURE	0.6%	-	81.6%
STAFF EXPENDITURE	0.3%	5.7%	35.5%
INVESTMENT	0.1%	4.9%	18.2%

Dominican republic has one of the lowest share of local expenditures compared to total public expenditures of the region, reaching 5.4% of local expenditures, which is there reflecting a long-time trend in Dominican Republic. However, the share of direct investments has progressed over the last years.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE

- GENERAL PUBLIC SERVICES
- DEFENCE
- SECURITY AND PUBLIC ORDER
- ECONOMIC AFFAIRS
- ENVIRONMENTAL PROTECTION
- HOUSING AND COMMUNITY AMENITIES
- HEALTH
- RECREATION, CULTURE AND RELIGION
- EDUCATION
- SOCIAL PROTECTION



For a number of LGs, municipal expenditures in Dominican Republic is dedicated to wages payment and current spendings. Despite compulsory spending of earmarked transfer revenues, most local governments spending therefore go to current and staff expenditures instead of provision of public services and utilities to meet the population needs.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	0.7%	3.6%	100%
TAX REVENUE	0.1%	0.7%	13.1%
GRANTS AND SUBSIDIES	0.6%		77.2%
OTHER REVENUES	0.1%		9.7%

Financial autonomy of Dominican LGs appears to be limited as they do not have full control of their budget, and their revenues relies mostly on earmarked transfers. However, this transfer system generates territorial inequalities between provinces and municipalities. To increase local financial capacities, some tools have recently been established: participatory budgeting, Integrated Municipal Finance System (SIFMUN) and National Municipal training system (Sinacam).

TAX REVENUE. Municipalities may perceive taxes and fees at their level, in accordance with national laws. Although LGs are free to establish rates and taxes, their autonomy is *de facto* limited, as the due process induces that tax has to be previously submitted to the central government for approval. Furthermore, the Constitution states that the President has the possibility to cancel by motivated decree an excise tax established by a municipality.

GRANTS AND SUBSIDIES. Earmarked intergovernmental transfer represent the largest share of LGs revenues. According to the Transfer law, the grant is equal to 10% of national income which are distributed proportionally to the number of inhabitants registered in the last Census of Population and Housing. This criteria has long been discussed, as its based on the idea to measure municipalities' needs through their amount of population, but it is also creating inequalities between largest and smallest municipalities. As the grant is earmarked, the funds allocated have to be managed through a system of proportionalities based on three items: investment in capital works (40%), services (35%) and payroll (25%). The Republic Treasury, in charge of allocating the transfers, is in charge of control and inspection over town councils.

OTHER REVENUES. Other revenues include revenues from capital and land revenues.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

Municipalities are authorized to access borrowing if being primarily approved by the central government. A limited number of municipalities of importance (in particular Santo Domingo, etc.) have borrowed over the years.

A joint- study of:



Sources: BID (2010), República Dominicana: Las finanzas de los gobiernos locales y alternativas para su fortalecimiento, No. IDB-DP-132 • Oficina Nacional de Estadística, Dominicana en cifras 2014 • Chona y Pineda Mannheim (ICF/FMM) (2009), *Nota técnica, Descentralización y Finanzas Municipales en República Dominicana* • D.Matias, La descentralización en República Dominicana • Constitución de la República Dominicana • Observatorio político dominicano • Federación Dominicana de Municipios FEDOMU (2012), Alternativas para el fortalecimiento de las finanzas municipales