Executive Summary

Foreign direct investment (FDI) plays an important role for the economy of the Dominican Republic, one of the main recipients of FDI in the Caribbean and Central America. The government actively courts FDI with generous tax exemptions and other incentives to attract businesses to the country. Historically, the tourism, real estate, telecommunications, free trade zones, mining, and financing sectors are the largest FDI recipients. Film production is also attracting high-dollar investments in recent years.

Besides financial incentives, the country's membership in the Central America Free Trade Agreement-Dominican Republic (CAFTA-DR) is one of the greatest advantages for foreign investors. Observers credit the agreement with increasing competition, strengthening rule of law, and expanding access to quality products in the Dominican Republic. The United States remains the single largest investor in the Dominican Republic. CAFTA-DR includes protections for member state foreign investors, including mechanisms for dispute resolution.

Foreign investors report numerous systemic problems in the Dominican Republic and cite a lack of clear, standardized rules by which to compete and a lack of enforcement of existing rules. Complaints include perceptions of widespread corruption at both national and local levels of government; a lack of technical competency within the government; excessively centralized and top-down decision-making structures, even for routine matters; delays in government payments; weak intellectual property rights enforcement; bureaucratic hurdles; slow and sometimes locally biased judicial and administrative processes; inconsistent application of judicial decisions in favor of foreign investors; and non-standard procedures in customs valuation and classification of imports. Weak land tenure laws and interference with private property rights continue to be a problem. The public perceives administrative and judicial decision-making to be inconsistent, opaque, and overly time-consuming. A lack of transparency and poor implementation of existing laws are widely discussed as key investor grievances.

U.S. businesses operating in the Dominican Republic often need to take extensive measures to ensure compliance with the Foreign Corrupt Practices Act. Many U.S. firms and investors have expressed concerns that despite improvements over the last three years, corruption in the government, including in the judiciary, continues to constrain successful investment in the Dominican Republic.

The current government, led by President Luis Abinader, has made a concerted effort to address issues of corruption and transparency that are a core issue for social, economic, and political prosperity, including promoting prosecutorial independence, actions to curb administrative corruption, the appointment of technically competent professionals in leadership positions, and the enactment of a civil asset forfeiture law. These and other efforts by the current administration have led to the Dominican Republic standing out as one of the few countries in the region where democratic ideals and institutions are on the rise. At the same time, however, the administration has not accomplished all of its stated goals. There also has been a tendency to scale back or withdraw important reform measures when they attract even modest levels of public criticism, including long-awaited electricity sector reform as well as a fiscal reform that most experts assess the country badly needs. More work has repeatedly been promised, including approval of public procurement legislation, but advancement on the President's regulatory and legislative agenda will likely prove even more challenging as the country turns towards elections to be held in early 2024.

The Dominican Republic, an upper middle-income country, has been one of the fastest growing economies in Latin America over the past 50 years, according to World Bank data. Real GDP grew by 4.9 percent in 2022. Tax revenues were 9.9 percent higher than what was stipulated in the Initial Budget for 2022; coupled with budgetary discipline, the government maintained a deficit of 3.5 percent of GDP, lower than its target for 2022. However, inflation at the end of 2022 was 7.83 percent, above the target of 4.0 percent ±1.0. Despite government efforts to reduce public spending and increase revenues, absent meaningful fiscal reform, public debt continued to grow in 2022, reaching $51.8 billion (if debt to the Central Bank is added, the public debt reached $68.9 billion), and a total service of debt of $7.1 billion – resulting in decrease in the debt to GDP ratio, but an increase in the total value of government debt. The government continues to apply large subsidies to different sectors of the economy such as the electricity sector and hydrocarbons. In 2022, the government allocated $1.5 billion to the subsidy for Electricity Distribution Companies (EDE's) and $663 million directly to fuel. The government's effort, largely via the use of subsidies, to combat the effects of inflation caused by pandemic-driven monetary policies and exacerbated by the Russian invasion of Ukraine have largely kept the economy on track for growth with projections for GDP growth for 2023 in the 4.4 percent range.

According to the 2022 Climate Change Performance Index, the Dominican Republic is one of the most vulnerable countries in the world to the effects of climate change, though it represents only 0.06 percent of global greenhouse gas emissions. As a small island developing state, the Dominican Republic is particularly vulnerable to the effects of extreme climate events, such as storms, floods, droughts, and rising sea levels. Combined with rapid economic growth (over 5 percent until 2020) and urbanization (more than 50 percent of population in cities, 30 percent in Santo Domingo), climate change could strain key socio-economic sectors such as water, agriculture and food security, human health, biodiversity, forests, marine coastal resources, infrastructure, and energy. The National Constitution calls for the efficient and sustainable use of the nation's natural resources in accordance with the need to adapt to climate change. The government is acting, both domestically and in coordination with the international community, to mitigate the effects of climate change.

Table 1: Key Metrics and Rankings

Measure	Year	Index/Rank	Website Adress
TI Corruption Perceptions Index	2022	123 of 180	http://www.transparency.org/research/cpi/overview
Global Innovation Index	2022	90 of 131	https://www.globalinnovationindex.org/analysis-indicator

U.S. FDI in partner country ($M USD, historical stock positions)	2021	$2,722	https://apps.bea.gov/international/factsheet
World Bank GNI per capita	2021	$8,100	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Policies Towards Foreign Direct Investment

The Dominican Republic presents both opportunities and challenges for foreign investment. The government strongly promotes inward FDI and has prioritized creating a sound enabling environment for foreign investors. While the government has established formal programs to attract FDI, a lack of clear rules and uneven enforcement of existing rules can lead to difficulties. The approval in 2021 of a National Competitiveness Strategy, including the formation of a National Competitiveness Council (https://cnc.gob.do/), seeks to respond to the indicators of the Global Competitiveness Index of the World Economic Forum, and should help address some of these concerns. Some experts have suggested that the country could attract even greater volumes of FDI if it took steps to reduce high corporate tax rates and reduce the complexity of its tax system, in addition to pursuing structural reforms to reduce the high costs of transportation, electricity, non-wage labor (imposed by legislation such as the Tax Code), and simplify bureaucratic processes.

The Dominican Republic provides tax incentives for investment in tourism, renewable energy, film production, Haiti-Dominican Republic border development, and the industrial sector.

The sectors and activities targeted by the incentives are tourism, electricity generation, the textiles industry, manufacturing, the film industry, mining and agriculture.

Looking to position itself to take advantage of nearshoring, the Dominican Republic has a robust network of free trade zones with a near 100 percent exemption from all national and local taxes. The tourism sector is also one of the largest sectoral beneficiaries of tax breaks. Statistics from the Central Bank of the Dominican Republic indicate that during the period 2010-2020 the trade/industry sector, the tourism, the real estate sector, and the mining sector were the four main destinations for FDI. The country is also a signatory of CAFTA-DR, which mandates non-discriminatory treatment, free transferability of funds, protection against expropriation, and procedures for the resolution of investment disputes. However, some foreign investors indicate that the uneven enforcement of regulations and laws, or political interference in legal processes, creates difficulties for investment.

There are two main government agencies responsible for attracting foreign investment, the Export and Investment Center of the Dominican Republic (CEI-RD) and the National Council of Free Trade Zones for Export (CNZFE). CEI-RD promotes foreign investment and aids prospective foreign investors with business registration, matching services, and identification of investment opportunities. It publishes an annual "Investment Guide of the Dominican Republic," highlighting many of the tools, incentives, and opportunities available for prospective investors. The CEI-RD also oversees "ProDominicana," a branding and marketing program for the country launched in 2017 that promotes the DR as an investment destination and exporter. CNZFE aids foreign companies looking to establish operations in the country's 79 free trade zones for export outside Dominican territory.

There are a variety of business associations that promote dialogue between the government and private sector, including the Association of Foreign Investor Businesses (ASIEX).

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign Investment Law No. 16-95 states that unlimited foreign investment is permitted in all sectors, with a few exceptions for hazardous materials or materials linked to national security, while the Constitution of the Dominican Republic guarantees national treatment to foreign investors. Private entities, both foreign and domestic, have the right to establish and own business enterprises and engage in all legal remunerative activity. Foreign companies are not restricted in their access to foreign exchange, there are no requirements that foreign equity be reduced over time or that technology be transferred according to defined terms, and the government imposes no conditions on foreign investors concerning location, local ownership, local content, or export requirements. See Section 3 Legal Regime for more information.

Law No. 16-92 on the Labor Code does require that 80 percent of the labor force of a foreign or national company, including free trade zone companies, must be comprised of Dominican nationals, though in practice this legal requirement is not always enforced. Senior management and boards of directors of foreign companies are exempt from this regulation. The Dominican Republic does not have excessively onerous visa, residence, work permit, or similar requirements inhibiting mobility of foreign investors and their employees. Law No. 285-04 on Migration also establishes a special residence regime for investors.

The Dominican Republic does not maintain a formalized investment screening and approval mechanism for inbound foreign investment. Details on the established mechanisms for registering a business or investment are elaborated in the Business Facilitations section below.

Other Investment Policy Reviews

The World Trade Organization (WTO) Trade Policy Review Secretariat published its 5th report on the Dominican Republic in November 2022. The United Nations Conference on Trade and Development (UNCTAD) Investment Policy Review was completed in 2008 and at the request of the Dominican government in 2015 UNCTAD reviewed the progress the government had made and recommended further reforms. The Dominican Republic has not been reviewed by

UNHCR's Working Group on Business and Human Rights, however, it does have a pending visit request for the Working Group on discrimination against women and girls.

The Dominican Republic is not a member of the Organization for Economic Cooperation and Development (OECD) and has not had its trade policy reviewed by that institution, but in December 2022, the OECD published a "Multi-dimensional Review of the Dominican Republic" indicating that while the country has made strides on many socioeconomic fronts over the years, progress on the different dimensions of well-being has been insufficient. It recommended the Dominican Republic address three critical areas to embark on a more prosperous development path: 1) providing quality jobs for all, with particular emphasis on boosting formalization and productive transformation; 2) mobilizing more public and private finance for development, with more progressive and effective taxation systems, more efficient public expenditure, and deeper capital markets; and 3) accelerating digital transformation to boost productivity, enhance inclusion, and support job creation. At its December 2, 2022, preparatory meeting of the Latin American and Caribbean Competition Forum 2023 (FLACC), the OECD selected for the first time the National Commission for the Defense of Competition (Procompetencia) to carry out a "Peer Review".

2009 UNCTAD - https://unctad.org/en/pages/PublicationArchive.aspx?publicationid=6343
2015 WTO - https://www.wto.org/english/tratop_e/tpr_e/s319_e.pdf
2015 UNCTAD - https://unctad.org/en/PublicationsLibrary/diaepcb2016d2_en.pdf
2022 WTO - https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/TPR/S435.pdf&Open=True
2022 OECD - https://www.oecd.org/tax/multi-dimensional-review-of-the-dominican-republic-560c12bf-en.htm

Business Facilitation

Foreign investment does not require any prior approval in the Dominican Republic, but once made it must be registered with the CEI-RD. Investments in free zones must be registered with the CNZFE, which will notify the CEI-RD. Foreign investment registration is compulsory, but failure to do so is not subject to any sanction.

Law No. 16-95 Foreign Investment, Law No. 98-03 on the Creation of the CEI-RD, and Regulation 214-04 govern foreign investment in the Dominican Republic and require an interested foreign investor to file an application form at the offices of CEI-RD within 180 calendar days from the date on which the foreign investment took place. The required documents include the application for registration, containing information on the invested capital and the area of the investment; proof of entry into the country of the foreign capital or physical or tangible goods; and documents of commercial incorporation or the authorization of operation of a branch office through the setting up of legal domicile in the country. The reinvestment of profits (in the same or a different firm) must be registered within 90 days. Once the documents have been approved, the CEI-RD issues a certificate of registration within 15 business days subject to the payment of a fee which varies depending on the amount of the investment.

Lack of registration does not affect the validity of the foreign investment; but the fact that it is needed to fulfill various types of procedures makes registration necessary in practice. For example, the registration certificate has to be presented to repatriate profits or investment in the event of sale or liquidation and to purchase foreign exchange from the authorized agencies for transfers abroad, as well as to process the residency of the investor. In April 2021, CEI-RD launched an online Registry of Foreign Direct Investment, which aims to streamline and make the registration processes more transparent to investors. For more information on becoming an investor or exporter, visit the CEI-RD ProDominicana website at https://prodominicana.gob.do.

The Dominican Republic has a single-window registration website for registering a limited liability company (SRL by its Spanish acronym) that offers a one-stop shop for registration needs (https://www.formalizate.gob.do/). Foreign companies may use the registration website. However, this electronic method of registration is not widely used in practice and consultation with a local lawyer is recommended for company registrations. According to the Contadores Dominicanos website, starting a company in the Dominican Republic is a five-step process that requires 23 days, 31 for companies that plan to provide services to the government. However, some businesses advise the full incorporation process can take two to three times longer than the advertised process.

To set up a business in a free trade zone, a formal request must be made to the CNZFE, the entity responsible for issuing the operating licenses needed to be a free zone company or operator. CNZFE assesses the application and determines its feasibility. For more information on the procedure to apply for an operating license, visit the website of the CNZFE at http://www.cnzfe.gov.do.

Outward Investment

There are no legal or government restrictions on Dominican investment abroad, although the government does little to promote it. Outbound foreign investment is significantly lower than inbound investment. The largest recipient of Dominican outward investment is the United States.

2. Bilateral Investment and Taxation Treaties

The Dominican Republic has Bilateral Investment Treaties (BIT) in force with Chile, Finland, France, Italy, Republic of Korea, Morocco, Netherlands, Panama, Taiwan, Spain, Switzerland, and Argentina.

The United States and the Dominican Republic are both parties to the CAFTA-DR free trade agreement, which entered into force in 2007 and contains an investment chapter. According to the Dominican Ministry of Industry and Commerce, other free trade agreements currently in force include a preferential trade agreement with Panama, a trade agreement between the Dominican Republic and the Central American countries of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua; a free trade agreement with CARICOM (the Caribbean Community); and the Economic Partnership Agreement (EPA) between the European Union and

CARIFORUM (an organization of Caribbean nations, including the Dominican Republic). An economic association agreement between CARIFORUM and the United Kingdom. All these agreements, except for the agreement with Panama (a partial scope agreement), cover trade in goods and services. Furthermore, with the exception of the agreement with Panama, all the trade agreements signed by the Dominican Republic include detailed investment provisions.

An agreement for the exchange of tax information between the United States and Dominican Republic has been in effect since 1989. In 2019, the agreement between the United States and the Dominican Republic to improve international tax compliance and to implement the Foreign Account Tax Compliance Act (FATCA) entered into force. The Dominican Republic has tax agreements in force with Canada and Spain to avoid double taxation and prevent tax evasion. It is a participating member of the OECD/G20 Inclusive Framework on BEPS (Base Erosion and Profit Shifting).

As of June 2022, the Dominican Republic had concluded several Agreements on the Reciprocal Promotion and Protection of Investments (ARPPIs), and ratification of one more with Argentina was pending. Dominican authorities have stated that the negotiation of such agreements continues to be part of the Dominican Republic's trade strategy. In this regard, the Dominican Republic is currently negotiating agreements with Qatar and Turkey. The Dominican Republic also has agreements with Canada and Spain to avoid double taxation, and a tax information exchange agreement with the United States to prevent tax evasion and fraud.

3. Legal Regime

Transparency of the Regulatory System

The national government manages all regulatory processes. Information about regulations is often scattered among various ministry and agency websites and is difficult to access if the official number or name of the regulation is unknown. It is advisable for U.S. investors to consult with local attorneys or advisors to assist with locating comprehensive regulatory information.

On the 2022 Global Innovations Index, the Dominican Republic's overall rank was 90 out of 132 nations analyzed, which is a slight improvement from its 2021 ranking. In sub-sections of the report, the Dominican Republic ranks 100 out of 132 for regulatory environment, 75 out of 132 for regulatory quality, and 76 out of 132 for rule of law.

The World Bank Global Indicators of Regulatory Governance report, using data from 2017-2018 which is periodically updated, states that Dominican ministries and regulatory agencies do not publish lists of anticipated regulatory changes or proposals intended for adoption within a specific timeframe. Law No. 107-13 requires regulatory agencies to give notice of proposed regulations in public consultations and mandates publication of the full text of draft regulations on the relevant agency’s website. Additionally, Law No. 200-04 allows citizens in general to request information from the government on a unified website: https://saip.gob.do/, and challenge in court any denial of public information. Foreign investors, however, note that these requirements are not always met in practice since not all relevant agencies provide content, those that do often do not keep the content up to date, and many businesses point out that the scope of SAIP's website content is not always adequate for investors or interested parties. U.S. businesses also reported years-long delays in the enactment of regulations supporting new legislation.

The process of public consultation is not uniform across the government. Some ministries and regulatory agencies solicit comments on proposed legislation from the public; however, public outreach is generally limited and depends on the responsible ministry or agency. For example, businesses report that some ministries upload proposed regulations to their websites or post them in national newspapers, while others may form working groups with key public and private sector stakeholders participating in the drafting of proposed regulations. Often the criteria used by the government to select participants in these informal exchanges are unclear, which at a minimum creates the appearance of favoritism and that undue influence is being offered to a handpicked (and often politically connected) group of firms and investors. Public comments received by the government are generally not publicly accessible, nor is it clear how or why certain comments are integrated and others not. Some ministries and agencies prepare consolidated reports on the results of a consultation for direct distribution to interested stakeholders. Ministries and agencies do not conduct impact assessments of regulations or ex post reviews. Affected parties cannot request reconsideration or appeal of adopted regulations, although they could challenge any of its content if deemed unconstitutional at the Constitutional Court and contest its application before the Superior Administrative Tribunal.

The Dominican Institute of Certified Public Accountants (ICPARD) is the country's legally recognized professional accounting organization and has authority to establish accounting standards in accordance with Law No. 479-08, which also declares that (as amended by Law No. 311-14) financial statements should be prepared in accordance with generally accepted accounting standards nationally and internationally. The ICPARD and the country's Securities Superintendency require the use of International Financial Reporting Standards (IFRS) and IFRS for small and medium-sized entities (SMEs).

By law, the Office of Public Credit publishes on its website a quarterly report on the status of the non-financial public sector debt, which includes a wide array of information and statistics on public borrowing (www.creditopublico.gov.do/publicaciones/informes_trimestrales.htm).

In addition to the public debt addressed by the Office of Public Credit, the Central Bank maintains on its balance sheet nearly $10 billion in "quasi-fiscal" debt. When consolidated with central government debt, the debt-to-GDP ratio is over 60 percent, and the debt service ratio is over 30 percent.

International Regulatory Considerations

As of the end of 2022, the Dominican Republic was involved in 8 dispute settlement cases with the WTO: one as complainant against Australia, eight as respondent: 3 brought by Costa Rica, 3 submitted by Honduras, 1 brought by El Salvador, and 1 presented by Guatemala: and nine as a third party. In recent years, the Dominican Republic has frequently changed technical requirements (e.g., for steel rebar imports and sanitary registrations, among others) and has failed to provide proper notification under the WTO TBT agreement and CAFTA-DR.

Legal System and Judicial Independence

The judicial branch is an independent branch of the Dominican government. According to Article 69 of the Constitution, all persons, including foreigners, have the right to appear in court. The Dominican legal system belongs to the family of civil law. Dominican legal reasoning in civil and commercial law derives mainly from French law. Contracts are enforceable in courts, but investors have complained that getting court rulings implemented by government agencies at national or municipal levels can be a struggle. There is a Civil Code and a Commercial Code, which were originally implemented in French and officially translated into Spanish and put in force in 1884. Some of these codes have since been amended and parts have been replaced, namely the Commercial Code which was basically overwritten by the General Law on Societies of Commerce and Individual Enterprises of Limited Responsibilities No. 479-08, of 11 December 2008, as modified by Law No. 31-11, 8 February 2011. Law No. 146-02 on Insurances and Securities, of 9 September 2002, and Law No. 141-15, of 7 August 2015, on the restructuring and settlements of Enterprises and Businesspeople are also key laws for commercial operations with more recent modifications. Other laws governing commercial disputes are Law No. 3-02, concerning Business Registration; Commercial Arbitration Law No. 489-08; and Law No. 126-02, concerning e-Commerce and Digital Documents and Signatures.

While Dominican law mandates overall time standards for the completion of key events in a civil case, these standards frequently are not met. To expedite cases and judicial processes, President Abinader enacted Law No. 399-22, of 21 July 2022, on the regulation of digital means for certain judicial processes and administrative procedures. The Supreme Court has also implemented measures to digitize operations, improve access and transparency in court procedures, and expedite judicial processes. In 2020 the World Bank noted that resolving complaints raised during the award and execution of a contract can take more than four years in the Dominican Republic, although some take longer. Dominican nationals and foreigners alike have the constitutional right to submit their cases to an appeal court or to request the Supreme Court review (*recurso de casación* in Spanish) the ruling of a lower court. If a violation of fundamental rights is alleged, the Constitutional Court might also review the case with the authority to nullify the Supreme Court's judgment. Nonetheless, Law No. 137-11, which regulates the procedure before the Constitutional Court, establishes a high standard for the admissibility of such cases, and the suspension of the execution should be formally requested and granted by the aforementioned court.

Notwithstanding, investors complain of significant delays in obtaining a decision by the Judiciary, that the local court system is unreliable or biased against them, and that special interests and powerful individuals are able to use the legal system in their favor. Others who have successfully won in courts, have struggled to get their ruling enforced. Several large U.S. firms cite the improper and disruptive use of lower court injunctions as a way for local distributors to obtain more beneficial settlements at the end of contract periods. To engage effectively in the Dominican market, many U.S. companies seek local partners that are well-connected and understand the local business environment, but even this is a not a guarantee.

While the law provides for an independent judiciary, businesses and other external groups have noted that traditionally the government did not respect judicial independence or impartiality, and improper influence on judicial decisions was widespread. The Abinader administration has made a concerted effort to respect the autonomy of the Attorney General's Office and the public prosecutor in general, and investors have noted improvements. The Abinader administration proposed a constitutional amendment to strengthen the independence of the Office of the Attorney General, but it did not pass the Dominican legislature due to a lack of political support by the opposition, who interpreted it as a move to modify the electoral system. As recently as February 2023, the administration indicated that it would propose a bill to create a new ministry of justice to refocus the office of the attorney general on criminal investigations exclusively, while assigning administrative responsibilities, such as the monitoring of the penitentiary system, to the new ministry.

Laws and Regulations on Foreign Direct Investment

The legal framework supports foreign investment. Article 221 of the Constitution declares that foreign investment shall receive the same treatment as domestic investment. Foreign Investment Law No. 16-95 states that unlimited foreign investment is permitted in all sectors, with a few exceptions. According to the law, foreign investment is not allowed in the following categories: a) disposal and remains of toxic, dangerous, or radioactive garbage not produced in the country; b) activities affecting the public health and the environmental equilibrium of the country, pursuant to the norms that apply in this regard; and c) production of materials and equipment directly linked to national defense and security, except for an express authorization from the Executive. Law No. 285-04 on Migration also establishes a special residence regime for investors.

The Export and Investment Center of the Dominican Republic (ProDominicana, formally known as CEI-RD) aims to be the one-stop shop for investment information, registration, and investor after-care services. ProDominicana maintains a website that indicates the government's priority sectors for inward investment and provides information on the services it can provide to support investors (https://prodominicana.gob.do). While the website provides information on the laws governing foreign investment and the incentives from which an investor can benefit generally, information on sector specific incentives was not available.

In February 2020, the Dominican government enacted the Public-Private Partnerships (PPP) Law No. 47-20 to establish a regulatory framework for the initiation, selection, award, contracting, execution, monitoring and termination of PPPs in line with the 2030 National Development Strategy of the Dominican Republic. The law also created the General Directorate of Public-Private Partnerships (DGAPP) as the agency responsible for the promotion and regulation of public-private alliances and the National Council of Public-Private Partnerships as the highest body responsible for evaluating and determining the relevance of the PPPs. The PPP law recognizes public-private and public-private non-profit partnerships from public or private initiatives and provides for forty-year concession contracts, five-year exemptions of the tax on the transfer of goods and services (ITBIS), and accelerated depreciation and amortization regimes. The DGAPP website has the most up to date information on PPPs (https://dgapp.gob.do/en/home/).

In February 2022, the Dominican Republic's General Directorate of Internal Taxes (DGII) proposed to extend the existing 18 percent value added tax known as the ITBIS to digital services and published the draft regulation on its website (https://dgii.gov.do/Paginas/default.aspx) for public comment. As of February 2023, the DGII was consulting with the Legal Advisor to the President on revisions to the draft regulation. This tax may affect streaming platforms, as well as users of Airbnb, Uber, Didi, and Spotify.

In September 2022, President Abinader submitted a bill on electronic invoicing, which will require businesses to digitize their tax accounting and claims processes, which should lead to more expedient interactions with the DGII. The Senate passed the bill in January 2023, and it is now pending the approval of the Chamber of Deputies. Once approved, large taxpayers will have 12 months to implement it, whereas medium and small taxpayers will have 24 months to comply with the new regulation. Approximately 175 taxpayers are currently using the electronic invoicing program and 170 are in the certification phase. Voluntary participants could benefit from a monetary incentive from early enrollment, consisting of a tax credit certificate, which may be attributed in any of the following tax obligations: income tax advances, Tax on the Transfer of Industrialized Goods and Services (ITBIS), Income Tax or Asset Tax. To benefit from this incentive, taxpayers must comply with certain requirements established by law, such as the validation with tax receipts of the expenses used for the implementation of electronic invoicing. In the case of micro, small and medium-sized enterprises, the amount of the tax credit certificate may range from $450-5,500 (RD 25,000 - $300,000), depending on the classification. For large companies, the maximum limit of the certificate will be around $36,300 (RD $ 2,000,000) and may not exceed 10 percent of the tax paid in the annual income tax return of fiscal year 2019.

In January 2023, President Abinader enacted Law No. 5-23 on maritime commerce, which regulates the facts and legal relationships related to national and foreign maritime vessels, as well as those arising from transport and other maritime activities, to ensure and protect the legitimate rights and interests of the parties involved and at the same time promote the security and development of the maritime sector, the economy, and trade in the country. This new piece of legislation expanded a previously sparse section of law.

Competition and Antitrust Laws

The General Law for the Defense of Competition No. 42-08 governs commercial competition rules and establishes the National Commission for the Defense of Competition (ProCompetencia), granting it the power to review transactions for competition-related concerns. In practice, many sectors of the local economy demonstrate oligopolistic characteristics. Private sector contacts note that strong public pressure is required for ProCompetencia to act. Furthermore, the decisions of ProCompetencia can be challenged before the Superior Administrative Tribunal (TSA). The TSA's ruling can be revised through a *recurso de casación* by the Supreme Court of Justice (SCJ), and if there was a constitutional violation, the case could be heard by the Constitutional Court. The OECD announced in 2022 that it will conduct a "Peer

Review” for ProCompetencia as part of the Latin American and Caribbean Competition Forum 2023 (FLACC).

Over the past year, ProComptencia has carried out a concerted effort to inform and educate the general public on the value of free and fair economic competition. It also carried out a workshop, to identify ways to strengthen the legal and administrative frameworks for competition in the country. Focusing on gaps and challenges in the form and application of Law No. 42-08, the session identified the key elements needed for a more effective competition law and areas for improvement to be addressed through new policies, strengthened investigative and enforcement capacities, and improved interagency collaboration. ProCompetencia is still in the process of drafting modifications for the law.

Expropriation and Compensation

The Dominican constitution permits the government's exercise of eminent domain after the President has declared a plot of land for public use by official decree; however, it also mandates fair market compensation in advance of the use of seized land. Nevertheless, there are many outstanding disputes between U.S. investors and the Dominican government concerning unpaid government contracts or expropriated property and businesses, as well indirect expropriation. Property claims make up the majority of cases. Most, but not all, expropriations have been used for infrastructure or commercial development and many claims remain unresolved for years. The Abinader administration has committed to resolve disputes over land title before government use, but in some cases the matters are protracted and there are multiple claims to the same piece of land.

Traditionally, investors and lenders have reported that they typically do not receive prompt payment of fair market value for their losses. They have complained of difficulties in the subsequent enforcement even in cases in which the Dominican courts, including the Supreme Court, have ordered compensation or when the government has recognized a claim. In other cases, some indicate that lengthy delays in compensation payments are blamed on errors committed by government-contracted property assessors, slow processes to correct land title errors, a lack of budgeted funds, and other technical problems. There are also cases of regulatory action that investors say could be viewed as indirect expropriation. For example, they note that government decrees mandating atypical setbacks from roads, or establishing new protected areas can deprive investors of their ability to use purchased land in the manner initially planned, substantially affecting the economic benefit sought from the investment.

Many companies report that the procedures to resolve expropriations lack transparency. Government officials are rarely, if ever, held accountable for failing to pay a recognized claim or failing to pay in a timely manner.

Dispute Settlement

ICSID Convention and New York Convention

In 2000, the Dominican Republic signed the International Center for the Settlement of Investment Disputes (Washington Convention; however, the Dominican Congress did not ratify the agreement as required by the Constitution). In 2001, the Dominican Republic became a contracting state to the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). The agreement entered into force by Congressional Resolution No. 178-01.

Investor-State Dispute Settlement

The Dominican Republic has entered into 12 bilateral investment treaties that are in force, most of which contain dispute resolution provisions that submit the parties to arbitration.

As a signatory to CAFTA-DR, the Dominican Republic is bound by the investment chapter of CAFTA-DR, which submits the Parties to arbitration under either the ICSID or the United Nations Commission on International Trade Law (UNCITRAL) rules. There have been three U.S. investor-state dispute cases filed against the Dominican Republic under CAFTA-DR. One case was settled; in the other two, an arbitration panel found in favor of the government.

Dual nationals of the United States and Dominican Republic should be aware that their status as a Dominican national might interfere with their status as a "foreign" investor if they seek dispute settlement under CAFTA-DR provisions. U.S. citizens who contemplate pursuing Dominican naturalization for the ease of doing business in the Dominican Republic should consult with an attorney about the risks that may be raised by a change in nationality with regard to accessing the dispute settlement protections provided under CAFTA-DR.

According to the KnowYourCountry's "Dominican Republic: Risk and Compliance Report" from 2018, U.S. investors have had to resort to legal action against the Dominican government and parastatal firms to seek relief regarding payments, expropriations, contractual obligations, or regulatory obligations (https://www.knowyourcountry.com/domrep). Regardless of whether they are located in a free-trade zone, companies have problems with dispute resolution, both with the Dominican government and with private-sector entities. The investors range from large firms to private individuals. In several instances, investors have been seeking resolution to their claims through local or international legal systems for over a decade.

For its part, the Dominican Republic has taken an important step towards dispute prevention by creating, through Decree No. 303-15 of October 1, 2015, the System for the Prevention of Disputes Arising from WTO Agreements, Free Trade Treaties, and International Investment Treaties with the objective of optimizing public sector responses and coordination in the face of international disputes and propitiating timely and appropriate warning and attention. Likewise, the Decree declares of public interest the prevention, attention, and effective defense of this type of disputes and empowers the Trade Office of the Ministry of Industry, Commerce, and Micro, Small, and Medium Enterprises as the lead agency for the management of this system. With the support of the World Bank, the government is conducting an initial diagnosis to determine what type of problems are most commonly faced by investors and in which sectors; in which agencies most of the problems originate and what type of investors are affected. The objective of this diagnosis is to determine to which investors the system will be applied, at what level of government it will be applied (executive, legislative, judicial) and whether it will have horizontal or sectoral, national, or state coverage.

International Commercial Arbitration and Foreign Courts

Law No. 489-08 on commercial arbitration governs the enforcement of arbitration awards, arbitral agreements, and arbitration proceedings in the Dominican Republic. Per Law No. 489-09, arbitration may be ad-hoc or institutional, meaning the parties may either agree on the rules of procedure applicable to their claim, or they may adopt the rules of a particular institution. Fundamental aspects of the United Nations Commission on International Trade (UNCITRAL) model law are incorporated into Law No. 489-08. In addition, Law No. 181-09 created an institutional procedure for the Alternative Dispute Resolution Center of the Chamber of Commerce Santo Domingo (http://www.camarasantodomingo.do/).

Foreign arbitral awards are enforceable in the Dominican Republic in accordance with Law No. 489-08 and applicable treaties, including the New York Convention. U.S. investors complain that the judicial process is slow and that domestic claimants with political connections have an advantage.

Bankruptcy Regulations

Law No. 141-15 provides the legal framework for bankruptcy. It allows a debtor company to continue to operate for up to five years during reorganization proceedings by halting further legal proceedings. It also authorizes specialized bankruptcy courts; contemplates the appointment of conciliators, verifiers, experts, and employee representatives; allows the debtor to contract for new debt which will have priority status in relation to other secured and unsecured claims; stipulates civil and criminal sanctions for non-compliance; and permits the possibility of coordinating cross-border proceedings based on recommendations of the UNCITRAL Model Law of 1997. In March 2019, a specialized bankruptcy court was established in Santo Domingo.

The Dominican Republic scores lower than the regional average and comparator economies on resolving insolvency on most international indices.

4. Industrial Policies

Investment Incentives

Investment incentives exist in various sectors of the economy, which are available to all investors, foreign and domestic. Incentives typically take the form of preferential tax rates or exemptions, preferential interest rates or access to finance, or preferential customs treatment. Sectors where incentives exist include agriculture, construction, energy, film production, manufacturing, and tourism.

Incentives for manufacturing apply principally to production in free trade zones (discussed in the subsequent section) or for the manufacturing of textiles, pharmaceutical products, tobacco and derivatives, clothing, and footwear specifically under Law No. 84-99 on Re-activation and Promotion of Exports and No. 56-07 on Special Tax Incentives for the Textile Sector. Additionally, Law No. 392-07 on Competitiveness and Industrial Innovation provides a series of incentives that include exemptions on taxes and tariffs related to the acquisition of materials and machinery and special tax treatment for approved companies.

Special Zones for Border Development, created by Law No. 28-01, encourage development near the Dominican Republic-Haiti border. Law No. 12-21, passed in February 2021, modified and extended incentives for direct investments in manufacturing projects in the Zones for a period of 30 years. Incentives still largely take the form of tax exemptions but can be applied for a maximum period of 30 years, versus the 20 years in the original law. These incentives include the exemption of income tax on the net taxable income of the projects, the exemption of sales tax, the exemption of import duties and tariffs and other related charges on imported equipment and machinery used exclusively in the industrial processes, as well as on imports of lubricants and fuels (except gasoline) used in the processes. Provinces included in the Zones are Montecristi, Dajabón, Elías Piña, Independencia, Pedernales, Baoruco and Santiago Rodríguez. Some 82 companies operate in 7 provinces of the border area, taking advantage of the incentive regime contemplated in Law No. 12-21, which generate more than 12,000 jobs, positively impacting the development of those territories. More than 60 percent of the companies belong to the agro-industrial sector, 20 percent to manufacturing, and the rest to services and mining.

Tourism is a particularly attractive area for investment and one the government encourages strongly. Law No. 158-01 on Tourism Incentives, as amended by Law No. 195-13, and its regulations, grants wide-ranging tax exemptions, for fifteen years, to qualifying new projects by local or international investors. The projects and businesses that qualify for these incentives are: (a) hotels and resorts; (b) facilities for conventions, fairs, festivals, shows and concerts; (c) amusement parks, ecological parks, and theme parks; (d) aquariums, restaurants, golf courses, and sports facilities; (e) port infrastructure for tourism, such as recreational ports and seaports; (f) utility infrastructure for the tourist industry such as aqueducts, treatment plants, environmental cleaning, and garbage and solid waste removal; (g) businesses engaged in the promotion of cruises with local ports of call; and (h) small and medium-sized tourism-related businesses such as shops or facilities for handicrafts, ornamental plants, tropical fish, and endemic reptiles.

For existing projects, hotels and resort-related investments that are five years or older are granted complete exemption from taxes and duties related to the acquisition of the equipment, materials and furnishings needed to renovate their premises. In addition, hotels and resort-related investments that are fifteen years or older will receive the same benefits granted to new projects if the renovation or reconstruction involves 50 percent or more of the premises.

In addition, individuals and companies receive an income tax deduction for investing up to 20 percent of their annual profits in an approved tourist project. The Tourism Promotion Council (CONFOTOUR) is the government agency in charge of reviewing and approving applications by investors for these exemptions, as well as supervising and enforcing all applicable regulations. Once CONFOTOUR approves an application, the investor must start and continue work in the authorized project within a three-year period to avoid losing incentives.

The Dominican Republic encourages investment in the renewable energy sector. Under Law 57-07 on the Development of Renewable Sources of Energy, investors in this area are granted, among other benefits, the following incentives: (a) no custom duties on the importation of the equipment required for the production, transmission and interconnection of renewable energy; (b) no tax on income derived from the generation and sale of electricity, hot water, steam power, biofuels or synthetic fuels generated from renewable energy sources; and (c) exemption from the goods and services tax in the acquisition or importation of certain types of equipment. Foreign investors praise the provisions of the law but have historically expressed frustration with approval and execution of potential renewable energy projects. Ongoing reforms to the energy sector discussed in Section 7 on State-Owned Enterprises should alleviate some of these concerns and have already enabled the completion of several solar power concessions over the past year.

The Dominican government does not currently have a practice of jointly financing foreign direct investment projects. However, in some circumstances, the government has authority to offer land or infrastructure as a method of attracting and supporting investment that meets government development goals. Anticipated reforms to government-owned asset management (See Section 7) may change the institutional actors and framework for engaging with government-owned resources.

In February 2020, the government passed a law on public-private partnerships (PPPs) that may encourage high-quality infrastructure projects and help catalyze private sector-led economic growth. In 2020, the Abinader administration officially launched the DGAPP as the government office responsible for planning, executing, and overseeing investment projects financed via PPPs. Their website has the most up to date information on their initiatives and mandates (https://dgapp.gob.do/en/home/).

In 2020, the government announced a special incentive plan to promote high-quality investment in tourism and infrastructure in the southwest region of Pedernales and on February 5, 2023, President Abinader headlined the groundbreaking for the first two Pedernales-Cabo Rojo Tourism Development Project resorts under the Pro-Pedernales public-private alliance. According to the DGAPP, Pro-Pedernales contemplates works for an amount that exceeds $2.245 billion in the next 10 years and includes nine hotels, an international airport, a shopping center, an aqueduct, a wastewater treatment plant, water and sanitation works, an electric transmission system, the Enriquillo-Pedernales highways, and improvement or development of internal roads in Cabo Rojo. The works fall under the supervision of the Pro-Pedernales public-private alliance and the DGAPP. The Ministry of Environment and Natural Resources issued environmental license 0483-23, for the construction and operation of the project "Pedernales Tourism Development Plan" in Cabo Rojo. The plan includes a study of the tourist carrying capacity for the area, a manual of socio-environmental management guidelines for construction works, as well as an environmental management manual for construction companies.

Foreign Trade Zones/Free Ports/Trade Facilitation

Law No. 8-90 on the Promotion of Free Zones from 1990 governs operations of the Dominican Republic's free trade zones (FTZs), while the National Council of Free Trade Zones for Export (CNZFE) exercises regulatory oversight. The law provides for complete exemption from all taxes, duties, charges, and fees affecting production and export activities in the zones.

CNZFE delineates policies for the promotion and development of Free Trade Zones, as well as approving applications for operating licenses, with discretionary authority to extend the time limits on these incentives. CNZFE is comprised of representatives from the public and private sectors and is chaired by the Minister of Industry and Commerce.

As of December 2022, the country had 84 parks nationwide, mostly managed by the private sector or under a public-private agreement. Seven-hundred seventy-eight companies, employing 379,900 people, operate across the parks with a total accumulated investment to 2021 amounting to $5.903 billion dollars, of which about 80 percent is of foreign origin. While free zones represented 3.6 percent of GDP in 2021 directly, when taking into account the impact of their purchases and the demand generated by the chain's employees, the total impact on GDP increased to 7.6 percent. The top exports from FTZs are medical and pharmaceutical products, tobacco and derivatives, apparel and textiles, jewelry, electronics, and footwear. Estimates for 2023 predict over $500 million in additional investments and creation of 32,500 direct jobs.

Border FTZs located in one of the seven provinces along the Dominican-Haitian border benefit from incentives for a 30-year period, while those located throughout the rest of the country benefit for a 15-year period. Companies operating in the FTZs do pay tax on the purchase of locally sourced inputs and relevant taxes do apply when products produced in FTZs are sold in the Dominican market.

In general, firms operating in the FTZs report fewer bureaucratic and legal problems than do firms operating outside the zones. Foreign currency flows from the FTZs are handled via the free foreign exchange market. Foreign and Dominican firms are afforded the same investment opportunities both by law and in practice and Dominican companies operating in or adjacent to the FTZs benefit from exposure to international business standards and best practices.

Exporters/investors seeking further information from the CNZFE may contact:

Consejo Nacional de Zonas Francas de Exportación
Leopoldo Navarro No. 61
Edif. San Rafael, piso no. 5
Santo Domingo, Dominican Republic
Phone: (809) 686-8077
Fax: (809) 686-8079
Website: http://www.cnzfe.gov.do

Performance and Data Localization Requirements

The host government does not have a forced localization policy to compel foreign investors to use domestic content in goods or technology.

There are no performance requirements as there is no distinction between Dominican and foreign investment. Investment incentives are applied uniformly to both domestic and foreign investors in accordance with World Trade Organization (WTO) requirements. In addition, there are no requirements for foreign IT providers to turn over source code or provide access to encryption.

Law No. 172-13 on Comprehensive Protection of Personal Data restricts companies from freely transmitting customer or other business-related data inside the Dominican Republic or beyond the country's borders. Under this law, companies must obtain express written consent from individuals to transmit personal data unless an exception applies. The Superintendency of Banks currently supervises and enforces these rules, but its jurisdiction generally covers banks, credit bureaus, and other financial institutions. Industry representatives recommend updating this law to designate a national data protection authority that oversees other sectors.

5. Protection of Property Rights

Real Property

The Dominican Constitution guarantees the right to own private property and provides that the state shall promote the acquisition of property, especially titled real property, however, a patchwork history of land titling systems and sometimes violent political change has complicated land titling in the Dominican Republic. By law, all land must be registered, and that which is not registered is considered state land. There are no restrictions or specific regulations on foreigners or non-resident owners of land. Registering property in the Dominican Republic requires 6 steps, an average of 33 days, and payment of 3.4 percent of the land value as a registration fee.

Land tenure insecurity has been fueled by government land expropriations, institutional weaknesses, lack of effective law enforcement, and local community support for land invasions and squatting. Political expediency, corruption, and fraud have all been cited as practices that have complicated the issuance of titles or respect for the rights of existing title holders. Moreover, while on the decline, long-standing titling practices, such as issuing provisional titles that are never completed or providing titles to land to multiple owners without requiring individualization of parcels, have created ambiguity in property rights and undermined the reliability of existing records.

In the last decade, the Dominican government received a $10-million, Inter-American Development Bank (IDB) loan to modernize its property title registration process, address deficiencies and gaps in the land administration system, and strengthen land tenure security. The project involved digitization of land records, decentralization of registries, establishment of a fund to compensate people for title errors, separation of the legal and administrative functions within the agency, and redefinition of the roles and responsibilities of judges and courts.

In 2008, the country transitioned to a new system based on GPS coordinates and has been working towards establishing clear titles, but, in March 2021, an industry source estimated that only 25 percent of all land titles were clear. The government advises that investors are ultimately responsible for due diligence and recommends partnering with experienced attorneys to ensure that all documentation, ranging from title searches to surveys, have been properly verified and processed.

Mortgages and liens do exist in the Dominican Republic. The Title Registry Office maintains the system for recording titles, as well as a complementary registry of third-party rights, such as mortgages, liens, easements, and encumbrances. Property owners maintain ownership of legally purchased property whether unoccupied or occupied by squatters, however, it can be difficult and costly to enforce private rights against squatters. This may in part be due to a provision in the law known as “adverse possession,” which allows squatters to acquire legal ownership of land without a title (thereby state-owned).

For investors in the tourism sector, it is important to note that the Dominican constitution guarantees public access to all beaches in the Dominican Republic. Disputes have arisen over whether this passage ensures access to sand or to the coast and may create legal risks for investors as coastlines change over time. In addition, investors or owners that might have property demarcated for sale when environmental sciences were not as developed are now subject to laws prohibiting private development any closer than 60 meters from the tideline. Some local interest groups recently have used environmental and public access laws to block the development of land for tourist purposes by international investors.

In the agricultural sector, the practice under the most recent agrarian reform program carried out in the early 80s, where the government distributed small plots of land for agricultural use without also issuing titles or lease contracts, has in many cases prevented the sector from expanding, mechanizing, or developing economies of scale. State-owned land is often designated for specific economic purposes but leases to use such land for its designated purpose can be obtained via lease agreements with the General Directorate of National Assets at favorable terms. These agreements have had a particularly positive benefit for agro-industrial companies.

Intellectual Property Rights

The Dominican Republic has strong intellectual property rights (IPR) laws and is meeting its IP obligations under international agreements such as the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Nevertheless, weak institutions and limited enforcement can present challenges for investors. The institutions responsible for protecting rights holders and enforcing IPR laws still lack capacity despite significant efforts in the first two years of the Abinader administration. IP authorities have built on efforts undertaken in the early days of the Abinader administration and continued to receive positive reports on their efforts to enforce IPR from industry representatives in 2022. However, many agencies continue to be under resourced, a reality that is unlikely to change in a contracting fiscal environment. Illicit and counterfeit goods, as well as online and signal piracy, are common and continue to present challenges for authorities. In the Dominican Republic, illicit or counterfeit goods include the full gamut of fashion apparel and accessories, electronics, pharmaceuticals, cosmetics, cigarettes, and alcohol.

Several IP authorities in the Dominican Republic grant intellectual property rights. The National Office of Industrial Property (ONAPI) issues trademarks and patents, the National Copyright Office (ONDA) issues copyrights, the Ministry of Public Health and Social Assistance (MISPAS) issues sanitary registrations required for marketing foods, pharmaceuticals, and health products, and the Directorate of International Trade has jurisdiction over the implementation of geographical indications. IPR registration processes have improved in recent years but delays and questionable adjudication decisions are still common. ONAPI started e-filing services for patents, which has helped make the registration process more efficient. However, ONDA continues to be hampered by lack of expertise and resources. The agency has the authority to investigate copyright violations but continued to shirk its responsibility of submitting formal requests to the telecommunications regulator (Indotel) to cancel licenses of those using pirated signals. As a result, copyright enforcement and prosecutions have been nonexistent.

IPR Enforcement is carried out by the Customs Authority (DGA), the National Police, the National Copyright Office (ONDA), the Dominican Institute of Telecommunications (Indotel), the Special Office of the Attorney General for Matters of Health, and the Special Office of the Attorney General for High Tech Crimes.

In October 2021 the Deputy Attorney General formed the National Advisory Council for Intellectual Property. The Council is modeled after the U.S. National Intellectual Property Rights Coordination Center and was finally approved by Presidential Executive Order 776-22 in December 2022. The Council is headed by the Ministry of Industry and Commerce and vested with the legal authority to delegate roles and responsibilities to the different IPR agencies thus creating a formal institutionalized process to hold the IPR agencies accountable that has been missing. This Council is in addition to the already functional interagency working group that has led to more coordination between the various IP agencies and the private sector. As a result, prosecution case counts have risen from 73 cases in 2018 to 217 cases in 2021. Additionally, the prospector's office is investigating more cases outside of the capital region. From 2018-2020 the prosecutor's office investigated 268 cases. In 2021 alone the office investigated 468 cases and 584 cases in 2022. This can be attributed to better training of prosecutors at the regional level. The Attorney General's IP Unit worked with ONAPI and ONDA and opened an IPR training academy in February 2021. The training academy has ensured there are 40 specialized prosecutors, one trained IPR expert in each of the country's 36 jurisdictions plus four for the national district.

Since 2003, the U.S. Trade Representative (USTR) has designated the Dominican Republic as a Special 301 Watch List country for serious IPR deficiencies. The country, however, is not listed in USTR's Review of Notorious Markets for Counterfeiting and Piracy. The Abinader administration is committed to getting the Dominican Republic removed from the Special 301 Watch List.

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en.

6. Financial Sector

Capital Markets and Portfolio Investment

The local private bond market in the Dominican Republic has made some progress in recent years, mainly in terms of better market regulation and diversification of issuers. However, the capital market remains underdeveloped. The private sector has access to a variety of credit instruments; however, access to private capital has been constrained by shallow and underdeveloped domestic capital markets, with many banks preferring to focus their private sector lending on real estate transactions. Private sector credit to GDP stood at just 30.5 percent in 2021 – below even the World Bank's Least Developed Countries (LDC) average of 33 percent – and of this figure, the private bond market contributes just 1.5 percent, according to a 2022 OECD study. Foreign investors often prefer to seek credit in less expensive offshore sources. The Central Bank regularly issues certificates of deposit using an auction process to determine interest rates and maturities.

In 2020, a securitization company, TIDOM, made the first issuance of mortgage-backed securities in the history of the Dominican Republic in order to promote the development of a mortgage market. Other sectors (e.g. construction, oil and mining) have also entered the market. The main issuers come from the financial sector (61% of total issuances between 2013 and 2020) and electricity and road maintenance companies (34% of total issuances between 2013 and 2020). The electricity companies mainly issued foreign currency-denominated bonds. The issuance of USD-denominated bonds is mostly recommended to companies whose income is at least partially generated in foreign currency, as it reduces exchange rate risks in its balance sheet and hence the cost of financing. Most of the bonds (86% of the total) were issued with a maturity greater than five years, demonstrating that the private market allows companies to obtain medium-term financing.

The first mutual fund was approved in the Dominican Republic in 2012; since then, 56 mutual funds have been approved (22 closed funds and 34 open funds), reaching over $65 million in assets under management (3.5% of GDP on average). Fixed income funds are the predominant players in the market (51.8% of approvals), followed by development funds (26.8%) and real estate funds (19.6%). Shareholders of mutual funds have also skyrocketed since 2015, when mutual funds only had 1,861 shareholders. As of 2022, 26,768 individuals and firms have invested in mutual funds, a 14-fold increase since 2015.

Both the Ministry of Finance and the Central Bank have issued public bonds with similar maturities but with insufficient co-ordination about the issuance date, exact maturity, interest rate, type of securities or placement method. In recent years, coordination across both institutions has been strengthened, but there are still areas for improvement. The Abinader Administration reasserted in 2022 that it is pro-investment and assured that anyone who wants to invest and create jobs will have the full support of the government and added that there are many areas in which we must invest more and better. The administration also committed to get the country to Investment Grade within ten years, saying doing so will bring tangible benefits in the form of greater foreign investment, lower interest rates, and more access to credit. Weak institutions and high public debt have been cited as key challenges for the country's efforts to achieve Investment Grade status.

The Dominican Stock Market (BVRD by its Spanish acronym) is the only stock exchange in the Dominican Republic. It began operations in 1991 and is viewed as a cornerstone of the country's integration into the global economy and domestic development. It is regulated by the Securities Market Law No. 249-17 and supervised by the Superintendency of Securities, which approves all public securities offerings.

On August 6, 2021, the Law No. 163-21 for the Promotion of the Placement and Marketing of Publicly Offered Securities in the Stock Market of the Dominican Republic was enacted as a complement to Law No. 249-17, to promote the issuance of shares by private and public companies. This law declares of national interest the promotion and development of the public offering of securities as a financing mechanism for the revitalization of the national economy, with special emphasis on the issuance of shares of private and public companies in the stock market of the Dominican Republic. Among the incentives proposed by Law No. 163-21, is the exemption of listed companies from the 1 percent tax for capital increase when they issue new shares during their first three years of validity. Likewise, during that same 3-year period, the law reduces to 15 percent the rate of Income Tax applicable to Capital gains generated by the seller of a share listed on the stock exchange.

In recent years, the local stock market has continued to expand, in terms of the securities traded on the BVRD. On April 04, 2022, the Superintendency of Securities approved the first initial public offering of the Dominican Republic. Most of the securities traded in the BVRD are fixed-income securities issued by the Dominican State.

Money and Banking System

The Dominican Republic's financial sector is relatively stable, and the IMF declared the financial system satisfactory during their 2022 Article IV consultations, however, IMF directors agreed that while the financial system remains resilient and continues to support the economy despite the unwinding of pandemic-related regulatory flexibility, it would benefit from enhancing the bank resolution framework to align it with best practices.

According to the first National Financial Inclusion Survey from the Central Bank, published on March 22, 2020, only 46.3 percent of Dominicans have a bank account. Financial depth is relatively constrained. Private lending to GDP (around 31.8 percent, according to the IMF) is low by international and regional standards, representing around half the average for Latin America. Real interest rates, driven in part by large interest rate spreads, are also relatively high. The country's relatively shallow financial markets can be attributed to a number of factors, including high fiscal deficits crowding out private investment; complicated and lengthy regulatory procedures for issuing securities in primary markets; and high levels of consolidation in the banking sector.

Dominican banking consists of 112 entities, as follows: 49 financial intermediation entities (including large commercial banks, savings and loans associations, financial intermediation public entities, credit corporations), 41 foreign exchange and remittance agents (specifically, 35 exchange brokers and 6 remittances and foreign exchange agents), and 24 trustees. According to the latest available information (January 2023), total bank assets were $53.04 billion, up more than 2-fold from 2013 when the sector registered assets at $24 billion. This sustained growth of the national financial sector is accompanied by highly favorable solvency indicators, with 16.8 percent, well above the minimum 10 percent required by local and external regulatory bodies. The 49 financial entities active and regulated by the Banking Superintendency hold a loan portfolio, as of January 2023, in the order of $28.8 billion, with just over 5.3 million current loans and 2.1 million unique debtors. The three largest banks hold 70.5 percent of the total assets – BanReservas 34.1 percent, Banco Popular 21.1 percent, and Banco BHD 15.3 percent. While full-service bank branches tend to be in urban areas, several banks employ sub-agents to extend services in more rural areas. Technology has also helped extend banking services throughout the country.

The Monetary and Banking system is regulated by the Monetary and Financial Law No. 183-02, and is overseen by the Monetary Board, the Central Bank, and the Superintendency of Banks. The mission of the Central Bank is to maintain the stability of prices, promote the strength and stability of the financial system, and ensure the proper functioning of payment systems. The Superintendency of Banks carries out the supervision of financial intermediation entities, in order to verify compliance by said entities with the provisions of the law.

Foreign banks may establish operations in the Dominican Republic, although it may require a special decree for the foreign financial institution to establish domicile in the country. Foreign banks not domiciled in the Dominican Republic may establish representative offices in accordance with current regulations. To operate, both local and foreign banks must obtain the prior authorization of the Monetary Board and the Superintendency of Banks. Major U.S. banks have a commercial presence in the country, but most focus on corporate banking services as opposed to retail banking. Some other foreign banks offer retail banking. There are no restrictions on foreigners opening bank accounts, although identification requirements do apply.

Foreign Exchange and Remittances

Foreign Exchange

The Dominican exchange system is a market with free convertibility of the peso. Economic agents perform their transactions of foreign currencies under free market conditions. There are generally no restrictions or limitations placed on foreign investors in converting, transferring, or repatriating funds associated with an investment.

The Central Bank sets the exchange rates and practices a managed float policy. Some firms have had repeated difficulties obtaining dollars during periods of high demand. Importers may obtain foreign currency directly from commercial banks and exchange agents. The Central Bank participates in this market in pursuit of monetary policy objectives, buying or selling currencies and performing other operations in the market to minimize volatility.

Remittance Policies

Law No. 16-95 on Foreign Investment in the Dominican Republic grants special allowances to foreign investors and national individuals residing abroad who make contributions to a company operating in the Dominican Republic. It regulates the types of investments, the areas of investment, and the rights and obligations of investors, among others. Decree No. 214-04 on the Registration of Foreign Investment in the Dominican Republic establishes the requirements for the registration of foreign investments, the remittance of profits, the repatriation of capital, and the requirements for the sale of foreign currency, among other issues related with investments.

Foreign investors can repatriate or remit both the profits obtained and the entire capital of the investment without prior authorization of the Central Bank. Article 5 of the aforementioned decree states that "the foreign investor, whose capital is registered with the CEI-RD, shall have the right to remit or repatriate it…"

Sovereign Wealth Funds

The Dominican government does not maintain a sovereign wealth fund.

7. State-Owned Enterprises

The legacy of autocratic rule in the mid-twentieth century and the practice of distributing social services as political patronage have resulted in a larger role for state-actors in the Dominican economy than in the United States. Since 1997, when the General Law of Reform of Public Companies No. 141-97 was approved, State-Owned Enterprises (SOEs) have been on the decline and do not have as significant a presence in the economy as they once did, with most functions now performed by privately held firms. Notable exceptions are in the electricity, banking, mining, and refining sectors.

The Dominican Corporation of State Enterprises (CORDE) was established by Law No. 289 of June 30, 1966, with the purpose of managing, directing, and developing all the productive and commercial companies, goods, and rights ceded by the Dominican State as a result of the death of the dictator Rafael Leónidas Trujillo. Among the state-owned companies that came to be managed by CORDE are the salt, gypsum, marble, and pozzolana mines. In 2017, the dissolution of CORDE was entrusted to a Commission chaired by the Legal Consultancy of the Executive Power, which assumed the operational, administrative, and financial management of this entity until the dissolution process was definitively completed. Within the framework of the dissolution process of CORDE, the ownership of the mining concessions of the Dominican State was transferred to the Patrimonial Fund of Reformed Companies (FONPER) through the Mining Concessions Transfer Agreement between CORDE and FONPER dated July 2, 2020.

Shortly after being sworn into office, in August 2020, President Abinader issued Decree No. 422-20 forming the Commission for the Liquidation of State Organs (CLOE) under the charge of the Ministry of the Presidency. Since then, the CLOE has been in the process of dissolution and liquidation of CORDE, and on December 8, 2020, CLOE requested the FONPER Board of Directors revoke the Concessions Transfer Agreement. FONPER's Board of Directors approved the revocation through Minutes No. 02-2021 of March 11, 2021, authorizing the president of FONPER to sign an agreement with CLOE that revokes and nullifies the Transfer Agreement. In 2021, the executive branch transferred the functions and properties of the State Sugar Council (CEA) to the Directorate General of National Assets (Dirección General de Bienes Nacionales). The State Sugar Council maintains one remaining sugar mill, Porvenir. According to DIGECOG, the State Sugar Council continues to receive resources from the Central Government to the tune of $2 million in 2022 but did not present their financial statements or budget execution documents at years end "since [it is] in the process of dissolution." President Abinader began the elimination of the CEA, in October 2020, when he submitted to Congress the draft law that provides for the suppression of that entity. Similarly, the Dominican Corporation of State-owned Electric Companies (CDEEE), received some $1.6 billion for the 2022 fiscal year and was described as in a state of dissolution despite the decree calling (No. 342-20) for its liquidation having been promulgated more than two and a half years ago on August 16, 2020. In February 2022, the government announced its intentions for the Directorate General of National Assets to absorb both the CEA and the CORDE and the formation of a working group to work out the details of the merger.

In 2021, the Office of the President proposed a bill to regulate government business assets, government participation in public trusts, and to create the National Center for Companies and Public Trusts (CENEFIP). The bill's intent is to reform the management of state assets and replace the disgraced Patrimonial Fund of Reformed State Enterprises (FONPER), which is being investigated for alleged irregularities that may have personally benefited politically affiliated persons. The CENEFIP bill is under review in the legislature. In FY 2022, dividends from FONPER and BanReservas (see below) contributed more than $220 million to the national treasury, however, FONPER did not submit its final budget execution reports according to the February 2023 report by the General Directorate of Government Accounting (DIGECOG). Investigations into FONPER's operations between 2012 and 2020, under Fernando Rosa and Carmen Magalys Medina, president and former vice-president of that institution, respectively, are ongoing as part of the high-profile "Anti-Octopus" corruption investigation.

After encountering obstacles and opposition from various sectors, the Senate passed the Public Trust bill into law in March 2023, and it will likely be promulgated by the Executive soon. The law aims to regulate public trusts and establish rules for their organization, structure, and operation, as well as to grant them the legal capacity to administer public resources. The law also establishes the rules and requirements so that any authorized public entity can act as settlor, trustee, or beneficiary, as well as institute regulations for trusts. The Public Trust law met with strong rejection from opponents and other sectors at first, considering that they would be privatizing the land and properties of the State. However, through consensus with the opposition, the law was revised to ensure trusts would be governed by the Law of Purchases and Contracts. They also agreed that the public debts of the trusts would go through the National Congress for approval. It is not clear whether the final version of the law includes the creation of the National Center for Companies or addresses the future of FONPER.

In 2022, the government announced that J.T. International Holding B.V. (JTI) would transfer its shares in La Tabacalera, representing 50 percent of the total capital, to the Dominican State at no cost. The decision was adopted after an agreement with the Dominican Government and JTI. With the measure, FONPER became the owner of 99.5 percent of La Tabacalera's shares and will control operations. "The government of the Dominican Republic and FONPER will take the necessary steps to convene an international public bidding for the sale of the shares ceded by JTI to a strategic investor in compliance with the provisions of Law 141-97 on Public Enterprise Reform," a statement said.

In the partially privatized electricity sector, private companies mainly provide electricity generation, while the government handles the transmission and distribution phases via the Dominican Electric Transmission Company (ETED), the three electricity distribution companies (north, south, and east) and their Unified Board of Directors (Consejo Unificado de las Empresas Distribudoras). While the sector continues to undergo major reforms, talks about privatization of the management and operation of the distribution companies died down in 2022, and will likely not be revisited until after the next election in 2024, if at all. The distribution companies remain among the largest SOEs in terms of government expenditures. In 2022, the government paid $1.5 billion to subsidize the Electricity Distribution Companies (EDE's).

The government also participates in electricity generation, most notably in hydroelectric power and coal. In compliance with the provisions of Law No. 365-22, President Abinader issued Decree No. 142-23 creating the Punta Catalina Electric Generation Company (EGEPC). The company will be governed by Law No. 479-08, the General Law of Commercial Companies and Individual Limited Liability Companies and by its own operating policies, established in its bylaws. EGEPC is constituted as a Public Limited Company (SA), with its only shareholders being the representative bodies of the Dominican State, which are the Ministry of Finance (99.9%) and FONPER (0.1%). The management and administration of EGEPC will fall to the General Assembly of Shareholders, the Board of Directors, the Chairman of the Board of Directors and the Executive Vice President. According to the statement, the Board of Directors will be made up of five members appointed by decree, including a president, who will be the finance minister (ex officio), three directors, and the executive vice president as secretary with voice but no vote. The Abinader administration hopes that the creation of EGEPC will address the transparency concerns that have plagued the plant since its construction, under former President Danilo Medina's purview, by disgraced international firm, Odebrecht. The plant has also suffered from management (coal supply) and pollution issues in the past few years.

In the legal and regulatory space, the government is currently reviewing a proposal to liquidate the National Energy Commission (CNE), the institution in charge of outlining the policy of the Dominican State in the energy sector, and vest most of its authorities in the Ministry of Energy and Mines. This change is one of several proposed as modifications to Law No. 125-01, Law No. 100-13, Law No. 57-07, Law No. 225-20 and other provisions related to the electricity subsector. An Energy Efficiency Bill, whose purpose is to create a regulatory framework and an incentive regime for the use of technologies and to motivate changes to consumption habits for the sustainable development of the country's electric sector, is moving through the drafting process. Regulations that will govern the use of battery energy storage systems are also currently under development and debate.

The state-owned but autonomously operated BanReservas is the largest bank in the country and is a market leader in lending and deposits. Part of this success is due to a requirement for government employees to open accounts with BanReservas in order to receive salary payments. According to labor statistics the government (public employees and defense) is the single largest employer, with 13.08 percent of the total, formally-employed population. BanReservas was also utilized to distribute government social support payments during the pandemic. Roughly a third of the bank's lending portfolio is to government institutions.

In the refining sector, the government is now the exclusive shareholder of the country's only oil refinery; Refinery Dominicana (REFIDOMSA), after having extricated Petroleos de Venezuela, S.A. (PDVSA) in August 2021. Refidomsa operates and manages the refinery, is the only importer of crude oil in the country and is also the largest importer of refined fuels. REFIDOMSA's crude oil processing capacity is a maximum of 34 thousand barrels per day, although it normally operates between 26 and 32 thousand barrels per day, depending on the demand. REFIDOMSA has a market share of over 60 percent in petroleum products, with different types of diesel oil being the most sold product in its portfolio, followed by gasoline for vehicle use. The price for fuel products is set by the Ministry of Industry, Commerce, and SMEs. The government spent over $663 million in 2022 via subsidies to stabilize fuel prices for local consumers. For 2023, the President committed to maintaining a fuel subsidy, despite the lower per barrel cost of oil at the start of the year, assigning $354 million in the 2023 General Budget Law for this purpose.

Law No. 10-04 requires the Chamber of Accounts to audit SOEs. Audits should be published at https://www.camaradecuentas.gob.do/index.php/auditorias-publicadas. The Chamber of Accounts, however, does not have budgetary autonomy, their annual reports to Congress do not include substantial findings or recommendations, and the institution does not effectively follow up on findings. Moreover, due to conflicts among board members, reportedly driven by their loyalty to different political factions, the Chamber of Accounts has struggled to appoint qualified personnel, produce audits of sufficient quality, and suffers from institutional gridlock. The U.S. Department of State assessed that the Dominican Republic did not meet the minimum standards for Fiscal Transparency in its 2023 report.

Privatization Program

Partial privatization of state-owned enterprises (SOEs) in the late 1990s and early 2000s resulted in foreign investors obtaining management control of former SOEs engaged in activities such as electricity generation, airport management, and sugarcane processing. In the electricity sector, these reforms were reversed between 2003 and 2009, but have largely remained in place for other sectors. It is unclear to what extent the passage of the Public Trust law in March of 2023 will create opportunities for private sector entities to manage or operate government resources.

With regard to the electric sector, the Unified Board of Directors and the DGAPP took steps in 2021 to improve the governance and performance of electricity distribution companies through the introduction of private sector participation via DGAPP Resolution No. 89/2021, however, talks about privatization of the management and operation of the distribution companies died down in 2022 and will likely not be revisited until after the next election in 2024, if at all. A key element in this effort was the normalization of electricity tariffs the distribution companies could charge to a rate that would cover operating costs. With the help of InterAmerican Development Bank and in accordance with the Electricity Pact, the government began the normalization program in the fall of 2021. Spiking commodity prices following the invasion of Ukraine, however, led to massive increases in electric bills for individual users that led to public outcry and a halt in the program. If the government ever returns to the concept of privatization in part or in full, all indications are that foreign firms will be invited to participate. Questions should be directed toward the Ministry of Energy and Mines (https://mem.gob.do/) or DGAPP (https://dgapp.gob.do/en/home/).

8. Responsible Business Conduct

While the government does not have an official position or policy on responsible business conduct, including corporate social responsibility (CSR) or human rights, for the entire nation Law No. 12-21 governing the Special Incentive Zones contemplates the creation of social commitment plans by virtue of which companies benefiting from the tax incentives granted to companies working in these zones must work on some of the social needs of the communities in the area. Although there is not a widespread local culture of CSR, large foreign companies normally have active CSR programs, as do some of the larger local business groups. While most local firms do not follow OECD principles regarding CSR, the firms that do are viewed favorably, especially when their CSR programs are effectively publicized. There is a growing trend for businesses to align with the United Nations Sustainable Development Goals and small and medium enterprises are beginning to follow examples of the CSR work of the larger local business groups of being more responsible to societal and environmental issues. These entities are viewing CSR as a competitive advantage. The CSR Risk Checker is a tool designed to help companies understand some of the CSR risks associated with countries from which they may import or in which they may have production facilities. The report lists a total of 12 possible risks for the Dominican Republic, of which six are related to labor rights, two to human rights and ethics, three to environment, and one to fair business practices.

The Dominican Constitution does guarantee consumer rights, stating "Everyone has the right to have quality goods and services, and objective, truthful and timely information about the content and characteristics of the products and services that they use and consume." To that end, the national consumer protection agency, ProConsumidor, offers consumer advocacy services.

The Dominican Republic also joined the Extractive Industries Transparency Initiative (EITI) in 2016 (https://eiti.org/dominican-republic) and is rated as achieving meaningful progress in its efforts to incorporate EITI standards into its regulatory framework. Its fourth country report, covering 2019 and 2020, was recently approved and can be found at https://eiti.org/document/dominican-republic-20192020-eiti-report. The Ministry of Energy and Mines, as the government entity in charge of sectoral policy, is carrying out reform processes in the area of mining and hydrocarbons, including modernizing, organizing, and streamlining its own role. Other reforms include 1) modification and modernizing of the Mining Law of 1971 (Law No. 146-71); 2) public consultation and revision of the regulation that will govern creation and management of the 5 percent of the net benefits generated by the exploitation of non-renewable natural resources that accrue to the state, established in article 117 of Law No. 64-00 of Environment and Natural Resources, and 3) drafting the regulation governing Artisanal Mining.

The Ministry of Energy and Mines (MEM) advised in January 2023 that the Office of the Legal Advisor to the President was reviewing modifications to Law 146-71, including updating the technical aspects of the law to make it relevant to existing technology, strengthening of the concession process, and improving the procedures for sectoral regulation. It also may include new design requirements for mine closure considering the development cycle of a given mineral resources, a fundamental element of responsible mining. The proposal also establishes a fiscal framework to achieve a more competitive income, both for the industry and for the country, and the development of a National Management System for Taxes on the Extraction of Non-Renewable Resources, in order to support sustainable development projects that would benefit communities impacted by a mining activity.

In May 2018, the Ministry of Energy and Mines presented the Shared Production Model Contract that regulates hydrocarbon exploration and exploitation activities in the Dominican Republic, there are separate versions of the contract for on and offshore explorations. These contract models are used in the awarding of oil and gas blocks in the country, which began in November 2019. The government is exploring another licensing round for fossil fuel exploration, but dates have not been released. After being signed, contracts must be approved by the National Congress and promulgated by the President.

On December 15, 2003, through Decree No. 1128-03, the government established the Superintendency of Surveillance and Private Security (SVSP) to exercise control, inspection, and surveillance over all persons and institutions that carry out surveillance and private security activities and their users in the Dominican Republic. Despite the sizable sector, there do not appear to be any government, civil society, or private firms in the Dominican Republic affiliated with the International Code of Conduct Association (ICoCA) and the government is not a signatory of the Montreux Document.

According to the 2022 List of Goods Produced with Child and Forced Labor, there is reason to believe child labor in the production of baked goods, coffee, rice, and tomatoes in the Dominican Republic and child and forced labor are used in the production of sugarcane. Stakeholders have raised serious inquiries regarding inhumane labor conditions in the Dominican Republic’s sugar sector for many years. In December 2011, Father Christopher Hartley filed a submission under the labor chapter of CAFTA-DR alleging numerous labor violations across the Dominican Republic’s sugar production industry. The U.S. Department of Labor (DOL) issued a follow-up report in 2013 that found “evidence of apparent and potential labor violations in the sector,” including concerns regarding acceptable conditions of work, child labor, and forced labor. Since issuing its report in 2013, DOL has engaged directly with the Government of the Dominican Republic (GODR), the International Labor Organization (ILO), and Dominican Republic industry stakeholders; provided technical assistance and related program funding; and conducted seven public periodic reviews. The most recent review in 2022 “highlights a number of efforts undertaken by the GODR and sugar companies and renewed stakeholder commitment to make progress on labor issues. It also notes continued areas of concern from the 2013 Report of Review recommendations."

At the same time, recent findings by investigative journalists assert that, despite more than ten years of effort, labor conditions in the Dominican Republic's sugar sector remain abhorrent. Reports from the Washington Post, Mother Jones, and the Center for Investigative Reporting focusing on conditions at the Central Romana Corporation (owner of the world-famous Casa de Campo resort), include written and video testimonies by laborers about the conditions they experience in the *bateys*, *colonos*, sugar cane fields, and throughout the country's sugar production. These testimonies describe poverty-level wages and crippling debt, excessive work hours, inadequate safety or protective equipment, abhorrent housing conditions with limited access to water and electricity, denial of public benefits such as pensions, social security, and medical care, and harassment, intimidation, and retaliation by supervisors, company representatives, company armed guards, and police. On November 23, 2022, U.S. Customs and Border Protection issued a Withhold Release Order (WRO) preventing further U.S. imports of sugar produced by Central Romana Corporation, the Dominican Republic's largest sugar producer, based on a "reasonable indication" of the use of forced labor in the company's operations.

Additional Resources

Department of Homeland Security
- Withhold Release Orders and Findings List (https://www.cbp.gov/trade/forced-labor/withhold-release-orders-and-findings)

Department of State
- Country Reports on Human Rights Practices (https://www.state.gov/reports-bureau-of-democracy-human-rights-and-labor/country-reports-on-human-rights-practices/)
- Trafficking in Persons Report (https://www.state.gov/trafficking-in-persons-report/)
- Guidance on Implementing the "UN Guiding Principles" for Transactions Linked to Foreign Government End-Users for Products or Services with Surveillance Capabilities (https://www.state.gov/key-topics-bureau-of-democracy-human-rights-and-labor/due-diligence-guidance/)
- U.S. National Contact Point for the OECD Guidelines for Multinational Enterprises (https://www.state.gov/u-s-national-contact-point-for-the-oecd-guidelines-for-multinational-enterprises/)
- Xinjiang Supply Chain Business Advisory (https://www.state.gov/xinjiang-supply-chain-business-advisory/)

Department of the Treasury
- OFAC Recent Actions (https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions)

Department of Labor
- Findings on the Worst Forms of Child Labor Report (https://www.dol.gov/agencies/ilab/resources/reports/child-labor/findings)

- List of Goods Produced by Child Labor or Forced Labor (https://www.dol.gov/agencies/ilab/reports/child-labor/list-of-goods)
- Sweat & Toil: Child Labor, Forced Labor, and Human Trafficking Around the World (https://www.dol.gov/general/apps/ilab)
- Comply Chain (https://www.dol.gov/ilab/complychain/)

Climate Issues

According to the 2022 Climate Change Performance Index, the Dominican Republic is one of the most vulnerable countries in the world to the effects of climate change, though it represents only 0.06 percent of global greenhouse gas emissions. As a small island developing state, the Dominican Republic is particularly vulnerable to the effects of extreme climate events, such as storms, floods, droughts, and rising sea levels. Combined with rapid economic growth (over 5 percent until 2020) and urbanization (more than 50 percent of population in cities, 30 percent in Santo Domingo), climate change could strain key socio-economic sectors such as water, agriculture and food security, human health, biodiversity, forests, marine coastal resources, infrastructure, and energy. President Abinader reported that on February 27, 2023, that he will present to the legislature a Water Bill that will seek to end the institutional dispersion of this sector. He stated taking care of natural resources and the environment is a priority of his administration.

The National Constitution calls for the efficient and sustainable use of the nation's natural resources in accordance with the need to adapt to climate change. The National Council for Climate Change and the Clean Development Mechanism under the Office of the Presidency is responsible for creating the National Policy on Climate Change (PNCC), the Climate Compatible Development Plan (CCDP), and the Strategic Plan for Climate Change 2011-2030 (PECC). In its 2023 report, MIT Technology Review's Green Future Index ranked the Dominican Republic as 61st out of 76 countries and territories on their progress and commitment toward building a low carbon future, stating "The Dominican Republic is rapidly expanding renewable energy – primarily wind, solar, biomass, and hydro – currently 17 percent of its electricity resource. The government committed to getting 25 percent of its electricity from renewables by 2025 and 30 percent by 2030." The full report can be found at The Green Future Index | MIT Technology Review.

The Dominican Republic is also signatory to multiple international environmental conventions, corresponding protocols and agreements, and free trade agreements with environmental protection provisions. The Dominican Republic is party to the UN Framework Convention on Climate Change (UNFCCC), the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), and the International Convention for the Prevention of Pollution from Ships (MARPOL).

In its latest Nationally Determined Contribution (NDC) from 2020, the Dominican Republic committed to a 27 percent greenhouse gas reduction by 2030 (compared to 2010 levels), with 20 percent conditional and seven percent unconditional. The country has also established the goal of net-zero emissions by 2050. The NDC identifies mitigation options in the energy (generation, efficiency) and Industrial Processes and Product Use (IPPU) sectors. Proposed actions are meant to improve electricity generation; energy efficiency; road transportation; agriculture, forestry, and other land use (AFOLU); and waste management.

The Dominican Republic is also part of several regional adaptation initiatives, such as CARIFORUM, the Increasing Climate Resilience Project, the Caribbean Biological Corridor, and the Haiti-Dominican Republic Binational Cooperation Program, among others.

The Ministry of Environment and Natural Resources, which provides guidance in matters of air quality, waste disposal, forestry management, and water quality, has designated 127 protected areas across the country, and is working towards designating and protecting a total of 30 percent of the country through public and public-private management. The Dominican government also encourages support for climate change prevention and mitigation from the private sector through tax and investment incentives, such as Renewable Energy Law No. 50-07, which grants numerous incentives and tax exemptions to investors in renewable energy. BloombergNEF's Climatescope report ranks the Dominican Republic as the 22nd most attractive market for energy transition investment out of the 107 emerging markets analyzed. The report looks at opportunities in the power, transportation, and building sectors, specifically.

9. Corruption

The Dominican Republic has a legal framework that includes laws and regulations to combat corruption and provides criminal penalties for corruption by officials. While challenges remain, overall enforcement of these laws has improved thanks to a heightened focus on transparency by the Abinader administration and concerted efforts by the Office of the Attorney General. Continuing to break from tradition, investigations and arrests in 2022 targeted well-connected individuals and high-level politicians, both from prior administrations and the current one. The Dominican Republic's rank on the Transparency International Corruption Perception Index rose to 123 in 2022 from 128 in 2021 (out of 180 countries assessed).

Nonetheless, U.S. companies continued to identify corruption as a barrier to FDI. Firms often complained about a lack of technical proficiency in government ministries that resulted in public tender opportunities that were not competently drafted or executed in accordance with international best practices. Some firms went so far as to suggest that more problematic tenders had been set up intentionally to favor politically connected firms. The business community has also complained about corruption at the municipal level and its relevance to such things as permitting procedures. U.S. businesses operating in the Dominican Republic often need to take extensive measures to ensure compliance with the Foreign Corrupt Practices Act.

President Abinader has generally made good on his commitment to make fighting corruption a top priority of his administration. He appointed officials with reputations for professionalism and independence and went to great efforts to respect the independence of his appointed head of the Public Procurement General Directorate, the Chamber of Accounts (the country's Supreme Audit Institution), and the Attorney General's Office. In addition, the Abinader administration has publicly committed to prioritizing passage of institutional reforms that will advance the fight against corruption. In 2022, the government was successful in passing a civil asset forfeiture law, granting the state the authority to seize assets involved in the commission of a crime or obtained from ill-gotten gains. The government has also committed to passing a public procurement law, but passage of this legislation remains pending, and many other landmark institutional reforms embraced by the Abinader administration, such as a measure to make the Attorney General independent, appear stalled.

In a notable change from prior administrations, investigations into corruption and arrests have targeted senior officials not just from the opposing parties, but also from the ruling coalition. These moves have sent a powerful signal that the Abinader administration no longer tolerates the sort of pervasive corruption that was seen under prior administrations. Government officials who have been named in indictments, even though not arrested, have stepped down from official roles to avoid the perception of corruption or conflicts of interest.

Civil society has been a critical voice in anti-corruption campaigns to date. Several non-governmental organizations are particularly active in transparency and anti-corruption, notably the Foundation for Institutionalization and Justice (FINJUS), Citizen Participation (Participacion Ciudadana), and the Dominican Alliance Against Corruption (ADOCCO). However, there have been allegations challenging the objectivity of at least one prominent Dominican non-governmental organization working on anti-corruption issues due to its close relationships with prominent business and political groups.

The Dominican Republic signed and ratified the UN Anticorruption Convention. The Dominican Republic is not a party to the OECD Convention on Combating Bribery.

Resources to Report Corruption

Contact at the government agency or agencies that are responsible for combating corruption:

Procuraduría Especializada contra la Corrupción Administrativa (PEPCA)
[Attorney General for Investigating Administrative Corruption]
Calle Hipólito Herrera Billini esq. Calle Juan B. Pérez,
Centro de los Heroes, Santo Domingo, República Dominicana
Telephone: (809) 533-3522
Email: pepca@pgr.gob.do

La Dirección General de Ética e Integridad Gubernamental (DIGEIG)
[Directorate General for Governmental Ethics and Integrity]
Av. México No. 419 Esq. Leopoldo Navarro, Edificio Oficinas Gubernamentales Juan Pablo Duarte, Piso 12, Gascue, Santo Domingo, D. N. República Dominicana
Telephone: (809) 685-7135
Email: info@digeig.gob.do

Linea 311
[Line 311] (government service for filing complaints and denunciations]
Phone: 311 (from inside the country)
Email: info@311.gob.do

Website: http://www.311.gob.do/

Contact at a "watchdog" organization:

Participación Ciudadana [Citizen Participation]
Wenceslao Alvarez #8, Zona Universitaria
Phone: (809) 685-6200
Website: https://pciudadana.org/
Email: info@pciudadana.org

10. Political and Security Environment

Despite political stability and strong pre-pandemic economic growth, citizen and public security concerns in the Dominican Republic impose significant costs on businesses and limit foreign and domestic investment. There are no known national security threats affecting foreign investment within the Dominican Republic.

Citizen Security

The U.S. Department of State has assessed Santo Domingo as a critical-threat location for crime. According to the Latin American Public Opinion Project, there is a steady increase in crime-related victimization and a growing perception of insecurity in the Dominican Republic since 2010. In 2022, the Fund for Peace ranked the Dominican Republic 110 out of 179 countries in its Fragile States index. Other than domestic violence, criminal activity is mostly associated with street-level incidents consisting of robberies and petty larceny. Of these, street robbery is particularly concerning, as criminals often use weapons to coerce compliance from victims. In polling, Dominicans consistently cite crime and violence as among the largest challenges affecting daily life.

Public Security

The U.S. Department of State has assessed the Dominican Republic as being a low-threat location for terrorism and a low-transit-threat location for political violence. There is no history of politically motivated violence in the Dominican Republic during the past year and only a few protests occurred in 2022. There are no examples of politically motivated damage to projects or installations in the last 10 years. There are no known organized domestic terrorist groups in the Dominican Republic. Nonetheless, the Dominican Republic is a possible transit point for extremists from within the Caribbean, Africa, and Europe.

In addition, the Dominican Republic faces challenges with organized crime. Transnational criminal organizations in the Dominican Republic use land, airspace, and territorial waters for the transshipment of drugs from South America destined for the United States and Europe, transshipment of ecstasy from the Netherlands and Belgium destined for United States and Canada, substantial money laundering activity, particularly by Colombian narcotics traffickers, and significant amphetamine consumption.

A porous border between Haiti and the Dominican Republic remains an ongoing concern as the security situation in Haiti has worsened after the assassination of the Haitian President Moise in August 2021 and the growth of the gang problem in Haiti. Dominican officials are extremely concerned about widespread civil unrest and instability in Haiti contributing to illegal flows of people and illicit goods across the border.

National Security

The Dominican Republic armed forces view irregular migration along the border, citizen security, illicit trafficking of arms, weapons, and drugs, as well as natural disasters as threats to their national security. As a result, they have postured their forces to support land, air, and maritime whole of government efforts to protect their sovereign territory. Due to the heightened concern about Haitians trying to enter the Dominican Republic, the armed forces have increased their numbers on the border and have often borrowed officers from other security agencies to help them secure the border. Dominican security forces have also launched a nationwide crackdown against Haitian migration that has resulted in the detention of individuals who were mistaken for Haitians and/or who held valid residency status in the Dominican Republic.

11. Labor Policies and Practices

The Dominican labor market continues to regularize as pandemic-related economic impacts subside. An ample labor supply is available, although there is a scarcity of skilled workers and technical supervisors. Some labor shortages exist in professions requiring lengthy education or technical certification. According to 2022 Dominican Central Bank data for July-September (the latest available), the Dominican labor force consists of approximately 4.6 million workers. The labor force participation rate is 59.2 percent; 58.0 percent of the labor force works in services, 9.8 percent in industry, 9.8 percent in education and health, 7.7 percent in agriculture and livestock, 8.8 percent in construction, and 5.9 percent in public administration and defense. Approximately 41.9 percent of the labor force works in formal sectors of the economy and 58.1 percent in informal sectors.

From January to September 2022, unemployment decreased from 6.4 percent to 4.8 percent as the economy continued its rebound from the COVID-19 pandemic. When factoring in discouraged workers and others who were not actively seeking employment, however, the unemployment rate jumps to 11.7 percent for the period July-September 2022. Central Bank data from 2022 indicates that the total number of employed individuals has exceeded pre-pandemic levels.

With respect to migrant workers, the most recent reliable statistical data is from 2017 and shows a population of 334,092 Haitians aged ten or older living in the country, with 67 percent working in the formal and informal sectors of the economy. Migration experts believe that this number has increased to approximately 500,000 or more since 2017. The Dominican government and the United Nations are expected to conduct an updated migrant survey in 2023.

The Dominican Labor Code establishes policies and procedures for many aspects of employer-employee relationships, ranging from hours of work and overtime and vacation pay to severance pay, causes for termination, and union registration. The code applies equally to migrant workers; however, many undocumented Haitian laborers and Dominicans of Haitian descent do not exercise their rights due to fear of being fired or deported. The law requires that at least 80 percent of non-management workers of a company be Dominican nationals. Exemptions and waivers are available and regularly granted. The law provides for severance payments, which are due upon layoffs or firing without just cause. The amount due is prorated based on length of employment.

Although the Labor Code provides for freedom to form unions and bargain collectively, it places several restrictions, which the International Labor Organization (ILO) has characterized as excessive, on these rights. For example, it restricts trade union rights by requiring unions to represent 51 percent of the workers in an enterprise to bargain collectively. In addition, the law prohibits strikes until mandatory mediation requirements have been met. Formal requirements for a strike to be legal also include the support of an absolute majority of all company workers for the strike, written notification to the Ministry of Labor, and a 10-day waiting period following notification before proceeding with the strike. Government workers and essential public service personnel, in theory, may not strike; however, in practice such employees, including healthcare workers, have protested and gone on strike.

The law prohibits dismissal of employees for trade union membership or union activities. In practice, however, the law is inconsistently enforced. Formal strikes occur but are not common. Informal strikes or strikes by unregistered or unrecognized unions or worker's organization are common. In 2022, a worker's organization in Boca Chica called for a strike at the construction site of a large U.S. company. The organization was not officially registered with the company and did not follow the legal process for organizing a strike. The company temporarily halted work after the protesters trespassed to obstruct the worksite and began throwing stones at vehicles. National authorities eventually assisted local authorities to restore order.

The law establishes a system of labor courts for dealing with disputes. The process is often long, with cases pending for several years. One exception is workplace injury cases, which typically conclude quickly – and often in the worker's favor. Both workers and companies report that mediation facilitated by the Ministry of Labor was the most rapid and effective method for resolving worker-company disputes.

Many of the major manufacturers in free trade zones have voluntary codes of conduct that include worker rights protection clauses generally aligned with the ILO Declaration on Fundamental Principles and Rights at Work; however, workers are not always aware of such codes or the principles they contain. The Ministry of Labor monitors labor abuses, health, and safety standards in all worksites where an employer-employee relationship exists, however, resources for adequate monitoring and inspection are insufficient. Labor inspectors can request remediation for violations, and if remediation is not undertaken, can refer offending employers to the public prosecutor for sanctions.

12. U.S. International Development Finance Corporation (DFC), and Other Investment Insurance or Development Finance Programs

The Dominican Republic is an eligible country for DFC financing purposes and there are current DFC-funded programs operating in the country. As an upper-middle income country, projects in the Dominican Republic must meet additional criteria to qualify for financing. Under a 1962 bilateral agreement, DFC funding for a project must also receive approval from the Dominican government. In January 2019, the Dominican government and the DFC clarified the process for obtaining this approval in a bilateral letter.

The Dominican government is a party to the Multilateral Investment Guarantee Agency (MIGA).

13. Foreign Direct Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2019	$88,940	2021	$94,240	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	N/A	N/A	2021	$2,722	BEA data available at https://apps.bea.gov/international/factsheet/
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2021	$163	BEA data available at https://apps.bea.gov/international/factsheet/

Total inbound stock of FDI as % host GDP	N/A	N/A	2021	50.2%	UNCTAD data available at https://unctad.org/topic/investment/world-investment-report

* Source for Host Country Data: Central Bank of the Dominican Republic (BCRD). The BCRD does not report investment stock positions.

Table 3: Sources and Destination of FDI

No information for the Dominican Republic is available on the IMF's Coordinated Direct Investment Survey (CDIS) website. According to the Central Bank (BCRD), total inward flows of FDI for 2021 were $3.1 billion. The BCRD provides a breakdown of FDI to the Dominican Republic by individual source country for the top investing countries. The five largest investing countries accounted for 74.7 percent of total inward FDI in 2021. Neither World Bank nor Dominican sources break down FDI from the Dominican Republic to individual destination countries.

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	4,010.4	100%	Total Outward	Amount	100%
United States	1,520.9	37.9%	Grand Cayman	-221.4	N/A
Mexico	394.4	9.8%	Brazil	-188.3	N/A
Canada	366.2	9.1%	Venezuela	-49.2	N/A
Spain	346.5	8.6%		N/A	N/A
British Virgin Islands	224.4	5.6%		N/A	N/A
"0" reflects amounts rounded to +/- USD 500,000.					

* Source for Host Country Data: Central Bank of the Dominican Republic (BCRD), 2021 FDI inward flows. Information on outward flows was incomplete.

14. Contact for More Information

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