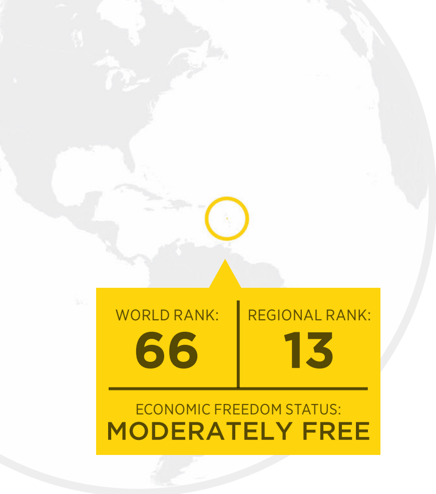
DOMINICA



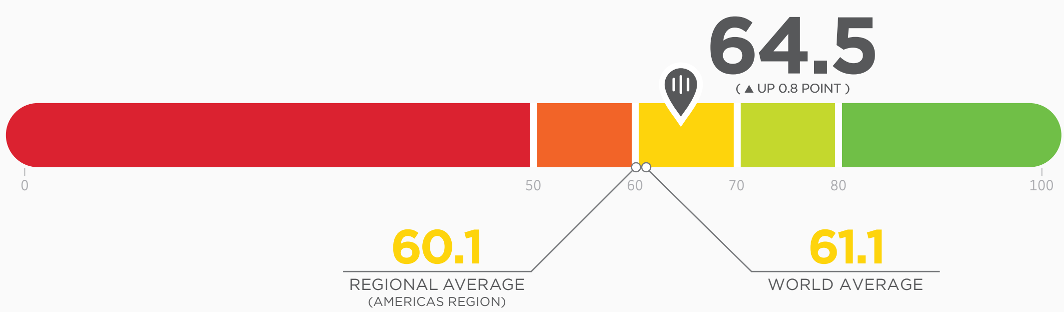
WORLD RANK: **66** | REGIONAL RANK: **13**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Dominica's economic freedom score is 64.5, making its economy the 66th freest in the 2018 *Index*. Its overall score has increased by 0.8 point, with significant improvements in **fiscal health**, **government integrity**, and **property rights** outpacing lower scores for the **trade freedom** and **monetary freedom** indicators. Dominica is ranked 13th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Recovery from the extensive damage caused by Hurricane Maria will test the strength and resilience of Dominica's economy. Reconstruction of a country where the efficiency of government services has been poor will require heavy public spending and external aid. The fact that gradual reform has improved the overall investment framework should help the rebuilding process. The independent legal system generally adjudicates business disputes effectively and encourages a relatively low level of corruption, sustaining judicial effectiveness and government integrity.

ECONOMIC FREEDOM SCORE

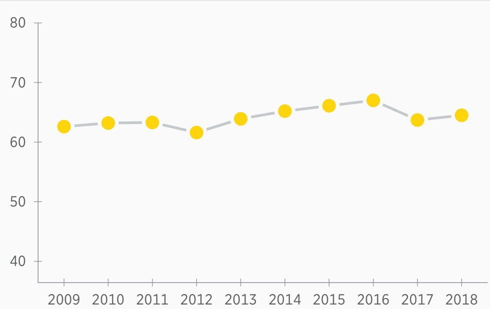


NOTABLE SUCCESSES: Monetary Stability, Fiscal Policy, and Investment Freedom

CONCERNS: Financial Freedom, Property Rights, and Government Integrity

OVERALL SCORE CHANGE SINCE 2014: –0.7

FREEDOM TREND



QUICK FACTS

POPULATION:
0.1 million

GDP (PPP):
$0.8 billion
0.6% growth in 2016
5-year compound annual growth 0.5%
$11,375 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
0.0%

FDI INFLOW:
$31.4 million

PUBLIC DEBT:
81.0% of GDP

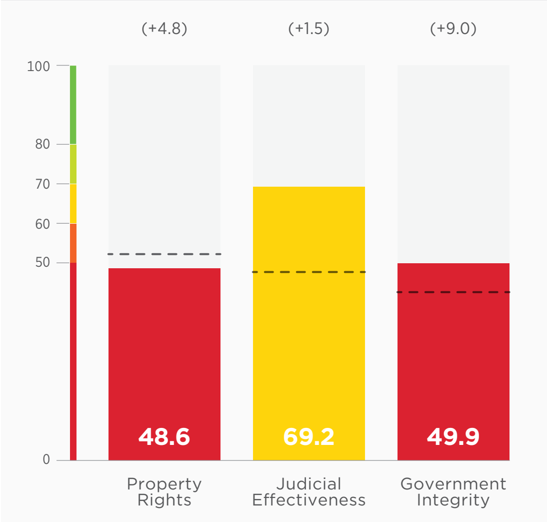
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: Dominica is a member of the Organization of Eastern Caribbean States (OECS). Prime Minister Roosevelt Skerrit of the Dominica Labour Party took office in 2004 and was reelected in 2009 and again in 2014. He has struggled to survive politically after allegations of involvement in money laundering and sales of Dominican passports of convenience to Russians, Chinese, and Iranians. The economy historically has depended on agriculture, primarily bananas, but the government is also promoting ecotourism. Other diversification efforts include offshore medical education and encouraging investments in such agricultural exports as coffee, patchouli, aloe vera, exotic fruits, and cut flowers. The devastation caused in September 2017 by Hurricane Maria presents both severe challenges and opportunities for reform.

WORLD AVERAGE | ONE-YEAR SCORE CHANGE IN PARENTHESES

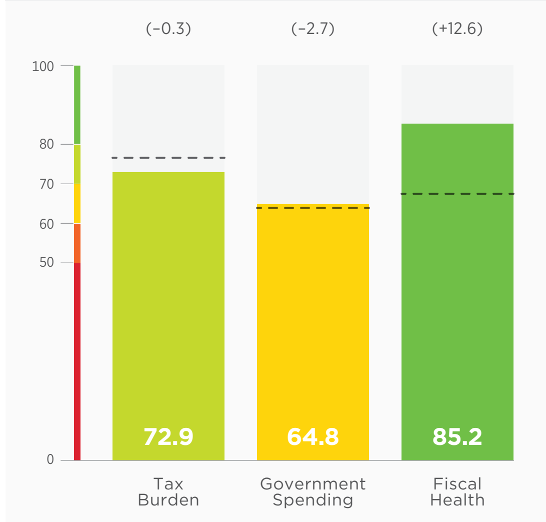
12 ECONOMIC FREEDOMS | DOMINICA

RULE OF LAW



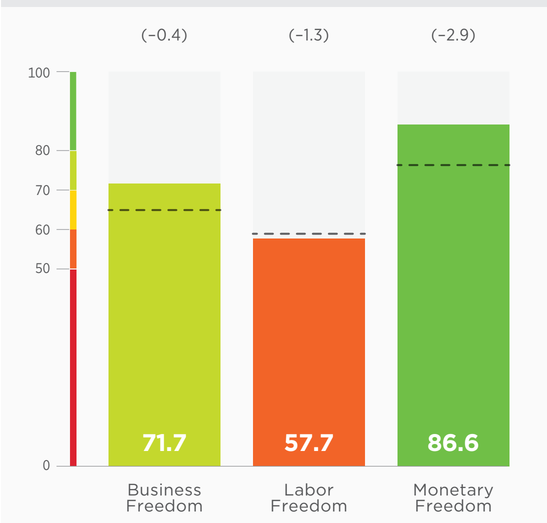
Private property rights have been generally well protected, although pirated copyrighted material is sold openly. Dominica has an independent but short-staffed judiciary based on English common law. The government shows no obvious or blatant signs of corruption, but anticorruption statutes are not always implemented effectively. Nonbank financial institutions are monitored to combat money laundering and terrorist financing.

GOVERNMENT SIZE



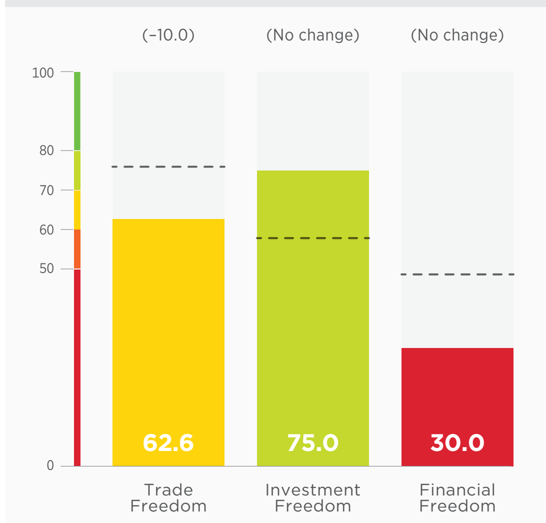
The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 24.1 percent of total domestic income. Over the past three years, government spending has amounted to 34.2 percent of total output (GDP), and budget deficits have averaged 1.0 percent of GDP. Public debt is equivalent to 81.0 percent of GDP.

REGULATORY EFFICIENCY



Obtaining construction permits, electricity, and credit remains challenging, but the current government remains committed to creating a vibrant business climate. The nonsalary cost of employing a worker is moderate, but the labor market lacks flexibility in other areas. Massive government subsidies to reconstruct the power grid and other infrastructure are the inevitable result of devastating hurricane damage.

OPEN MARKETS



Trade is significant for Dominica's economy; the combined value of exports and imports equals 96 percent of GDP. The average applied tariff rate is 13.7 percent. Nontariff barriers impede some trade. In general, government policies do not significantly interfere with foreign investment. The financial sector remains underdeveloped. Shallow markets and a lack of available financial instruments restrict overall access to credit.