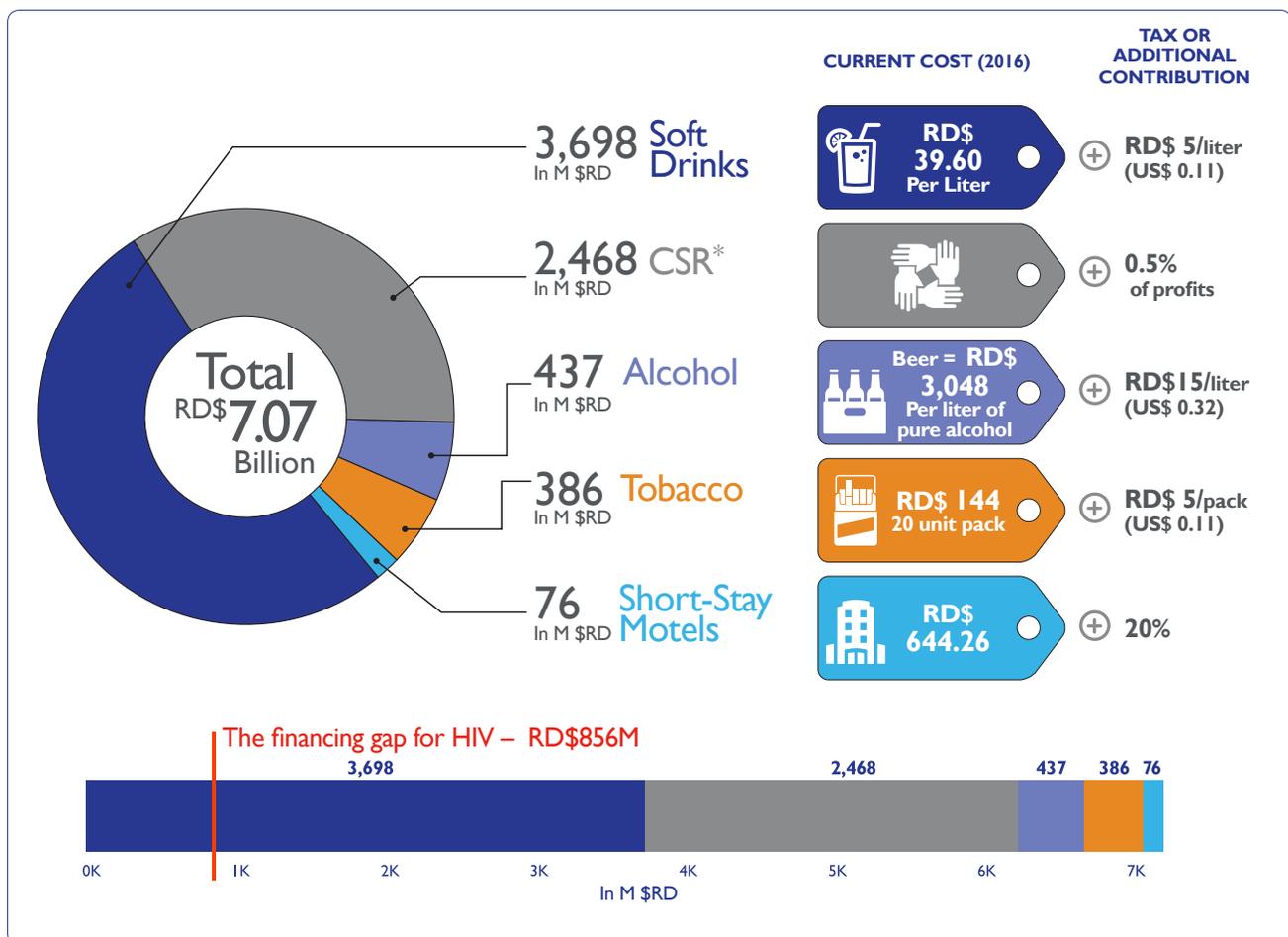


Innovative Mechanisms for Raising Revenue for the Health Sector in The Dominican Republic

The United States Agency for International Development (USAID)'s Health Financing and Governance (HFG) project carried out this work to estimate the benefits of several options for mobilizing resources to close the existing financial gap for the Dominican Republic's health sector, and specifically the gap for the response to HIV and AIDS. This brief presents projections of the revenue that could be collected through five financing mechanisms.

This information will support the Government of the Dominican Republic in deciding which mechanisms to implement. It is important to consider that taxes on the consumption of soft drinks, alcohol and tobacco have a twofold advantage because they not only collect resources for the health sector, but they are also associated with a reduction in consumption of these products, thus benefiting the health of the population.

Potential to close the financial gap with innovative mechanisms, 2018 (RD\$ Millions)



* Corporate Social Responsibility

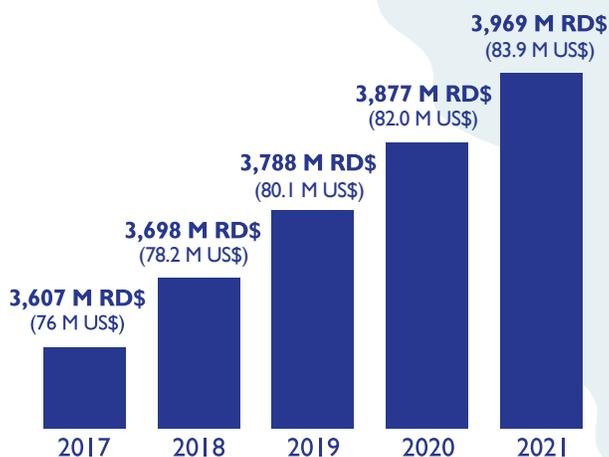
Innovative Collection Mechanisms

Soft Drinks

Earmarked Tax

Dominicans consumed an average of 77 liters of soft drinks per person in 2016, which places the Dominican Republic among the 8 countries with the highest per capita consumption of soft drinks in the region.¹ This consumption has grown at a rate of 1.22% per year, representing sales of more RD\$ 228 billion (US\$ 4.8 billion) for this industry since 2007. This study estimated potential revenues from a tax of RD\$ 5 (US\$ 0.11) per liter of soft drink. This tax would generate RD\$ 3.97 billion (US\$ 78.2 million) in resources for the health sector in 2018. The amount collected would increase to RD\$ 3.97 billion (US\$ 83.9 million) by 2021. A soft drink tax has greater potential to provide additional resources to the health sector budget than the other mechanisms studied.

Potential revenues from a tax on soft drinks



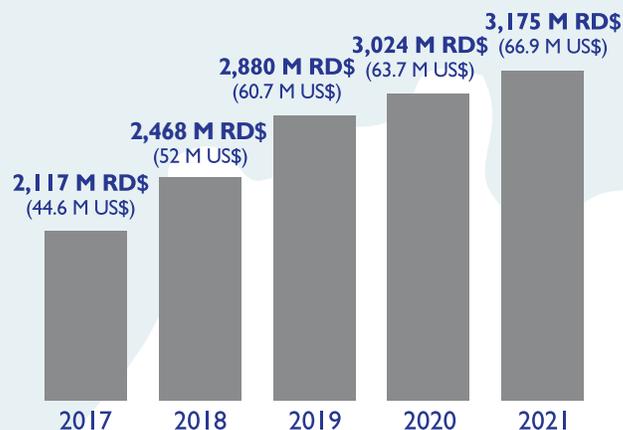
Corporate Social Responsibility

Voluntary Contribution

The study also estimated potential health sector revenues from contributions from companies participating in a corporate social responsibility (CSR) program. The estimate was based on an incentive program for companies registered to provide services to the government. Companies would be required to contribute 0.5% of their gross profits to a CSR program aimed at combating HIV in order to bid for certain government contracts.

Under the assumption that 50% of the registered companies participate in the program, CSR collections would amount to RD\$ 2.47 billion (US\$ 52 million) in 2018 and could amount to RD\$ 3.18 billion (US\$ 66.9 million) in the year 2021.

Potential revenues from corporate social responsibility



¹ International Euromotor Report, "The five top trends in alcoholic beverages in North and South America." 2013

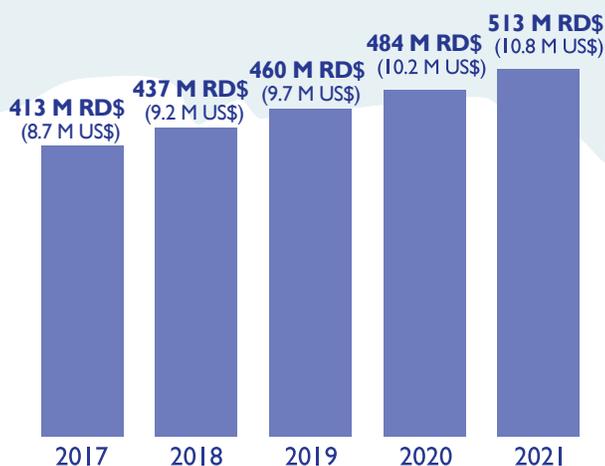
Alcohol

Earmarked Tax

Alcohol consumption is common in the life of Dominicans. Despite the various taxes on alcohol, in 2016, Dominicans consumed an average of 3.62 liters of pure alcohol per person, only including beer (655ml) and rum (755ml).

This study estimated the potential revenue from an additional charge of RD \$ 15 (US\$ 0.32) per liter of pure alcohol sold as beer and RD \$ 15 for each liter of pure alcohol sold as rum. This additional tax has the potential to raise RD\$ 437 million (US\$ 9.2 million) in 2018, and up to RD \$ 513 million (US\$ 10.8 million) in 2021.

Potential revenue from an increase to taxes on alcohol (rum and beer)



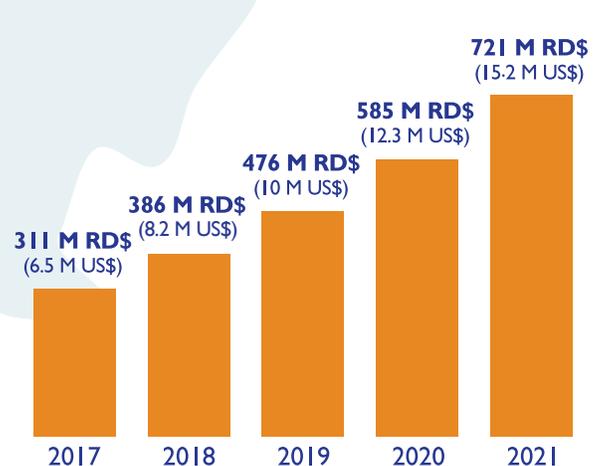
Tobacco

Earmarked Tax

On average, Dominicans consume 160 cigarettes per person per year, equivalent to eight 20-unit packs per capita per year. For the year 2016, sales of 20-unit packs amounted to 57.5 million packs with an average price of RD\$ 144 per pack (US\$ 3). It was estimated that existing taxes on cigarettes raised a total RD\$ 3.78 billion (US\$ 79.7 million) in 2016.

Likewise, this study estimated the potential revenue for the health sector from an additional tax of RD\$ 5 (US\$ 0.11) per 20-unit pack. The tax would raise an additional RD\$ 386.3 million (US\$ 8.2 million) in 2018 and is estimated to grow to RD\$ 721 million (US \$ 15.2 million) in revenue by 2021.

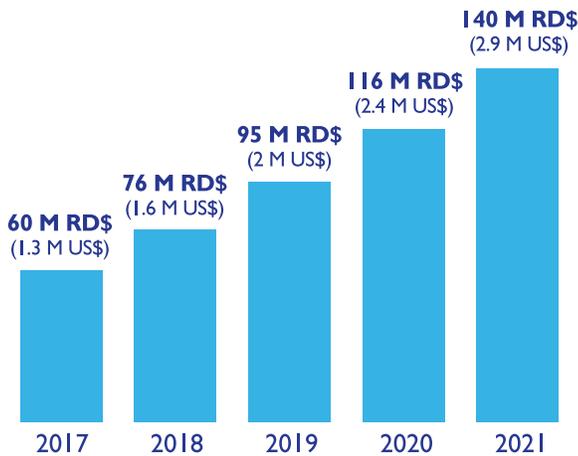
Potential revenue from an increase to taxes on tobacco



Short-Stay Motels and Hotels

Earmarked Tax

Potential revenue from tax on short-stay motels and hotels



Dominicans spent an estimated RD\$ 386 million (US \$8.16 million) in short-stay establishments in 2016. These establishments, known locally as *cabañas*, are often rented by the hour. Currently, local governments administer a 10% tax on the room rate charged to users.

This study estimated the potential revenue of an additional 20% tax on the final price of short stay establishments. This tax would be administered by the national government and would contribute to the health budget. According to the estimate, the tax would raise RD\$ 75.83 million (US\$ 1.6 million) in 2018 and could increase to RD\$ 140 million (US\$ 2.9 million) in 2021.



USAID's Health Financing and Governance Project (HFG) is a \$ 199 million six-year project aimed at increasing the use of priority health services, especially by women, girls, and poor populations and rural areas in developing countries around the world. The project is led by Abt Associates Inc., in partnership with other partners including Training Resources Group Inc. (TRG), Broad Branch Associates, Development Alternatives Inc. (DAI), Johns Hopkins Bloomberg School of Public Health, Results for Development (R4D), and Avenir Health

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