

DOMINICAN REPUBLIC

The Dominican Republic's economic freedom score is 62.1, making its economy the 88th freest in the 2021 *Index*. Its overall score has increased by 1.2 points, primarily because of an improvement in **judicial effectiveness**. The Dominican Republic is ranked 17th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Economic freedom continues to languish in the Dominican Republic with the economy stuck at the bottom of the moderately free category. In addition to continuing efforts to strengthen the rule of law, the government should redouble its efforts to create a more welcoming business climate for international investors, banks, and traders. Increased freedom for the Dominican people would boost development efforts.

IMPACT OF COVID-19: As of December 1, 2020, 2,333 deaths had been attributed to the pandemic in the Dominican Republic, and the economy was forecast to contract by 6.0 percent for the year.

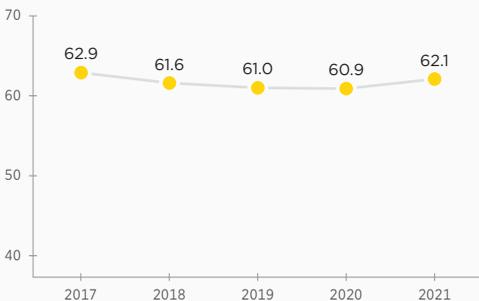


ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.7 million

GDP (PPP):
\$199.4 billion
5.1% growth in 2019
5-year compound annual growth 6.1%
\$19,182 per capita

UNEMPLOYMENT:
5.9%

INFLATION (CPI):
1.8%

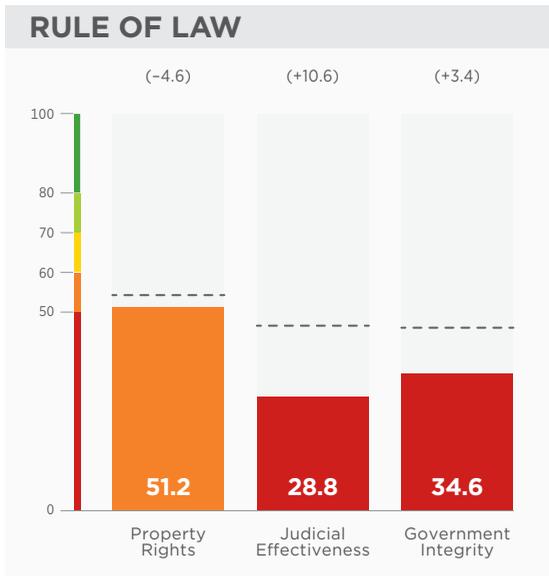
FDI INFLOW:
\$3.0 billion

PUBLIC DEBT:
53.6% of GDP

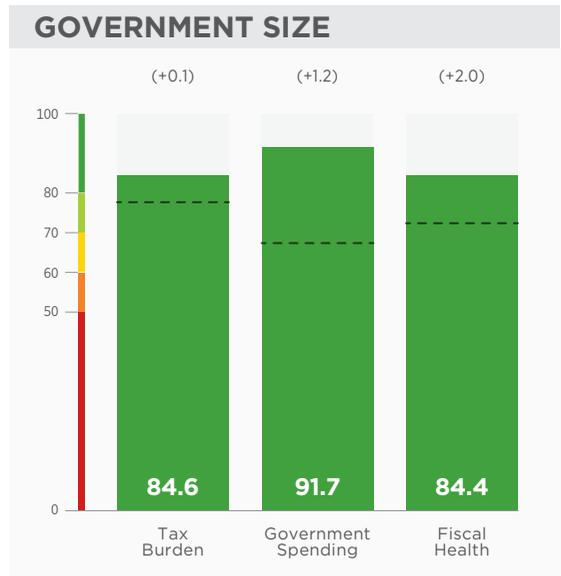
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: The Dominican Republic occupies the more verdant and arable eastern two-thirds of the Caribbean island of Hispaniola. President Luis Abinader of the center-left Partido Revolucionario Moderno (PRM) was elected in July 2020 by voters who hoped that he would be able to change the country's pervasive culture of corruption. Abinader's election ended the centrist Dominican Liberation Party's 16 years in power as well as its congressional majority. Fiscal and electricity reforms are still pending in the government's national development strategy with the self-imposed deadline of 2030. Recently established diplomatic and commercial relations with China have encouraged Chinese state-owned investment and financing. The island remains a major transshipment point for drugs bound for the United States and Europe.

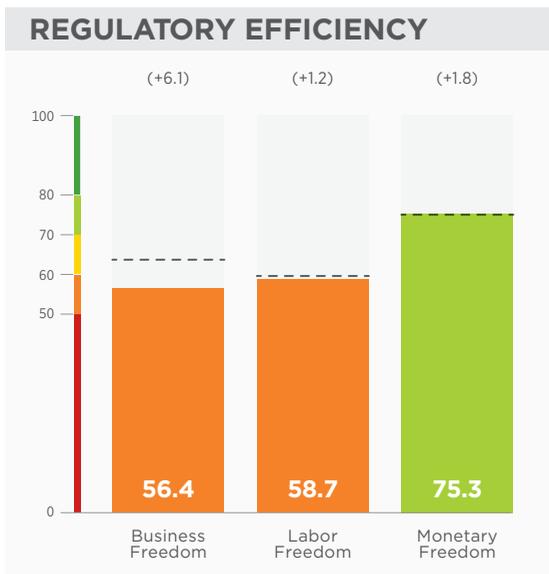
12 ECONOMIC FREEDOMS | DOMINICAN REPUBLIC



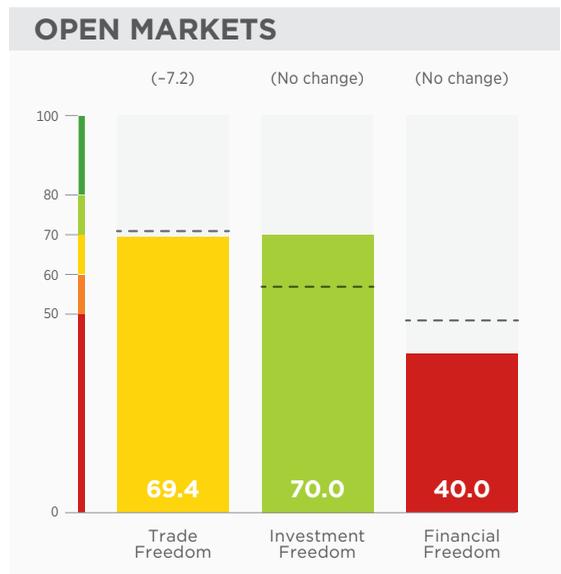
The property registration system for recording titles, mortgages, liens, easements, and encumbrances is reliable, although some titles have proved to be fraudulent. There are numerous instances of expropriation and disputes over property. The judiciary is susceptible to political pressure. Corruption remains a serious systemic problem at all levels of the government, the judiciary, and security forces and in the private sector as well.



The top individual income tax rate is 25 percent, and the top corporate tax rate is 27 percent. Other taxes include value-added and estate taxes. The overall tax burden equals 13.8 percent of total domestic income. Government spending has amounted to 16.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 53.6 percent of GDP.



The Dominican Republic has improved its business freedom, reversing the downward trend of recent years, by reducing the paid-in minimum capital requirement to start a business and lowering the costs of dealing with construction permits and getting electricity. The labor force participation rate rose in 2019. Reforms in the state-dominated electricity sector, long a drag on public finances and competitiveness, were delayed once again in 2020.



The Dominican Republic has four preferential trade agreements in force. The trade-weighted average tariff rate is 7.8 percent, and 88 nontariff measures are in effect. In general, the government does not discriminate against or screen foreign investment. The financial sector has been growing, and the stock market continues to expand. About 60 percent of adult Dominicans have access to an account with a formal banking institution.