DOMINICA

Dominica’s economic freedom score is 63.6, making its economy the 72nd freest in the 2019 Index. Its overall score has decreased by 0.9 point, with sharp drops in scores for government spending, investment freedom, and judicial effectiveness outpacing increases in trade freedom and government integrity. Dominica is ranked 14th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Since Hurricane Maria, the government has focused on repairing infrastructure to restore service to cruise ships. Because government services are historically inefficient, reconstruction has required heavy public spending and external aid. However, gradual reform has improved the overall investment framework, and this should help the rebuilding process. Dominica’s 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

![Economic Freedom Score Chart]

63.6  (▼ DOWN 0.9 POINT)

REGIONAL AVERAGE (AMERICAS REGION) 59.6

WORLD AVERAGE 60.8

RELATIVE STRENGTHS:
- Monetary Freedom and Fiscal Health

HISTORICAL INDEX SCORE CHANGE (SINCE 2009):
+1.0

CONCERNS:
- Financial Freedom and Property Rights

BACKGROUND: A small and mountainous island in the Lesser Antilles, Dominica is a member of the Organization of Eastern Caribbean States (OECS). Prime Minister Roosevelt Skerrit of the Dominica Labour Party has been in office since 2004 and may run for a fourth term in 2019. Historically, the economy has depended on agriculture (primarily bananas) and tourism. The government’s efforts to promote diversification have led to creation of an offshore medical education sector and have encouraged investments in such agricultural exports as coffee, patchouli, aloe vera, exotic fruits, and cut flowers. Devastation from Hurricane Maria, which destroyed much of the country’s agricultural sector and damaged its transportation and physical infrastructure in 2017, has stressed the government’s already fragile finances.

FREEDOM TREND

QUICK FACTS

POPULATION: 0.1 million
GDP (PPP): $0.8 billion
+4.2% growth in 2017
5-year compound annual growth 0.0%
$11,102 per capita

UNEMPLOYMENT: n/a
INFLATION (CPI): 0.6%
FDI INFLOW: $18.9 million
PUBLIC DEBT: 87.6% of GDP

2017 data unless otherwise noted. Data compiled as of September 2018.
## 12 ECONOMIC FREEDOMS | DOMINICA

### RULE OF LAW

<table>
<thead>
<tr>
<th>Property Rights</th>
<th>Judicial Effectiveness</th>
<th>Government Integrity</th>
</tr>
</thead>
<tbody>
<tr>
<td>49.2</td>
<td>63.8</td>
<td>54.5</td>
</tr>
</tbody>
</table>

(+0.6) (-5.4) (+4.6)

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 25.8 percent of total domestic income. Over the past three years, government spending has amounted to 39.4 percent of the country’s output (GDP), and budget surpluses have averaged 3.8 percent of GDP. Public debt is equivalent to 87.6 percent of GDP.

### GOVERNMENT SIZE

<table>
<thead>
<tr>
<th>Tax Burden</th>
<th>Government Spending</th>
<th>Fiscal Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>72.1</td>
<td>53.5</td>
<td>84.7</td>
</tr>
</tbody>
</table>

(-0.8) (-11.3) (-0.5)

Private property rights are generally respected, although enforcement of intellectual property rights remains weak. The judiciary is independent and based on English common law, but there are severe case backlogs. Corruption is not a major problem, despite the sometimes ineffective implementation of anticorruption statutes. Nonbank financial institutions are monitored to combat money laundering and the financing of terrorism.

### REGULATORY EFFICIENCY

<table>
<thead>
<tr>
<th>Business Freedom</th>
<th>Labor Freedom</th>
<th>Monetary Freedom</th>
</tr>
</thead>
<tbody>
<tr>
<td>70.7</td>
<td>60.4</td>
<td>85.7</td>
</tr>
</tbody>
</table>

(-1.0) (+2.7) (-0.9)

Dominica has made progress in eliminating regulatory bottlenecks and reducing the overall cost of conducting business. The nonsalary cost of employing a worker is moderate, but the labor market lacks flexibility in other areas. As part of its post-hurricane assistance package from the World Bank and other lenders, the government will need to implement structural reforms and eliminate price controls.

### OPEN MARKETS

<table>
<thead>
<tr>
<th>Trade Freedom</th>
<th>Investment Freedom</th>
<th>Financial Freedom</th>
</tr>
</thead>
<tbody>
<tr>
<td>68.2</td>
<td>70.0</td>
<td>30.0</td>
</tr>
</tbody>
</table>

(+5.6) (-5.0) (No change)

The combined value of exports and imports is equal to 100.4 percent of GDP. The average applied tariff rate is 8.4 percent. As of June 30, 2018, according to the WTO, Dominica had two nontariff measures in force. Foreign investment may be screened by the government. The financial sector remains underdeveloped. Shallow markets and a lack of available financial instruments restrict overall access to credit.