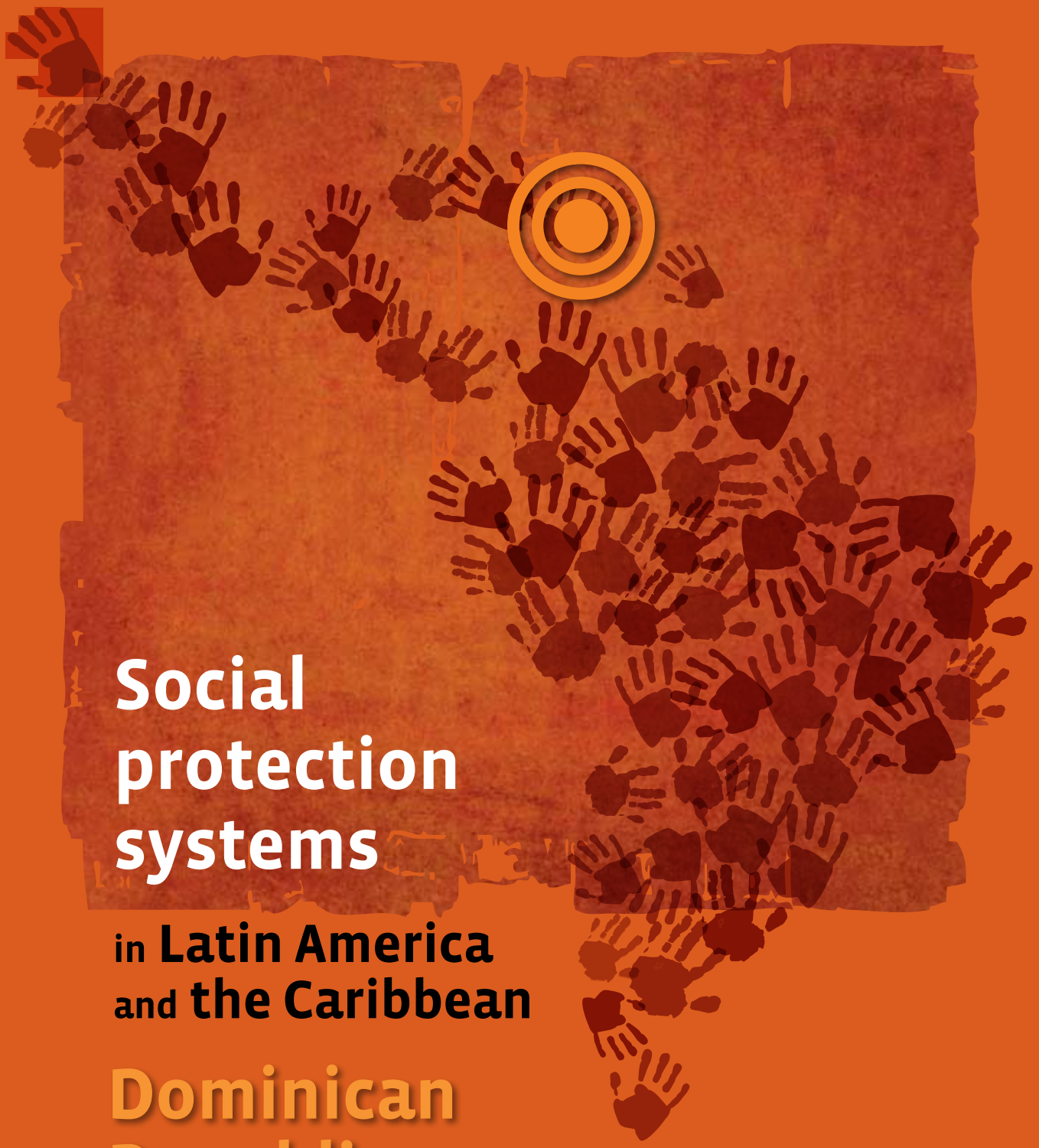

# Social protection systems in Latin America and the Caribbean

## Dominican Republic

Milena Lavigne
Luis Hernán Vargas

UNITED NATIONS
ECLAC

**Project Document**

# Social protection systems in Latin America and the Caribbean: Dominican Republic

**Milena Lavigne**
**Luis Hernán Vargas**


Economic Commission for Latin America and the Caribbean (ECLAC)

This document was prepared by Milena Lavigne and Luis Hernán Vargas, consultants with the Social Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC), and is part of a series of studies on "Social protection systems in Latin America and the Caribbean", edited by Simone Cecchini, Social Affairs Officer, and Claudia Robles, consultant, with the same Division. Humberto Soto and Astrid Rojas provided valuable comments.

The document was produced as part of the activities of the projects "Strengthening social protection" (ROA/149-7) and "Strengthening regional knowledge networks to promote the effective implementation of the United Nations development agenda and to assess progress" (ROA 161-7), financed by the United Nations Development Account.



LC/W.557

Printed in Santiago, Chile – United Nations

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# Foreword

***Simone Cecchini***
***Claudia Robles***

This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing of the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Given that, in 2011, 174 million Latin Americans were living in poverty —73 million of which in extreme poverty— and that the region continues being characterized by an extremely unequal income distribution (ECLAC, 2012), the case studies place particular emphasis on the inclusion of the poor and vulnerable population into social protection systems, as well as on the distributional impact of social protection policies.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. While social protection can be geared to meeting the specific needs of certain population groups —including people living in poverty or extreme poverty and highly vulnerable groups such as indigenous peoples—, it must be available to all citizens. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population, which are laid out in a series of national and international legal instruments, such as the United Nations' 1948 Universal Declaration of Human Rights or the 1966 International Covenant on Economic, Social and Cultural Rights (ICESCR). These normative instruments recognize the rights to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

The responsibility of guaranteeing such rights lies primarily with the State, which has to play a leading role in social protection —for it to be seen as a right and not a privilege—, in collaboration with three other major stakeholders: families, the market, and social and community organizations. Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of developing countries' efforts to establish these guarantees, by implementing various types of transfers, including conditional cash transfer programmes and social pensions, and expanding health protection. One of the key challenges

that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions (Cecchini and Martínez, 2011).

Social protection is central to social policy but is distinctive in terms of the social problems it addresses. Consequently, it does not cover all the areas of social policy, but rather it is one of its components, together with sectoral policies —such as health, education or housing— and social promotion policies —such as training, labour intermediation, promotion of production, financing and technical assistance to micro- and small enterprises—. While sectoral policies are concerned with the delivery of social services that aim at enhancing human development, and promotion policies with capacity building for the improvement of people's autonomous income generation, social protection aims at providing a basic level of economic and social welfare to all members of society. In particular, social protection should ensure a level of welfare sufficient to maintain a minimum quality of life for people's development; facilitate access to social services; and secure decent work (Cecchini and Martínez, 2011).

Accordingly, the national case studies characterize two major components of social protection systems —non-contributory (traditionally known as "social assistance", which can include both universal and targeted measures) and contributory social protection (or "social security"). The case studies also discuss employment policies as well as social sectors such as education, health and housing, as their comprehension is needed to understand the challenges for people's access to those sectors in each country.

Furthermore, the case studies include a brief overview of socio-economic and development trends, with a particular focus on poverty and inequality. At this regard, we wish to note that the statistics presented in the case studies —be they on poverty, inequality, employment or social expenditure— do not necessarily correspond to official data validated by the Economic Commission for Latin America and the Caribbean (ECLAC).

# I. Introduction

In the XX century, the political and social context in the Dominican Republic was marked by the dictatorship of Rafael Trujillo (1930-1961), followed by the successive governments of Joaquin Balaguer (between 1960 and 1962, 1966 and 1978 and 1986 and 1996).

Dominican social policies and institutions originated during the dictatorship of Trujillo in the mid-1930s, with the implementation of the Education Law. Later, Trujillo created the social security system in 1947 as well as the Ministry of Labour (Law 1321). These measures were framed in the paradigm of a universal vision of social policies, linked to the labour market (Cañete and Dotel, 2007). With the election of Balaguer, social policies became characterized by pork-barrel and clientelist practices, with the delivery of food and cash during celebration days (such as the "poor day" *-día del pobre-* that took place on Trujillo's birthday), or during election campaigns (Cañete and Dotel, 2007).

During the 1990s, after a decade of austerity dictated by the International Monetary Fund (IMF), —in response to the economic crisis caused by the worsening terms of trade and a huge external debt— the government started a new brand of social policies, with the implementation of the Fund for the Promotion of Community Initiatives (*Fondo de Promoción a las Iniciativas Comunitarias*-PROCOMUNIDAD) in 1993. PROCOMUNIDAD constituted one of the first social and poverty reduction programmes implemented in the country, funding and executing projects at the community level that aimed at improving the quality of life of the poorest. Earlier, in 1992, the Social Emergency Fund (*Fondo de Emergencia Social*, FES) was also implemented, but it had almost no impact and disappeared quickly.

Moreover, in 1996, the National Social Development Plan (*Plan Nacional de Desarrollo Social*) was developed as a follow-up to the 1995 Copenhagen Summit of Social Development. This plan had three main goals: fighting poverty, fostering productive employment and promoting social integration (Godínez and Mattar, 2009). This plan contained significant actions such as the creation of a poverty map (*mapa de pobreza*), in order to improve the identification and targeting of the most vulnerable parts of the population and include them in social policies and programmes.

This expansion of social policies led to an increase of public social spending, which continued until the economic crisis of 2003. The decade of the 2000s was a period of social reforms: in 2000 the Social Cabinet of the Presidency of the Republic (*Gabinete Social de la Presidencia de la República)*[1]

[1] In 2004 it was renamed Social Policies Coordination Cabinet of the Presidency (*Gabinete de Coordinación de Políticas Sociales*).

was created in order to manage efficiently social policies and to articulate them with economic policies for better structural results. In 2001, the contributory social security system was completely reformed to improve its efficiency and solvability, passing from a pay-as-you-go model to an individual capitalization account model including a subsidized regime for the most vulnerable (see section III).

The economic crisis that affected the country in 2003 led to a disastrous social and economic situation. To face the crisis, the government reduced public social spending, reorganized social policies eliminating several programmes and focused social protection on the poorest with the implementation of the *Comer es Primero* programme in 2004 (to fight malnutrition) and the *Solidaridad* conditional cash transfer programme in 2005 (which integrated *Comer es Primero* as one of its components). Moreover, in 2004 the government created the Single System for the Identification of Beneficiaries (*Sistema Único de Beneficiarios*, SIUBEN) (see section IV).

In the 2007-2012 period, the already existing policies and programmes were strengthened. The public health social security sector−composed mainly by the National Health Insurance ( *Seguro Nacional de Salud*, SeNaSa)− widened its coverage and access, while the National Health Plan 2006-2015 (*Plan Nacional de Salud*- PLANDES 2006-2015) aimed to improve the quality of health services. The education sector was also strengthened with an emphasis on quality and teachers' formation.

In the following section, we review the main social and economic indicators in the Dominican Republic. Sections III, IV and V depict the main components and instruments of the social protection system, including its contributory and non-contributory pillars and the measures implemented to protect workers. Furthermore, sections VI and VII illustrate how the education and health sectors are structured. Finally, section VIII provides some final remarks on the social protection and promotion system in the country.

# II. Dominican Republic: main economic and social indicators

Until the decade of the 1970s, the economy of the Dominican Republic was traditionally based on the agricultural sector, and in particular on the sugar, cocoa, coffee and tobacco industries. Then, production was progressively diversified, focusing on the "*maquila*" industry —producing mainly foodstuffs, drinks and tobacco products— through the implementation of tax-free zones in 1978 as well as on the tourism industry, which currently constitutes the main sectors of economic activity. Remittances from Dominicans established abroad are another important source of income for the country (Godínez and Mattar, 2009).

These changes made it possible for the Dominican Republic to experience high rates of economic growth over the last 20 years: during the 1990-2011 period, the Dominican economy had an average annual growth rate of 5.2%, well above than the regional average. However, the promotion of the *maquila* as the engine of the economy and the economic policies put in place to attract foreign investments meant establishing a very low level of taxation of the most dynamic economic sectors. This had serious effects on public finances and thus on public spending. In particular, public social spending is one of the lowest of the region (see section II.A) (ECLAC, 2012a). Moreover, taxation could not be used as a counter-cyclical instrument at times of economic crisis, such as in 2003 and later in 2009.

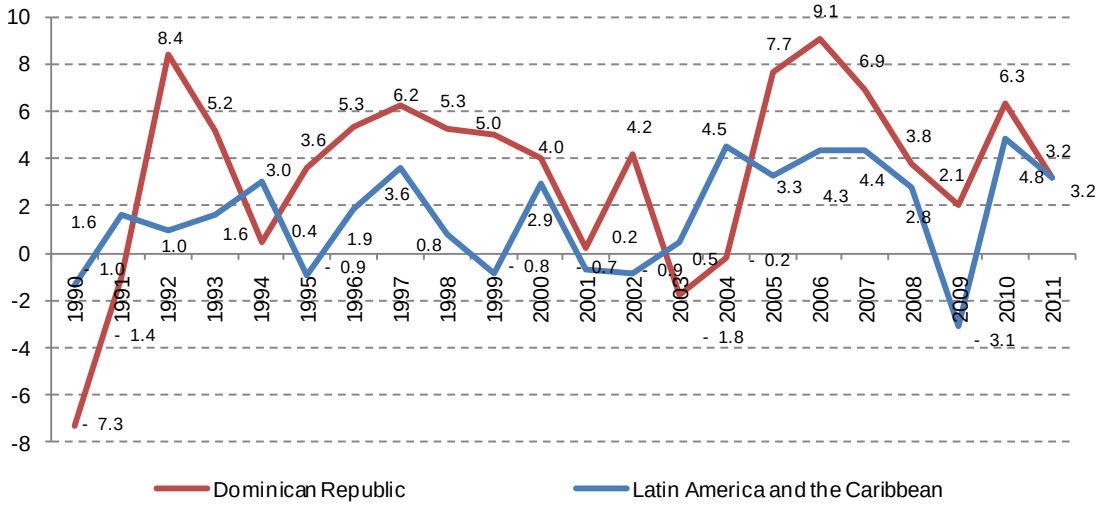
In 2003, the Dominican Republic was affected by the collapse of the Banco Intercontinental (BANINTER) and the bankruptcy of the Banco de Credito (BANCREDITO) and Banco Mercantil. This crisis was due mainly to a lack of supervision and regulation of the banking sector in the face of massive frauds. As a consequence, at the end of 2003, the Dominican peso lost 67% of its value in relation with US dollar, while GDP decreased by -1.9% and public debt in relation with GDP increased 57% (Montás, 2005).

The economic crisis left serious consequences in the country, such as a significant increase of poverty. It also showed the need of deep institutional reforms —particularly with respect to banking and monetary sector legislation— and of implementing new social policies and programmes (which occurred with the implementation of *Solidaridad* and of employment programmes, see sections IV and V). These reforms were designed with the technical support of the Inter-American Development Bank (IDB) and the World Bank, which also contributed to their funding (ODH-UNDP, 2010).

After the 2003 crisis, the economy of the Dominican Republic recovered swiftly, with a GDP growth of 9.3% in 2005 and 10.3% in 2006 (see figure 1). Yet, the country has been affected by the

financial crisis of 2008. In 2009, the economy of the Dominican Republic slowed down, but did not get into recession, and it grew at 7.8% in 2010 and 4.5% in 2011.

**FIGURE 1**
**DOMINICAN REPUBLIC AND LATIN AMERICA AND THE CARIBBEAN: EVOLUTION OF THE GROWTH RATE OF GDP, 1990-2011**
*(Percentages)*




Source: Prepared by the authors, based on data from Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT [online]: http://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/Portada.asp.

The Dominican Republic faces structural labour market problems which are typical of Latin American and Caribbean countries: important rates of unemployment together with high labour informality. Unemployment suffered the effects of the economic crisis of 2003: it increased 2.3 percentage points between 2002 and 2004 (when it reached 18.4%), and then followed a slowly decreasing trend, getting to 14.6% in 2011 —a rate which is still much higher than the regional average (9% in 2004 and 6.7% in 2011) (see figure 2). Women are much more exposed to unemployment than men: in 2010, the employment rate was about 72% for men and 41% for women (ECLAC, 2012b).

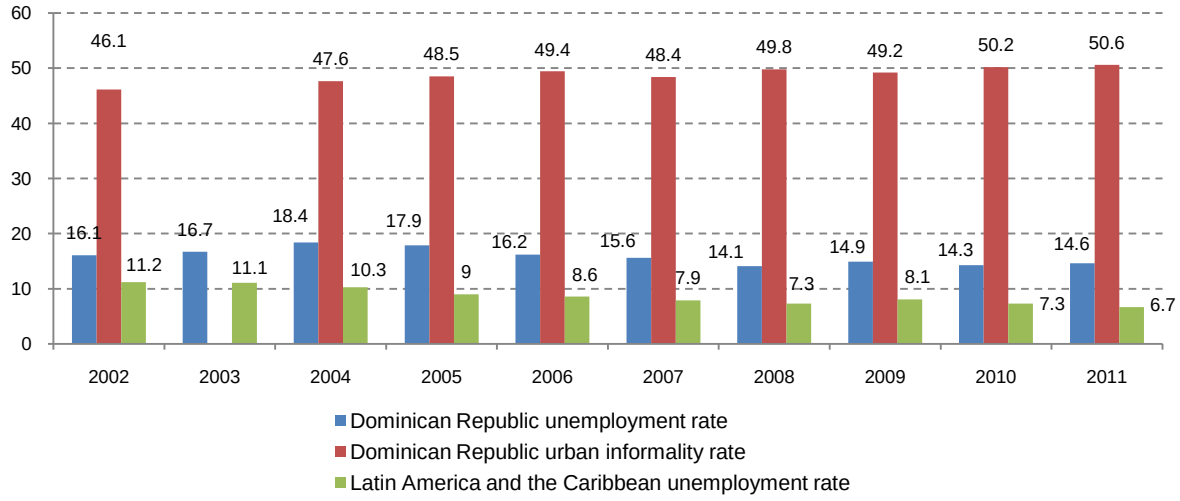
On the other hand, labour informality affects more than the half of workers: in 2010, 50.2% of urban workers were employed in the informal sector (52.6% of men and 46.6% of women).

Underemployment is another characteristic of the Dominican labour market.[2] According to the United Nations Development Programme (UNDP), in the Dominican Republic, in the 2004-2008 period, the average rate of underemployment was 28.5% of the occupied population, of which 45% were invisible underemployed (ODH-UNDP, 2010). Underemployment also affects more women (18.5%) than men (14.1%).

Poverty and extreme poverty rates in the Dominican Republic are considerably higher than the Latin American average. After the economic crisis of 2003, more than half of the Dominican population was living in poverty, and about a third did not have enough income to purchase a basic food basket.

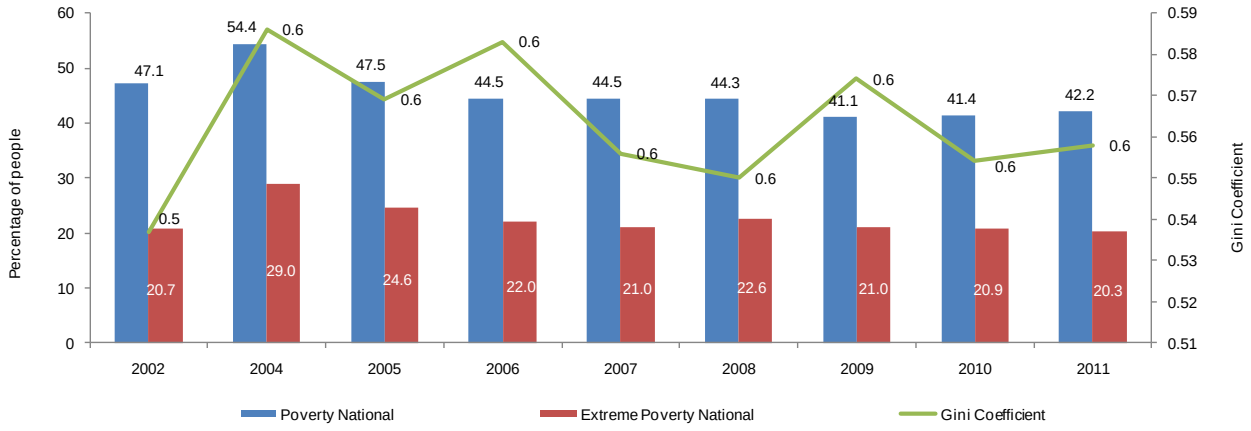
[2] Visible underemployment occurs when employees work less than the established working day. On the other hand, invisible underemployment occurs when employees have a complete working day, or have more hours but receive an income under the minimum established.

**FIGURE 2**
**UNEMPLOYMENT AND URBAN INFORMALITY RATES, 2002-2011**
*(Percentages)*




Source: Prepared by the authors on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT [online]: http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas.

**FIGURE 3**
**PEOPLE LIVING IN POVERTY AND EXTREME POVERTY[a] AND GINI COEFFICIENT[b], 2002-2011**




Source: Prepared by the authors, based on data from Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of special tabulations of household surveys.
[a] Percentage of total population.
[b] Gini coefficient for persons.

In 2011, 42.4% of the Dominican population was living in poverty, and 20.3% in extreme poverty. In comparison, in 2011, 29.4% of Latin Americans were poor, and 11.5% extremely poor. Income inequality in the Dominican Republic is also one of the highest of Latin America. In 2004, the country's Gini coefficient was the second highest in Latin America, just below Brazil (0.61). However, since then the Gini coefficient has fallen down 0.04 points, reaching the value of 0.558 in 2011.

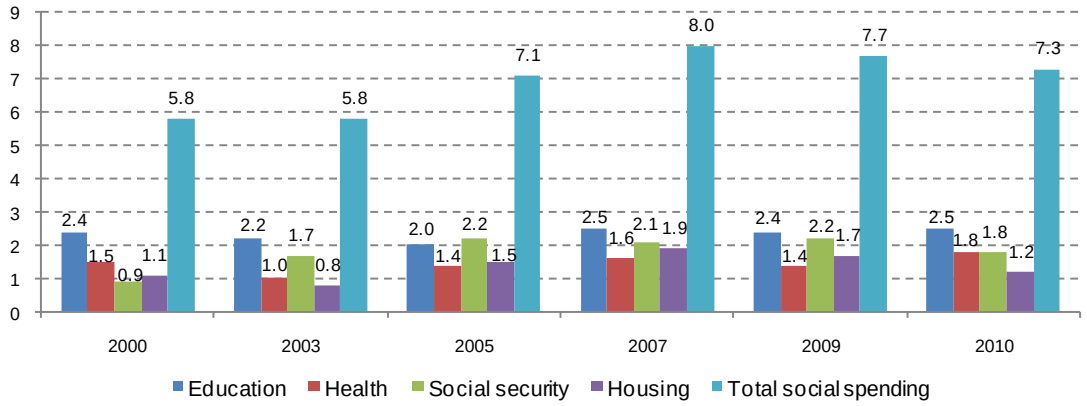
Haitian migration also represents an important issue for the Dominican Republic. This migration flow represents almost two thirds of all immigrants in the country, and constitutes a highly

vulnerable group in terms of social and labour characteristics.[3] Labour informality among Haitians does not allow them to access social security (health, pensions) or education (see section IV). This is further complicated by the fact that Haitian migrants are particularly unprotected and exposed to the transmission of illnesses such as HIV-AIDS (see section VI).

## A. Social spending trends

Social spending in the Dominican Republic is one of the lowest of Latin America. In the biennium 2008-2009, social spending in the region averaged 17.9%, of GDP, while in the Dominican Republic it was only 8.1% of GDP.

**FIGURE 4**
**PUBLIC SOCIAL SPENDING, 2000-2010**
*(Percentages of GDP)*




Source: Prepared by the authors based on data from Economic Commission for Latin America and the Caribbean (ECLAC) (CEPALSTAT) [online]: http://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/Portada.asp.

Furthermore, funding of social protection suffers frequent budget reductions, especially during economic crises. In particular, during the 2008-2009 crisis, the Dominican Republic was the Latin American country that cut the most social spending. In 2009, while several Latin American countries implemented counter-cyclical social policies, which led to the increase of social spending, the Dominican Republic contracted social spending by 6.5% (ECLAC, 2012a).

However, it must be noted that between 2000 and 2010, the Dominican Republic increased the macroeconomic priority of social spending, which rose from 5.8% in 2000 to 7.3% of GDP in 2010 (see figure 4). Increased spending is a sign of the measures taken in recent years by the Dominican government to face high poverty rates and inequality, such as the Social Protection Network (see IV.A).

Education is the main sector of social expenditure, oscillating between 2.0% and 2.5% of GDP in the 2000-2010 period, followed by social security. The health sector and housing are the least funded sectors, with a public allocation corresponding to 1.8% of GDP and 1.4% of GDP, respectively.

[3] According to the 2002 Dominican Census, around 62.000 Haitian migrants live in the Dominican Republic, a figure which must have increased with the earthquake in Haiti in 2010.

# III. The contributory pillar (social security)

Social security is one of the pillars of social protection in the Dominican Republic. The Constitution of 2010 recognizes in article 60 the universality of social security: "Every person has the right to social security. The State will stimulate the progressive development of social security in order to permit that every person can enjoy an adequate protection against unemployment, illness, disability and elderly".[4] The social security system includes both pensions and health.

The pension system was designed during the Trujillo's dictatorship, as a result of workers' strikes that took place in the 1940s. Following the Bismarckian model (with a pay-as-you-go system), in 1948 the Law 1986-48 created the Dominican Fund for Social Insurances (*Caja Dominicana de Seguros Sociales*), which in 1962 became the Dominican Institute of Social Insurances (*Instituto Dominicano de Seguros Sociales*, IDSS). The IDSS manages the pension system in the Dominican Republic.

The new social security system, which is currently in place —the Dominican System of Social Security (*Sistema Dominicano de Seguridad Social*, SDSS)— was created by the 2001 reform (Law 87-01). The SDSS is an individual capitalization system (financed by workers and employers' contributions). It aims to protect the whole population from several risks: old age, disability, survival, illness, as well as risks related to motherhood, childhood and labour.

The SDSS merges all the institutions (public, private or semi-public) that realize social security activities (pension and health benefits), the human and physical resources and the norms and procedures that organized the health system. The principles at the basis of the SDSS are universality, specialization and the separation of functions. The SDSS is composed by the following institutions:

(i) The National Council of Social Security (*Consejo Nacional de Seguridad Social*), which is in charge of the direction, regulation, funding, supervision and extension of coverage of the health system; (ii) The Social Security Treasury (*Tesorería de la Seguridad Social*, TSS), which is responsible of the Single Information System (*Sistema Único de Información*) and of the collection and redistribution of social security funds; (iii) The Direction of Information and Defence of the Affiliated (*Dirección de Información y Defensa de los Afiliados*, DIDA), which is the institution that provides information to the affiliated and receives their claims and questions. It also orients them to the different Fund Pensions Administrators (*Administradoras de Fondos de Pensiones*, AFP) or

[4] The former Constitution of 2002 already mentioned it in its article 8 "The State will stimulate the progressive development of social security, in order to offer to every person an adequate social protection against unemployment, illness, disability and elderly".

Health Risks Administrators (*Administradoras de Riesgos de Salud*, ARS) in function of their needs; (iv) The Superintendence of Health and Labour Risks (*Superintendencia de Salud y Riesgos Laborales*, SISALRIL), which is a State and autonomous entity that supervises, controls and audits all the AFP and ARS; and (v) The Pension Fund Administrators (*Administradoras de Fondos de Pensiones*, AFP) that can be public, private and semi-public.[5] Their function is to manage the individual accounts of the affiliated and allocate the resources the provisional system.

Since the establishment of this new regime in 2001, the social security system is in a transition period, having to manage both individual capitalization and pay-as-you-go systems (a legacy from the 1948 regime, still concerning a part of the workers). However, the affiliated to the former system can voluntary choose to pass to the individual capitalization system and receive an allowance to compensate their social security contributions in the former pay-as-you-go regime.

Social security insurance is divided in three types of regimes (contributory, fully subsidized and contributory-subsidized) (see table 1), of which two (the contributory and the fully subsidised) are currently in force. The two regimes currently in place are complementary: the contributory regime covers formal workers that would fall to the subsidised regime in the case they became unemployed or independent workers with low incomes (Mesa-Lago, 2009).

**TABLE 1**
**REGIMES, COVERAGE AND FUNDING OF THE DOMINICAN SOCIAL SECURITY SYSTEM**

| Regime | Coverage | Benefits | Funding |
|---|---|---|---|
| Contributory | All the wage-earners from the public and private sector.<br>All the employers (including the State as employer). | Old-age, disability and survival insurances; labour risks insurances; family health insurance; maternity. | 10% of the wage (of which, 70% employer's contribution and 30% worker's contribution). |
| Contributory-subsidized | Independent professionals and technicians with incomes equal or higher than the minimum wage. | Old-age, disability and survival insurance; Familiar Health Insurance. | State contribution; workers' contribution. |
| Fully subsidized | Independent workers with unstable incomes and below the minimum wage.<br>Unemployed and disabled persons. | Old-age, disability and survival insurance; Family Health Insurance. | State contribution. |

Source: Human Development Office- United Nations Programme for Development (ODH-UNDP), 2009.

The contributory regime covers wage earners from the public and private sectors and the independent workers. It is funded by workers' wages (30%) and employers' contributions (70%) (in case of public workers, the State). Pensions are managed by Pension Funds Administrators (AFP) through individual capitalization accounts. The affiliated can also bring a voluntary supplementary contribution to their account. This regime has also a solidarity component through the Social Solidarity Found (*Fondo de Solidaridad Social*) funded by employers' contributions in order to guarantee a minimum pension for all affiliated, in particular those with low incomes. The contributory regime provides old age pensions for the affiliated who are 60 years old and above and have

[5] There are currently five AFPs. In March 2013, their coverage of the occupied population was the following: (i) Popular AFP covered 29.6% of affiliated and 32.8% of contributors; (ii) Siembra AFP covered 19.3% of affiliated and 20% of contributors; (iii) the Reservas AFP covered 12.1% of affiliated and 14.4% of contributors; (iv) Romana AFP covered 0.7% of affiliated and 0.9% of contributors and (v) Scotia Crecer covered 31.3% of the affiliated and 31.7% of contributors (Social security affiliation statistics of the SISPEN).

contributed during 30 years; or that are 55 years old and above and have accumulated enough funds to enjoy a pension which is at least 50% higher than the minimum pension. It also offers a disability pension for affiliated who suffer chronic diseases or injuries. The amount of the disability pension goes from 30% of the wage of the affiliated (calculated on the basis of the lasts three years of activity) for partial disability to 60% of its wage for total disability.

The fully subsidized regime protects independent workers with unstable incomes below the minimum wage, as well as the unemployed, disabled persons and indigents. To access the "solidarity pension" (*pensión solidaria*), persons have to be at least 60 years old and be living in poverty. It is also targeted to unemployed single mothers with children under 18 living in poverty. This regime, in force since 2001, is exclusively funded by the State and targets around 3.4 million persons[6] (Sánchez and Senderowitsch, 2012).

The contributory-subsidized regime aims to protect independent professionals and technicians that receive incomes equal or superior to the minimum wage. However, this regime, established in the Law 87-01 has not been put in practice yet. To enjoy an old age pension, the affiliated have to be at least aged 60 and have accumulated an account that guarantees them at least the minimum pension. If the workers wants to receive a complementary allowance —besides their pensions—, they must be 65 years old and above and have at least 12 years of contributions. This regime is funded by workers' contributions and a subsidized by the State to compensate the inexistence of employers' contribution (Castellanos et. al. 2009).

The funding of the contributory-subsidized regime as well as the fully subsidized regime is not specified by the law and depends on the annual public budget law.

## A. Coverage of the pension system

In 2012, 25.5% of the Dominican population was affiliated to the social security system (including contributory, contributory-subsidized and fully-subsidized regimes), but only 48.2% of these affiliated were contributors (SISPEN, 2012). Low contributions are due to high informality and the instability of the labour market, which prevents regular contributions by workers in the individual capitalization accounts. Over the long-term period, this phenomenon will create an important funding deficit.

Haitian migrants constitute a specific vulnerable group in term of access to social security and health. Until the mid-1980s, Haitian migrants who worked in the sugar industry made a compulsory contribution to the IDSS that corresponded to 2.5% of their wage and that gave them access to health centres in case of labour accident or illness. Currently, Haitian migrants are much less affiliated to contributory pensions (in 2007, only 9.9% of Haitian workers declared being affiliated to an AFP while this percentage was of 61.7% for Dominican workers), and to a lesser extent to health social security funds (51.4% of Haitian and 66.3% of Dominican in 2007) (ODH-UNDP, 2010).

The low coverage of social security reflects a phenomenon that Mesa-Lago (2004) identified as the "paradox of social protection", meaning that "the less vulnerable parts of the population are the ones that have more and better access to social protection. This is the product of several factors, but a notable one is the labour market, where the employees with better quality jobs (employees of large companies or the public sector) are the ones that have higher coverage and are of better quality". In fact, according to ECLAC (2012a), in 2007, 77.2% of workers employed in middle and high-productivity sectors contribute to social security, while only 1.4% of low-productivity sector workers (informal sector) contribute to social security.[7]

[6] Currently it is estimated that the number of beneficiaries of the subsidized regime is just around the 20% of the total population (Sánchez and Senderowitsch, 2012).

[7] The low coverage of social security and pensions is linked to the high rates of labour informality in the country: 50.2% of the urban occupied population in 2010.

## B. Health social security system

The health social security system is universal and compulsory. It works in pair with the pension system described above. Thus, it has many institutions in common with it, such as the National Council of Social Security (*Consejo Nacional de Seguridad Social*). It is based on the separation and specialization of functions between different organizations (public, private and semi-public) that compose it. However, even if the reform of 2001 promotes coordination between the different entities, in practice the sector is highly segmented and lacks coordination (Mesa-Lago, 2005).

The Health Risk Administrators (*Administradoras de Riesgos de Salud*, ARS) are public or private institutions that ensure health protection to their affiliates through the services of the Health Services Providers (*Prestadoras de Servicios de Salud*, PSS). PSS are public, private or semi-public entities or physical persons who provide medical attention and rehabilitation services. The affiliation to the ARS, as in the pension system, is divided in two regimes: the contributory regime, in which the affiliated have to contribute 10% of its wage (3% funded by the employee and 7% funded by the employer) and the fully subsidized regime funded by the State.

The National Health Insurance (*Seguro Nacional de Salud*, SeNaSa) is the public ARS and one of the biggest ARS in terms of affiliation. It is autonomous and decentralized and covers all public workers and their families. Moreover, it manages the subsidised health insurance regime. All those entities are supervised by SISALRIL.

The PSS are controlled by the Ministry of Public Health (*Secretaría de Estado de Salud Pública*, SESPAS). Private PSS work as independent establishments, while public PSS are organized in a network —the Regional Health Services *(Servicios Regionales de Salud*, SRS)— in order to cover all the territory, including rural areas. Yet, the provision of health services is still not well distributed and there is a concentration of health centres in urban areas, while in rural areas there is a supply-side deficit.

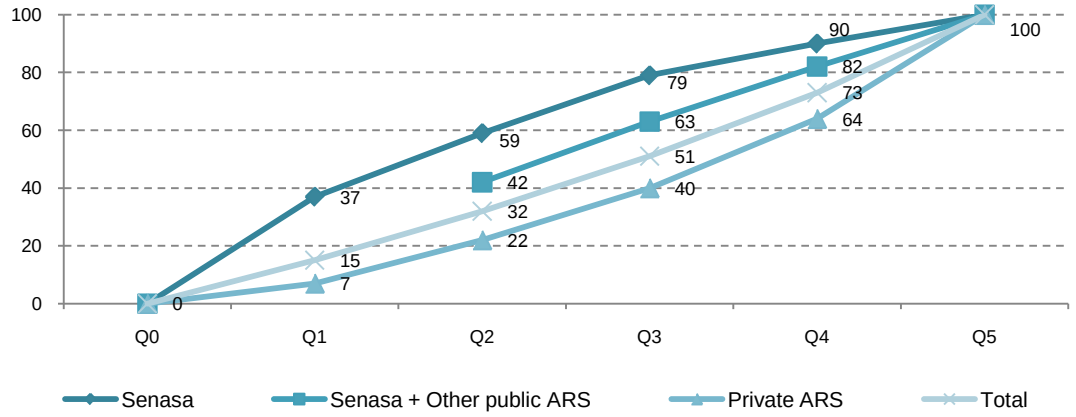
Every person affiliated to the Dominican System of social security has a Family Health Insurance (*Seguro Familiar de Salud*, SFS) through its affiliation to one of the ARS. The SFS constitutes the main social protection instrument in the health sector. Its aim is to bring universal physical and mental health to the affiliated and their families, guaranteeing access to the most vulnerable social groups. The SFS works through the Health Basic Plan (*Plan Básico de Salud*, PBS) provided by the ARS. The PBS was created in 2002, as a group of health services for all the affiliated to the Dominican system of social security. It includes health protection determined by the National Council of Social Security (CNSS) (illness prevention and health promotion; hospital and ambulatory attention, diagnostics, dentistry services).

As mentioned, the Family Health Insurance offers two regimes, a contributory and a subsidised. There is also a third regime, the contributory-subsidised health regime established in Law 87-01, but it has not been implemented yet, and thus the health social security still excluded a large part of the active population, in particular for the informal sector (see section III). The contributory regime offers more health benefits than the subsidised one.

## C. Coverage of the health social security system

The distribution of affiliation to health insurance, through the different ARS, also reflects incomes inequalities. In 2007, 15% of the affiliated were from the first income quintile and 32% of the affiliated were from the 40% poorest part of the population. This unequal distribution of the affiliated as well as the concentration of the poorest in SeNaSa shows the unequal access to health system and the health insurance (see figure 5).

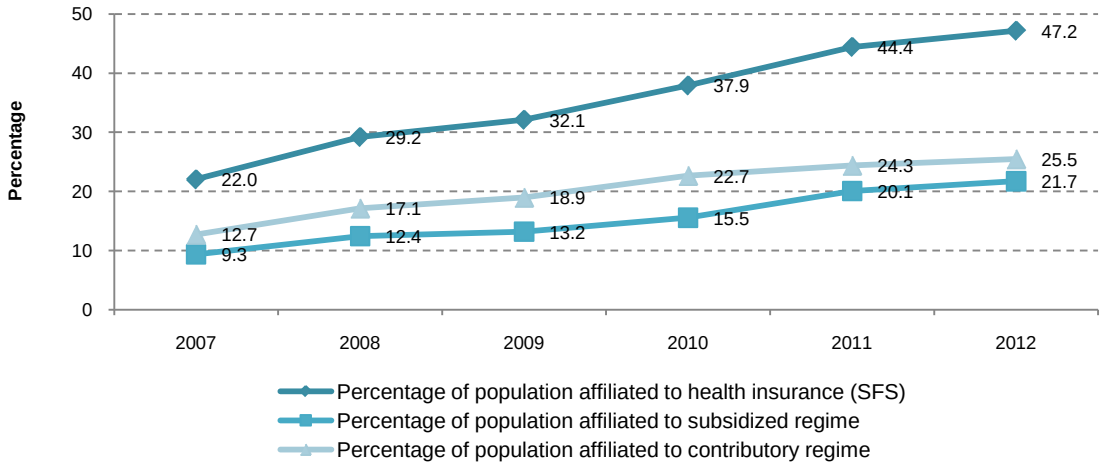
**FIGURE 5**
**DISTRIBUTION OF THE TOTAL AFFILIATED POPULATION OR THE POPULATION THAT BENEFITS FROM ANY KIND OF ARS IN FUNCTION OF THE INCOME QUINTILE, 2007**
*(Percentages)*




Source: Human Development Office- United Nations Programme for Development (ODH-UNDP) 2009.

Furthermore, the health family insurance, which is supposed to be universal, does not cover even half of the population (including both subsidized and contributory regimes). In 2007, when the implementation of the contributory regime started, the percentage of population affiliated to any kind of health insurance was 22.0%. In 2012, it reached 47.2%, which constitutes great progress. Moreover, the population affiliated to the subsidized regime (informal workers and the most vulnerable part of the population) has also increased from 9.3% in 2007 to 21.7% in 2012 (see figure 6).

**FIGURE 6**
**HEALTH INSURANCE COVERAGE BY REGIMES (SUBSIDIZED AND CONTRIBUTORY) 2007-2012**[a]
*(Percentages)*




Source: Prepared by the authors based on data from Superintendencia de Salud y Riesgos Laborales (SISALRIL) and Economic Commission for Latin America and the Caribbean (ECLAC).
[a] Estimation based on Superintendencia de Salud y Riesgos Laborales (SISALRIL) data of number of affiliated by regimes and the Economic Commission for Latin America and the Caribbean (ECLAC) projections of total population (calculated in the middle of each year).

# IV. The non-contributory pillar

The Dominican Republic has an important non-contributory social protection pillar which has its origins on the last 40 years of the XX$^{th}$ century, when social assistance programmes were created and managed under a clientelist logic, with a high percentage of social spending, but without any significant outcome in the reduction of poverty and extreme poverty (ODH-UNDP, 2010).

## A. Overview of the non-contributory pillar: the Dominican Social Protection Network and the Social Policies Coordination Cabinet

The non contributory pillar in the Dominican Republic was created by the Decree No. 118-09 and organized through the Social Protection Network (*Red de Protección Social*), a system that includes social protection programmes for the whole population. The Social Protection Network is based on three axes: conditional cash transfer programmes, social and human development programmes and economic inclusion programmes. The Social Protection Network is managed by the Social Policies Coordination Cabinet of the Presidency of the Republic (*Gabinete de Coordinación de Políticas Sociales de la Presidencia de la República*) (created with Decree No. 1082-04 of 2004).

The Social Policies Coordination Cabinet is under the direct supervision of the Presidency of the Republic, and it manages the Single System for the Identification of Beneficiaries (*Sistema Único de Beneficiarios*, SIUBEN), the Social Grants Administration Department (*Administradora de Subsidios Sociales*, ADESS) and cash transfer programmes. The Social Policies Coordination Cabinet also manages the Solidarity programme, created by Decree no. 536-05 of 2005. This CCT is targeted to families in situations of extreme and moderate poverty with children under 16 years-old, pregnant women and/or unemployed heads of household. Its aim is to improve households' human capabilities through the investment in health and education, promoting human and social development.[8]

The Social Grants Administration Department (ADESS) was created by Decree 1560-04 in December 2004, and is the only office responsible of paying all social subsidies. Through the Social Subsidies Payment System (*Sistema de Pago de los Subsidios Sociales*), it ensures direct monetary

[8] The "*Comer es Primero*" food scheme and the Incentives for School Attendance are components of the Solidarity Programme.

transfers to the beneficiaries and to the stores that are part of Social Provision Network. ADESS works with formal sector financial entities (banks and others), and with VISA International, which provides the electronic funds transfer system. Also, the Social Subsidies Payment System includes a magnetic card called Solidarity Card (*Tarjeta Solidaridad*) that is used by poor families identified by SIUBEN and whose aim is to make cash transfers transparent. The Solidarity Card is used by the following programmes: "*Comer es Primero*" Food Scheme, Incentives for School Attendance (*Incentivo a la Asistencia Escolar*, ILAE), Incentive for Higher Education, (*Incentivo a la Educación Superior*), Gas consumption subsidy for drivers (*BonoGas Chofer*), Incentive Programme for Preventive Police (*Programa de Incentivo a la Policía Preventiva*, PIIP), and the Enlisted Navy Incentive Programme (*Programa de Incentivo a los Alistados de la Marina de Guerra*, PIAMG). Moreover, the unconditional cash transfer programmes that are executed by ADESS are: Ageing in Extreme Poverty Protection Programme (PROVEE), Gas Consumption Subsidy for Households (*BonoGas*), and the Electricity Consumption Subsidy (*BonoLuz*).

Finally, the SIUBEN (regulated by Decree No. 1073-04) is responsible for creating and administering the database on poor households living in the Dominican Republic, which is used for targeting purposes, to ensure access to social programmes.

## B. The Solidarity programme

The main non-contributory social protection programme in Dominican Republic is the Solidarity programme (*Solidaridad*). Solidarity is a conditional cash transfer programme that targets families living in poverty and extreme poverty with children or pregnant women and older adults. It was implemented after the severe economic crisis that hit the country in 2003, and has been contributing the creation of a social provision network of small businesses in priority poverty areas, ensuring food access for the beneficiary families. A potential impact is thus also the improvement of income and the integration to the financial system of small businesses and commercial establishments. This programme has five components:

(i) *Comer es Primero* Food Scheme seeks to improve health and nutrition through a transfer per family, which does not depend on the number of its members. The amount of this transfer in 2011 was US$ 18.4 (RD$ 700). In order to receive it, there are three conditionalities: the first one is to attend health controls for children under five years old; the second one, is to get an identification document, i.e. ID card or birth certificate, for all the family members; and the last one is for parents to attend health talks and workshops.

(ii) The Incentives for School Attendance programme (ILAE), operating since 2008, seeks to increase the enrolment and attendance of pre-primary, primary and secondary school students, aged between four and twenty one years old. It has a conditionality of a minimum school attendance of 85%. A maximum of four children per household can receive this bimonthly transfer, whose amount varies between US$ 7.9 (RD$ 300) and US$ 15.8 (RD$ 600), depending on the number of children in the family.

(iii) The Support for the Elderly programme[9] (see section 3) is a transfer directed to elderly who do not receive a pension or wages. The amount in 2011 was US$ 10.5 (RD$ 400), delivered bimonthly. Its purpose is to complement the nutritional requirements for poor elderly.

(iv) The Gas Consumption Subsidy (*BonoGas)* is targeted to poor and middle-class families and aims to improve their living conditions and the reduction of deforestation caused by the use of charcoal and firewood for cooking. The transfer is equivalent to 5.5 kilos of gas, which in 2011 amounted to US$ 6 (RD$ 228). The programme started in 2008,

[9] It is operated through the Programme for the Elderly Protection in Extreme Poverty (PROVEE), managed by the National Council of the Ageing Person (CONAPE) (see section III.A).

replacing an extended gas subsidy policy, turning it to a targeted subsidy to improve the redistributive impact of social expenditure.

(v) The Energy Consumption Subsidy (*BonoLuz*) covers up to 100 kilowatts per month and the beneficiaries are identified by SIUBEN, targeting poor households living in slums. This component began in 2010, replacing the "Blackout Reduction Programme" (*Programa de Reducción de Apagones* PRA).. The amount of this transfer in 2011 was between US$ 0.7 (RD$ 26) and US$ 10 (RD$ 370).

According to the IDB (2010), the Solidarity Programme faces three main challenges. First, there is a lack of coordination between the programme and the health and education services. Second, a monitoring and evaluation system of the programme is needed to reduce the high administrative costs that are of 19% of the budget allocated to the programme. And third, the conditionalities and the transfer scheme have to be adapted to promote behaviour changes in education, health and nutrition.

The Incentive for Higher Education (*Incentivo a la Educación Superior*, IES) is under the responsibility of the Ministry of Higher Education, Science and Technology and is targeted to poor students enrolled in the Autonomous University of Santo Domingo and their regional headquarters. The amount of this transfer is US$ 13 (RD$ 500) monthly, to cover tuition fees, the purchase of books and others materials. The programme's conditionalities are not to interrupt undergraduate studies. Officially this programme is targeted to poor families identified through SIUBEN, but the Social Policies Coordination Cabinet cannot monitor the selection process, and there is not any means or proxy means test, meaning that in practice the IES is provided to the students that apply first for it (ODH-UNDP, 2010).

The gas consumption subsidy for drivers (*BonoGas para Choferes)* consists in a transfer to buy LPG paid through the Solidarity Card to public transport bus and car drivers. The amount of this subsidy is US$ 90 (RD$ 3,420) monthly, and the conditionality is not to increase the price of tickets. Therefore it can be seen as an indirectly subsidy for poor households. This programme is under the responsibility of the Technical Office for Land Transport, and is managed by ADESS.

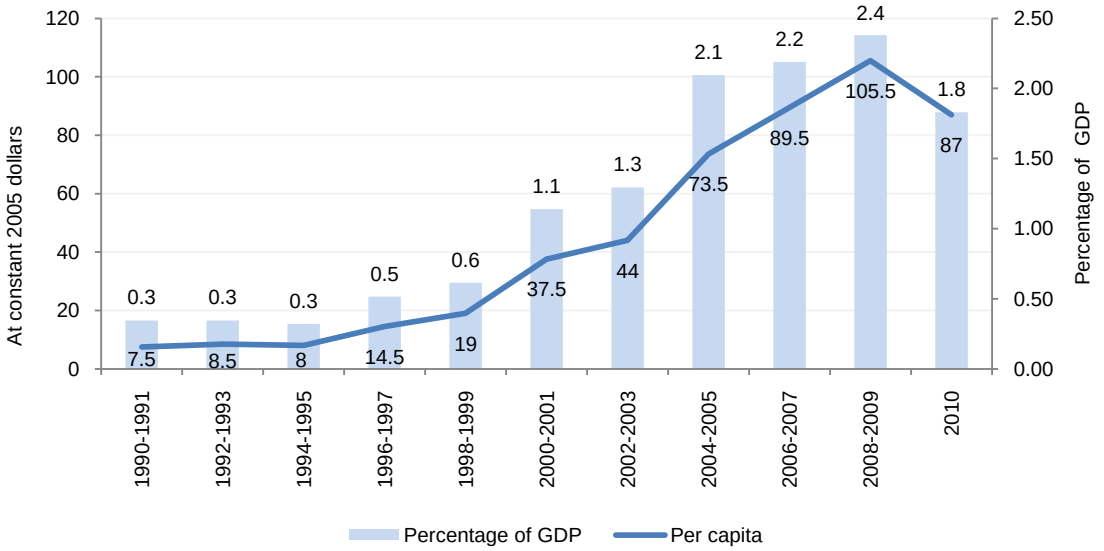
Furthermore, there are two other conditional cash transfer programmes whose aim is provide to the families of policemen and the military an income to buy food, and avoid falling into poverty. The Incentive Programme for Preventive Police (PIPP) is under the direct responsibility of the Dominican National Police and targets policemen that make voluntary street surveillance, and the Enlisted Navy Incentive Programme (PIAMG) is managed by the Navy. Both programmes consist of a monthly transfer of US$ 24 (RD$ 928), paid through the Solidarity Card and only valid to purchase food in stores that are part of the Social Provision Network.

## C. Spending, funding and coverage of non-contributory programmes

According to ECLAC figures, in 1990/1991 social expenditure on social assistance, social security, labour and training policies in the Dominican Republic was only 0.3% of GDP. A decade later, in 2000/2001, this percentage had increased to 1.1%, and during 2008/2009, it reached 2.4% of GDP. In contrast, in 2010, social expenditure on social assistance, social security, labour and training policies declined 0.6 percentage points of GDP (ECLAC, 2012a).

Social assistance programmes are funded by the government, with the support of the IDB, which aims to improve the management of social assistance. The country also receives technical cooperation by the World Bank and UNDP. The programme with the largest budget is the "*Comer es Primero*" food scheme support, which in 2012 received 46.7% of the total budgetary allocation to cash transfer programmes (see figure 8). The Incentive to School Attendance (ILAE) programme received 7.7% of the total budget allocation in that same year.

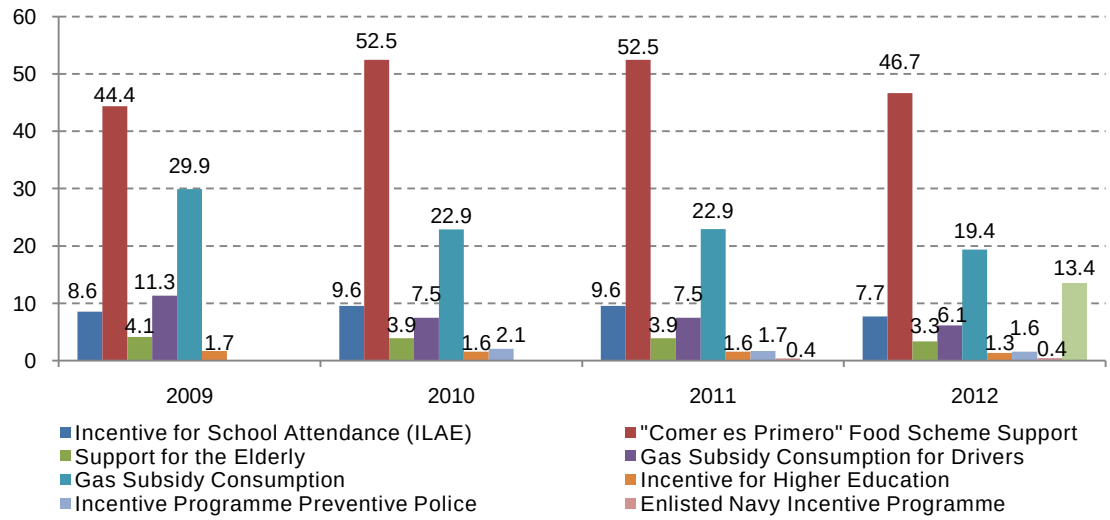
**FIGURE 7**
**SPENDING ON SOCIAL SECURITY AND SOCIAL ASSISTANCE, PER CAPITA AND AS A PERCENTAGE OF GDP, 1990/1991-2010**
*(Percentages and 2005 dollars)*




Source: Prepared by the authors based on data from Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT [online]: http://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/Portada.asp.

In the case of the programmes managed by ADESS, the budgetary priority is for the Gas Subsidy Consumption for Drivers (*BonoGas Chofer*). In 2009, 11.3% (US$ 27,448,030) of the budgetary allocations for programmes managed by ADESS were targeted to this indirect subsidy for poor households. In 2012, the budget decreased to 6.1% (US$ 16,998,508).

**FIGURE 8**
**BUDGETARY ALLOCATIONS TO CASH TRANSFER PROGRAMMES OF THE SOCIAL POLICIES COORDINATION CABINET OF THE PRESIDENCY OF THE REPUBLIC, 2009-2012**
*(Percentages)*




Source: Prepared by the authors based on data from Law of State Budget of the Dominican Republic (various years).

On the other hand, in 2009 the Incentive for Higher Education had a residual importance in terms of budgetary allocation (1.7%), and with the beginning of Enlisted Navy Incentive Programme in 2011, its budget has been reduced even more. Between 2011 and 2012, both grants represented less than 2% of the transfers administered by ADESS (see figure 8).

The number of beneficiaries of Solidarity is equal to 21.2% of the total population of the Dominican Republic, 46.3% of people living in poverty and 89% of people living in extreme poverty (Cecchini and Madariaga, 2011). Between 2006 and 2011, the coverage of Solidarity has increased by 269.3%. The programme represents 90.5% of the total non-contributory cash transfers received by citizens of the Dominican Republic. In 2010, the budgetary allocation of Solidarity Programme represented 0.39% of GDP.

# V. The health sector

The National Health System (*Sistema Nacional de Salud*) in the Dominican Republic is composed by a health providers sector regulated by the General Health Law of 2001 (Law 42-01).

The Ministry of Public Health (*Secretaría de Estado de Salud Pública*, SESPAS) is the main institution that manages the health sector. SESPAS regulates health policies and programmes, coordinates the actions of the different public and private institutions and other social actors in order to fulfil national health policies. The National Health Council (*Consejo Nacional de Salud*, CNS), closely linked to SESPAS has the function of bringing advice to it in the formulation, coordination and evaluation of health policies. The Superintendence of Health and Labour Risks (*Superintendencia de Salud y Riesgos Laborales*, SISALRIL) has the function of supervision, regulation and control of the health insurance sector.

The decentralization process of the health system started in 2006, with the creation of the Provincial Health Directions (*Direcciones Provinciales de Salud*), which are local directions of the SESPAS and have the same functions and competences. Still in the decentralization framework were established the Regional Health Services (*Servicios Regionales de Salud*) as the institutions that manage the individual attention medical services provision.

The publicly provided health system is itself divided in two subsystems, oriented respectively to individual and collective health. The individual attention system is constituted by medical centres and hospitals all over the territory, which provide direct individual medical attention (primary attention, hospitalization and emergencies). The collective health system is composed by several health policies and programmes targeting vulnerable groups; such as immunization or risk prevention programmes (in particular concerning HIV-AIDS). Yet, the collective health system suffers lack of funding and is not very efficient (ODH-UNDP, 2010).

The health system in the Dominican Republic faces important challenges in terms of equity and access. In fact, despite the high rate of coverage of health services in the country, these are concentrated in urban areas. Moreover, the difference of quality in function of the affiliated/users' contribution is also very high. The poorest parts of the population have a difficult access to basic health services and are mainly not covered by health insurance (see section VI.C). They are also more affected by maternal and child mortality, as well as by transmissible diseases.

The 10-years Health Plan for 2006-2015 (*Plan Decenal de Salud*, PLANDES) was established in order to answer these multiples deficiencies of the health system. In particular, PLANDES pretends to answer two main challenges: to overcome the social and gender inequities

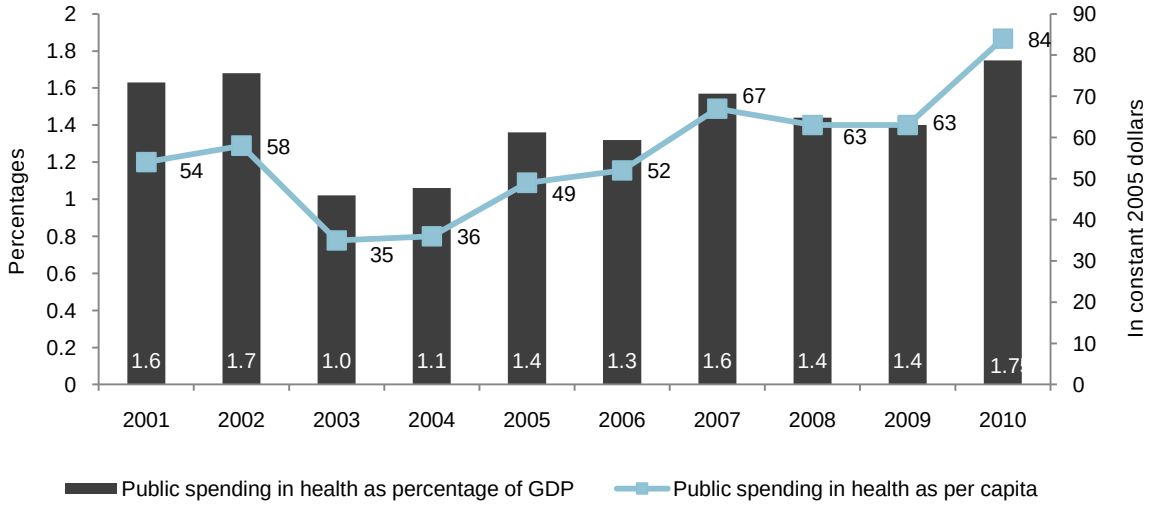
within the health system, and to ensure prevention and control of priority issues and risks. It also aims to develop different functions of the National Health System through a rights-based approach and citizens' participation. It also establishes that public spending on health should reach 5% of GDP in 2015 (in 2012, it was 1.75% of GDP).[10]

## A. Health system funding

Public spending on health in the Dominican Republic is one of the lowest of Latin America and the Caribbean in terms of percentage of GDP. In 2001, it stood at 1.68% of GDP. In 2003, it was 1.02% of GDP and in 2010, 1.75% of GDP. In per capita terms, health spending is also low (US$ 35 in 2003 and US$ 84 in 2010) (see figure 9) (ECLAC, 2012a).

As a consequence of the financial deficit of public health centres, patients have to contribute with direct payments called "collaboration" or "recuperation participation" (*participación de recuperación*). Thus, in terms of funding, households are the main contributors to the health system: in 2006, private agents (constituted mainly by the households) contributed 77.8% of the health sector funding, while the public part was about 22.2% (Rathe, 2007). For this reason, despite its goal of universality, access to the health system is very unequal in function of households' incomes.

**FIGURE 9**
**PUBLIC SPENDING ON HEALTH, 2001-2010**
*(Percentages and constant 2005 dollars)*




Source: Prepared by the authors on the basis of Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT [online] http://websie.eclac.cl/infest/ajax/cepalstat.asp?carpeta=estadisticas.

[10] For further information on PLANDES, see Plan Decenal de Salud 2016-2015 [online]: http://salud.gob.do /download/docs/Acuerdos/PlanDesSegParte.pdf.

# VI. Employment policies and the regulation of the labour market

Employment has been established as a Constitutional Right in the Constitution of 2010, which in its article 62 states: "An essential purpose for the State is to encourage decent and remunerated employment". Yet the Dominican Republic has to face important challenges realizing this right. In fact, as exposed in Section II, the country faces important unemployment rates, especially affecting women and youth, as well as high underemployment and labour informality. To face these issues, the Dominican State has made efforts in the creation of labour programmes.

In the Dominican Republic, the main institution linked to employment and labour issues is the Ministry of Labour (*Ministerio del Trabajo*), which establishes the legal norms related to labour, such as the minimum wage, the protection of employment, the protection of minors in employment, the legal labour days, etc. Another important labour institution is the National Commission for Employment (*Comisión Nacional de Empleo*), created in 1983 by the Decree 1,019. It is responsible of the elaboration of promotion of employment policies and programmes, and to promote gender equality in the labour market.

In 2001, the Employment National System (*Sistema Nacional de Empleo*, SENAE) was implemented, under the supervision of the Ministry of Labour. SENAE has the function of connecting the labour offer and demand at the national level, in order to promote labour insertion. SENAE is composed by three departments: (i) the Department of Orientation and Specialized offices, offering workshops to promote labour seeking and self employment; (ii) the Department of Promotion of Employment and the territorial offices for employment; and (iii) the training school ("*escuela taller*") of Santo Domingo destined to train the unemployed in office activities.

SENAE also formulates active employment policies. In 2003, it created the Labour Market Observatory (*Observatorio del Mercado Laboral*, OMLAD), with funding from the Spanish Agency for International Development Cooperation (AECID). The OMLAD analyzes and studies Dominican labour market indicators, in order to improve and the implement labour policies and programmes.

In the Dominican Republic, there are several minimum wages. The minimum wage for the public sector is established by the administration, while the minimum wage for the private sector is voted every two years by the National Committee of Salaries (*Comité Nacional de Salarios*). This Committee establishes different salaries in function of the size of the enterprises —calculated in function of the level of assets that have the enterprise from less than RD$ 2 million (small enterprise)

to medium enterprises (between RD$ 2 and 4 million) and big enterprise (more than RD$ 4 million)—as well as of the economic sector. In 2009, there were 17 different minimum wages (ODH-UNDP, 2010). In 2012, the minimum salary averaged about US$ 171.5 (ranging from US$ 158.9 to US$ 260.9), one of the lowest in Latin America.

# A. Employment promotion programmes

To help vulnerable groups of the population overcome the challenges they face in the labour market, the government of the Dominican Republic has launched several employment programmes, many of them targeting youth. All of them are part of a social development strategy through economic inclusion implemented by the government after the 2003 crisis (Godínez and Mattar, 2009)

## 1. The Youth and Employment Programme (*Programa Juventud y Empleo*)

The Youth and Employment Programme started in 2003 with the cooperation of the IDB and the World Bank. It aims to improve the employability of young persons with low incomes and in vulnerable situations, through theorical and practical labour-training courses. Youth participate in courses followed by an internship in an enterprise. The objectives of the programme are: (i) to increase the possibility of employment for low incomes population; (ii) to bring young and qualified workforce to the labour market; (iii) to strengthen the link between the enterprise and training centres; and (iv) to train young people in professional activities.

The programme targets unemployed young people aged between 16 and 29 without a high-school diploma living in the priority areas I and II of the poverty map[11] and aims to have at least 45% of women participation. It provides an economic incentive of RD$ 70 (US$ 2) for each day of attendance to courses, a free training course and a life insurance that covers the beneficiary all along its participation.

Between 2003 and 2010, the programme covered 55,003 young people (63% of the beneficiaries were women) through the implementation of 2,639 courses. The programme has been funded in its first phase (2003-2008) by an IDB loan of about US$ 21 million. The IBD has continued funding the programme since 2009 and in 2010 the budget of Youth and Employment was about US$ 7.7 million.

## 2. The *Santiago Trabaja* programme

The *Santiago Trabaja* programme was created in 2011. Its main objective is to promote employment and improve the quality of life of persons living in poverty. The programme targets poor persons aged between 18 and 65, with a low level of education and unemployed for long time (12 months or more). Programme participants receive a monetary transfer of RD$ 3,600 (around 100 US$) monthly during the four months in the project, in exchange of their participation in community development projects and in training courses to develop basic skills. The first phase of this programme started in the province of Santiago, which has high unemployment rates.

The *Santiago Trabaja* programme aimed to cover about 4,000 persons in 2011. It is funded by the savings generated by the "Programme Youth and Labour" and participation of the World Bank.

[11] The poverty map was elaborated as part of the SIUBEN to identify the poorest and the most vulnerable areas in the country in order to focus social programme and policies geographically.

# VII. The education sector

The education system originated right after independence of the country from Haiti, with the Public Instruction Law No. 33 of 1846, which established the primary education system; secondary education was established in 1855 (OECD, 2008). The Organic Law on Public Teaching (1918) consolidated the country's education system, which —with minor changes to specific programmes, infrastructure and the organization of rural schooling— lasted until the decade of the 1990s.

Article 63 of the Constitution ensures the right to a free, inclusive, quality and mandatory education at the pre-primary, primary and secondary level.[12] The General Law of Education 66-97 regulates education policy and the performance of the system (at the pre-primary, primary and secondary educational levels, and also the private sector), guaranteeing the right to education for all Dominicans, and promoting the principle of non-discrimination; it also states that Christian values are the basis of the education system. This Law recognizes formal (education regulated and developed with a specific schedule and with an official curriculum), informal (a continuous learning process outside of formal and non-formal education) and non-formal education (targeted to specials population groups).

The Ministry of Education (*Secretaría de Estado de Educación*, SEE) is the main institution responsible of the operation of the education system, ensuring compliance with its goals. On the other hand, the National Council of Education is competent to order the general education policies and has representation of different educational actors. The system is evaluated by the National System of Education Quality Evaluation (*Sistema Nacional de Evaluación de la Calidad de la Educación*) that determines the global efficiency and efficacy of the overall system (ODH-UNDP, 2010).

Higher Education is regulated by the Law 139-01 of 2001 on Higher Education, Science and Technology, which created the Ministry Higher Education, Science and Technology (*Secretaría de Estado de Educación Superior, Ciencia y Tecnología*, SEESCyT). The country has 46 higher education institutions (33 universities, 9 specialized institutes, and 4 colleges), recognized and authorized by the SEESCyT. The main university in the Dominican Republic is the Autonomous University of Santo Domingo, funded in 1538 (Ministerio de Educación Superior, Ciencia y Tecnología, 2011).

Management of the education system is decentralized through Regional and District Boards, but they do not have enough power for decisions and executions. Also there are Boards on each

[12] According to the 2002 Constitution, education was mandatory only at the primary level.

school, which were initiated by the Multiphase Programme for Improvement of Primary and Secondary Education, supported and funded by the IDB.

Another public policy in education is the Institutional Modernization Programme, initiated in 2007, which supports the decentralization process through upgrades of the education system, taking care of students' learning and the school as main axis of institutional modernization. Under this programme, schools get more autonomy, as they can formulate budgets, state personnel norms, and request resources to the central administration.

## A. Overview and key components of the education system

Education policy guidelines are contained in the 10-year Plan 2008-2018, which states the main strategic aims, expected mid-term outcomes, and decisions and actions in the short, mid and long terms (Secretaría de Estado de Educación, 2008). The main education policy in the country is to guarantee access to the formal education system at all levels, in order to strengthen citizenship and inclusion to the labor market. Secondly, policies are oriented to strengthen the education supply, through the monitoring and evaluation of the system's performance, an update of a quality curriculum (mainly strengthening reading comprehension and mathematical logic), compliance with the academic year, as well as training human resources. Third, they aim to promote educational equity with a special support for the most vulnerable students. Finally, they encourage participation of family, community and nongovernmental institutions in developing policies, programs and educational projects (Secretaría de Estado de Educación, 2008).

The quality of the Dominican public education services is an important challenge to overcome. The full school day —which could have a positive impact in terms of lowering dropout rates— has not been implemented. In contrast, there are three shifts (daytime, evening and night), a high rate of teacher absenteeism, and a lack of infrastructure (especially classrooms) (ODH-UNDP, 2010). To face some of these challenges, the Government created the National Institute of Education and Training of Teachers (*Instituto Nacional de Formación y Capacitación del Magisterio*, INAFOCAM), which is an advisory body of the Ministry of Education and seeks to coordinate the provision of training of education staff.

**TABLE 2**
**DOMINICAN REPUBLIC: OVERVIEW OF THE EDUCATION SYSTEM**

| School level | | School course |
|---|---|---|
| Pre-primary (*Inicial*) | Pre-primary | Kindergarten |
| Primary (*Básico*) | First cycle | $1^{st}$ – $4^{th}$ grade |
| | Second cycle | $5^{th}$ – $8^{th}$ grade |
| Secondary (*Medio*) | First cycle | Common (2 years) |
| | Second cycle | General (2 years) |
| | | Technical-vocational (2 years) |
| | | Art (2 years) |
| Tertiary (*Superior*) | Bachelor Degree Programmes (5 years) | Technical-Vocational Programmes |
| | | Bachelor Degrees (5 years) |

Source: Prepared by the authors based on IBE-UNESCO (2011).

Higher education policies are subjected to the 10-year Plan 2008-2018, published by the Ministry of Higher Education, Science and Technology (SEESCyT). The main goals of the Plan are, on the demand-side, to increase enrollment, and graduation of students in undergraduate and graduate programmes, promoting opportunities and equity through, mainly, an increase in the participation and funding by the Dominican State. Secondly, the plan tries to adapt the different plans of study to the

labour market needs, in order to strengthen national and regional productive development. Finally, it seeks to improve the supply-side, through a special emphasis on the development of the continuous education of the academic body, the utilization of ICTs and an international recognition of the diplomas/upgrading that will have a direct consequence on the quality of the Dominican higher education system (SEESCyT, 2008).

## B. Programmes for the promotion of education

Through the decennial education plan (2008-2018) and with the support of cooperation agencies and international organizations, the Dominican government has implemented special education programmes in order to improve equity in the access to education and the reduction of the quality gaps, in particular between urban and rural areas:

- *Multifase* Programme for Equity in Initial Education (*Programa Multifase para la Equidad en la Educación Inicial*): this programme, with a budget of US$ 42 million funded by the World Bank, aims to strengthen the quality and widen the coverage of pre-primary education. More specifically, its goals are to improve school achievement by pupils in rural and urban marginal areas and to improve school management.
- The *Multifase* Programmes for Equity in Basic Education: its general objective is the same as for initial education, the improvement of access and the widening of coverage of secondary education. It is organized in three components: the access and internal efficiency of the middle level, three quality axes (educational management, curriculum development and human resources training). This programme is funded by the IDB.
- The Basic Education and High School Distance Programme (*Programa de Educación Básica y Bachillerato a Distancia,* PREPARA) allows youth and adults to complete basic education and to obtain the high school diploma (*Bachillerato*) through semi face-to-face or distance courses. This programme is funded by the Dominican Government and AECID.

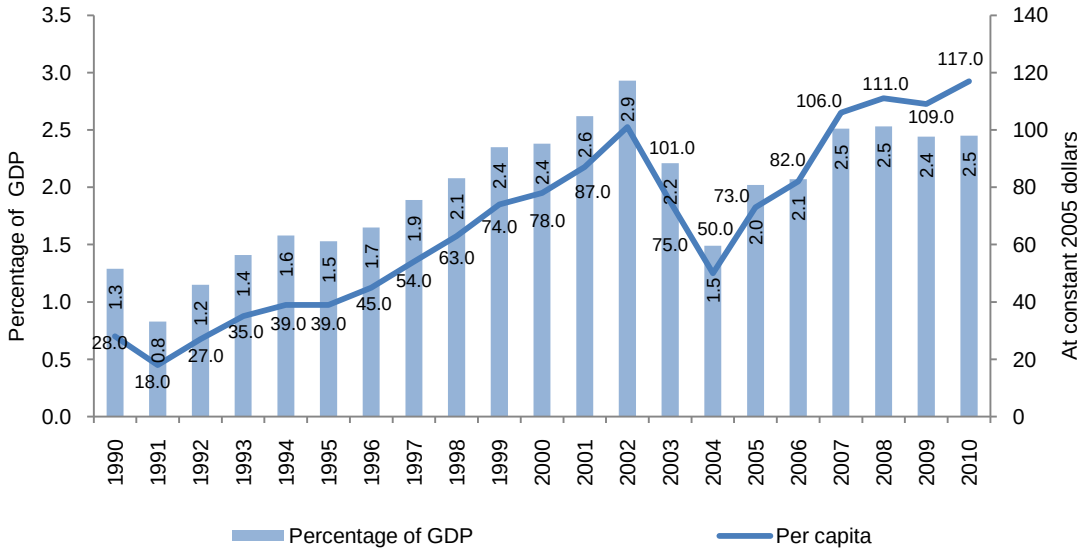
## C. Social spending in education

The General Law of Education establishes that the budget of the education sector should be equivalent, at a minimum, to the highest figure between 16% of total public expenditure or 4% of GDP.

During the past two decades, public expenditure on education acquired a relative greater importance in fiscal terms. From 1990 to 2010, social spending on education increased from 1.3% to 2.5% of GDP. During this period, per capita spending on education also increased, from US$ 28 in 1990 to US$ 117 in 2010, meaning that per inhabitant, the Dominican Government increased spending, on average, 20% yearly.

In the 1990s and the first three years of the 2000s, expenditure on education experimented a constant increase. However, since 2003, the macroeconomic priority of education suffered a significant reverse. According to ECLAC figures, as a consequence of the 2003 economic crisis, the education budget was reduced by a third and per capita spending by a quarter. Social spending on education has since then recovered to a pre-crisis level (in 2010, the macroeconomic priority of education was similar to that at the beginning of the decade), but it is still below the Dominican's parameters stated in the Education General Law.

**FIGURE 10**
**PUBLIC EXPENDITURE ON EDUCATION, 1990- 2010**
*(Percentages and 2005 dollars)*




Source: Prepared by the authors based on data from Economic Commission for Latin America and the Caribbean (ECLAC) (CEPALSTAT) [online]: http://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/Portada.asp.

## D. Coverage of the education system

According to UNESCO, between 1999 and 2012, the coverage of the education system in the Dominican Republic experienced a significant increase, especially in secondary education, where the net enrolment rate climbed from 39.4% in 1999 to 62.3% in 2010. In the case of primary education, coverage increased by more than 7 percentage points between 1999 and 2010 (see table 3).

**TABLE 3**
**NET ENROLMENT RATE BY EDUCATION LEVEL AND GENDER, 1999-2010**
*(Percentages)*

| Level | | 1999 | 2010 |
|---|---|---|---|
| Pre-primary | | | |
| | Total | 28.0 | 36.1 |
| | Male | 27.6 | 36.1 |
| | Female | 28.3 | 36.1 |
| Primary | | | |
| | Total | 82.5 | 90.2 |
| | Male | 82.2 | 93.3 |
| | Female | 82.8 | 87.0 |
| Secondary | | | |
| | Total | 39.4 | 62.3 |
| | Male | 35.1 | 58.0 |
| | Female | 43.7 | 66.7 |

Source: Institute for Statistics, UNESCO.

However, primary graduation rates have decreased significantly over the last 10 years (see table 4).

The gender gap in enrolment rates is favourable to female students in secondary education, and to male students in primary education. In pre-primary, gender gaps in net enrolment rates are not significantly favourable to any gender (see table 3).

Dropouts at the primary education level have increased significantly between 2003 and 2010. As a consequence, graduation rates in primary education fell dramatically: 14.7 percentages points in seven years. . Females still have higher graduation rates than males (see table 4). This has a direct impact on low secondary enrolment rates, which imply a low-skilled human capital.

**TABLE 4**
**GROSS PRIMARY GRADUATION RATE, BY GENDER, 2003-2010**
*(Percentages)*

| | 2003 | 2010 |
|---|---|---|
| Total | 94.7 | 80.0 |
| Male | 92.6 | 77.4 |
| Female | 96.8 | 82.6 |

Source: Institute for Statistics, UNESCO.

Between 1999 and 2010, the repeaters rate suffered a significant increase, both at the primary (+80%) and secondary (+160%) level. On average, women repeat less than men in both primary and secondary school. In the case of primary education, the gender gap has increased between 1999 and 2010: women repeated 0.8 percentage points less than men in 1999; in 2010, women repeated 4.3 percentage points less than men. In the case of secondary education, the gender gap in 1999 was 1.3 percentage points in favour of women, but in 2010, the gap increased to 3.1 percentage points (see table 5).

**TABLE 5**
**REPEATERS, BY EDUCATION LEVEL AND GENDER, 1999-2010**
*(Percentages)*

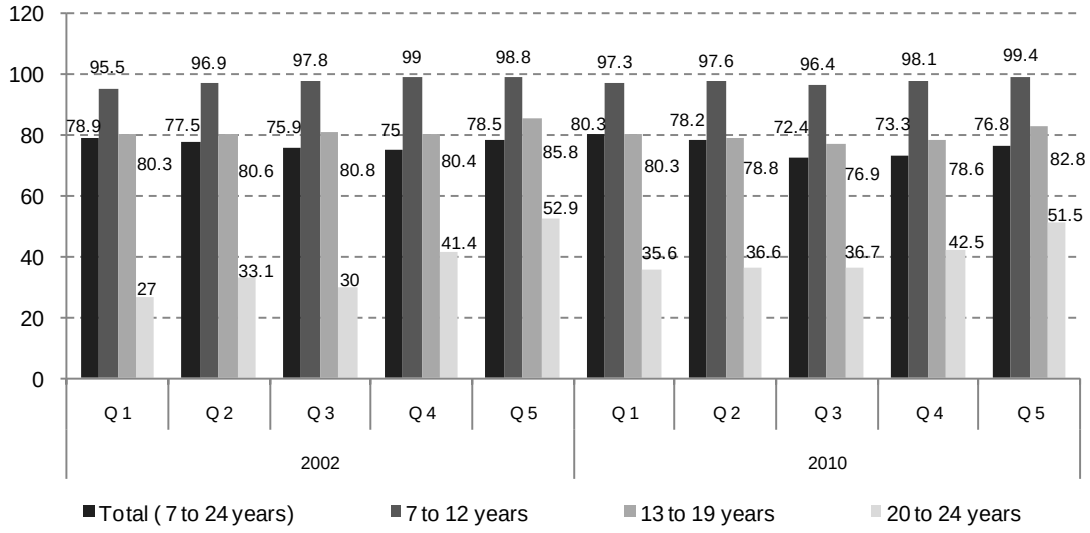
| Level | | 1999 | 2010 |
|---|---|---|---|
| Primary | | | |
| | Total | 4.1 | 7.3 |
| | Male | 4.5 | 9.3 |
| | Female | 3.7 | 5.0 |
| Secondary | | | |
| | Total | 2.7 | 7.1 |
| | Male | 3.4 | 8.7 |
| | Female | 2.1 | 5.6 |

Source: Institute for Statistics, UNESCO.

ECLAC provides data on school attendance by quintiles of per capita income and age group, which shows that, although there are differences between quintile 1 and 5, attendance is almost universal. Children aged between 7 and 12 years old that live in households belonging to the first quintile had a 95.5% rate of school attendance in 2002, and 97.3% in 2010 (see figure 11).

School attendance by students aged between 12 and 19 years is significantly lower than the average for children aged 7 to 12. In 2002, there was a significant gap between the extreme quintiles of per capita income (5.5 percentage points). In 2010, that gap diminished because school attendance of the fifth quintile dropped down and not because school attendance increased in the first quintile. Moreover, Haitian children have a much lower attendance rate than Dominican children. According to the 2002 National Census, the enrolment rate for Haitian children between 5 and 24 years old was 26.6%, while it was 75.6% for Dominicans (ODH-UNDP, 2010).In eight years, general school attendance rates did not experience a significant advance or retreat.

**FIGURE 11**
**SCHOOL ATTENDANCE OF BOTH SEXES IN URBAN AREAS BY QUINTILES OF PER CAPITA INCOME OF HEAD OF HOUSEHOLD, BY AGE GROUP, 2002 AND 2010**




Source: Prepared by the authors, based on data from Economic Commission for Latin America and the Caribbean (ECLAC) (CEPALSTAT) [online]: http://estadisticas.cepal.org/cepalstat/WEB_CEPALSTAT/Portada.asp.

# VIII. Final remarks

The social protection system currently in place in the Dominican Republic is the result of efforts mostly made in the last twenty years, which have three inter-related goals: the promotion of inclusive growth, the creation of productive employment and the fight against poverty (Godínez and Mattar, 2010).

To reach these goals, new social policies have been implemented, based on three complementary pillars. The first pillar is the Social Protection Network, which consists of non-contributory social protection programmes targeted to the most vulnerable parts of society. The other two pillars have a universal orientation and consist of social promotion services —mostly related to education and training— and of pensions and health services provided through the social security system, which was reformed in 2001 (Godínez and Mattar, 2010).

Firstly, within the framework of the Social Protection Network, the country implemented important poverty reduction actions, such as the Solidarity conditional cash transfer programme, supported by new payment methods administered by ADESS and by targeting and registration mechanisms such as the SIUBEN. These measures have allowed reach the poor, increasing the efficiency of social programmes and reducing pork-barrel practices.

Secondly, efforts have been made to improve social services aimed at strengthening human capital and productive inclusion. Primary and secondary education have almost reached universal coverage. Furthermore, active labour programmes especially focused on youth were launched, as the entry of young people in the formal labour market is considered a key factor to overcome poverty.

Thirdly, the social security system (pensions and health) was completely reformed in 2001 in order to make it more efficient and sustainable. The social security reform included both a contributory and a subsidized regime in order to cover the poorest part of the population with pensions and health insurance. A third regime (contributory-subsidized) has yet not been put in place.

Yet, the country still has to face many challenges to improve its social protection and promotion system. Public social spending is quite low compared to the regional average, mainly because of its low levels of tax revenue, an issue that possibly constitutes the main obstacle for the efficient implementation of social policies in the Dominican Republic. Not only is public social spending one of the lowest in the region, but it is also very sensitive to economic fluctuations, tending to increase at times of economic growth and to be reduced at times of crises. This makes it difficult to implement long-term social policies and to have a positive impact on social welfare.

Universal coverage of social security is still a challenge: public health has suffered a lack of public funding, and is characterized by its inequity in terms of access, due to a concentration of health services in better-off urban areas. Even with the implementation in 2001 of a subsidized health insurance regime that covers an important part of the poor, the majority of the lower-income population has to incur in out-of-pocket expenditure to receive healthcare.

Furthermore, it must be stressed that the deficit of contributors to social security with respect to the number of affiliated receiving health and pensions benefits will cause important funding issues in the mid-term —a problem closely linked to the importance of informality in the labour market.

Thus, to confront the high rates of poverty and social inequality that hamper its economic and social development, the Dominican Republic should actively improve its redistributive policies through an increase of social spending, as well as an improvement of the quality of its public social services. Policy-makers should also consider fostering a right-based approach to social policies, strengthening in particular the transparency of social assistance programmes.

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This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population—to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of efforts to establish these guarantees by implementing various types of transfers, including conditional cash transfer programmes and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions.

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