DOMINICAN REPUBLIC

1. Recent trends

Poverty in the Dominican Republic decreased in recent years, from 26.7% in 2016 to 20.4% in 2022, and is now below the Latin America and the Caribbean (LAC) average of 24.1%. Extreme poverty also decreased, from 7.0% in 2016 to 5.1% in 2022, also below the LAC average (8.3%). The Gini index sharply decreased from 45.7 in 2016 to 38.5 in 2021, and again is now below the LAC average (44.8). Regarding investment and production transformation indicators, total investment in the Dominican Republic increased substantially from 22.9% of GDP in 2016 to 33.2% in 2022, far surpassing the trend for the LAC average, which increased from 20.8% to 21.3% over the same period. Private investment also rose in the Dominican Republic, from 20.5% of GDP to 21.7%, exceeding the LAC average (15.8% in 2019). Labour productivity, measured against output per employed person in the United States, increased from 29.6% in 2016 to 33.5% in 2023, above the LAC average of 27.1% in 2023. The share of exports of high-tech products in total exported manufactured goods almost doubled, from 4.4% in 2016 to 8.5% in 2021, above the LAC average (7.2%). Positive perceptions of foreign direct investment (FDI), which declined across the LAC region, dropped sharply in the Dominican Republic, from 85.1% in 2016 to 65.3% in 2020. The country's tax revenue increased from 13.0% of GDP in 2016 to 14.5% in 2021, but remains far below the regional average of 21.5%. Environment-related tax revenues remained almost unchanged, declining from 1.8% of GDP in 2016 to 1.7% in 2021, which is almost double the regional average of 0.9%.

2. Long-term policies to promote investment and production transformation

The Dominican Republic has made significant efforts **to attract and mobilise high-quality investment**, focusing mainly on a broad system of incentives that aim to develop and dynamise important sectors of the national economy. It established Law No. 16-95 on Foreign Investment and its Implementing Regulations No. 214-04 of 11 March 2004 to achieve two main aims: i) favour foreign investors, guaranteeing them the same legal protection afforded to domestic investors; and ii) liberalise dividends and repatriation of capital. In 2020, the Dominican Republic enacted Law No. 47-20, which regulates public-private partnerships (PPPs) and established the General Directorate of Public-Private Partnerships (DGAPP). This directorate played a vital role in ensuring a legal framework that fosters investment, attracting both local and foreign capital to stimulate socio-economic growth and infrastructure development. In 2021, the Dominican Republic has implemented Law No. 12-21, which creates the Special Zone for Integrated Border Development as well as an incentive regime that covers the provinces of Pedernales, Independencia, Elías Piña, Dajabón, Montecristi, Santiago Rodríguez and Bahoruco. Since 2021, the Dominican Republic has been implementing the Zero Bureaucracy Programme: Towards an Efficient Government, the objectives of which are to: increase productivity; reduce the social cost of regulations; facilitate access to services; streamline and minimise requirements and formalities; strengthen economic growth and social welfare; and reduce response times in public services.
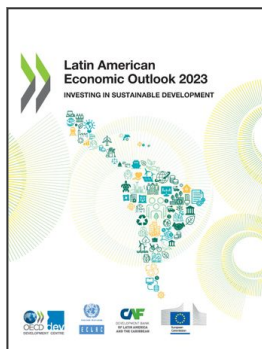
To advance an inclusive and sustainable production model, the Dominican Republic has focused its National Development Strategy for 2010-30 on four fundamental axes: a State with efficient and transparent institutions, at the service of a responsible and participatory citizenry; a cohesive society, with equal opportunities and low levels of poverty and inequality; an articulated, innovative and sustainable economy, with a productive structure that generates high and sustained growth with decent employment; and a sustainable management of the environment and adequate adaptation to climate change. In 2007, the government established Law No. 57-07 on Incentives for the Development of Renewable Energy Sources and their Special Regimes, which provides for: exemption of all types of import taxes on equipment and accessories necessary to produce energy from renewable sources; reduction of taxes on financing paid abroad; and a tax incentive for energy self-producers.

In terms of **regional and international partnerships** to support the attraction of quality investments, the Dominican Republic has established collaborative initiatives with partners both within and beyond LAC. **Within** the region, the Dominican Republic is part of the Regional Framework Policy for Mobility and Logistics in Central America. The main objective is to provide and dynamise a regional framework for articulating national mobility and logistics policies that are strengthened in complementarity, comprehensiveness, and sustainability. This also contributes to orienting national policies towards common and strategic regional objectives. **Beyond** LAC, the Dominican Republic and the European Union (EU) are co-operating in the framework of the Multiannual Indicative Programme (MIP) for 2021-2024. The main priority areas are: strategies to foster employability and entrepreneurship, particularly among women and youth; the protection and sustainable use of ecosystems and biodiversity; and the efficient provision of public services while strengthening public planning. The Dominican Republic is a member of the Green MSMEs II Initiative, together with Germany, the Central American Bank for Economic Integration, and other member countries of the Central American Integration System (SICA). This programme aims to promote the financing of environmental investments to boost the infrastructure needed for energy conversion, transport and storage.

	Key indicators – Dominican Republic					
Social	Dominican Republic		LAC		OECD	
	2016	**2022**	**2016**	**2022**	**2016**	**2022**
Extreme poverty	7.0	5.1	8.1	8.3	N/A	N/A
Poverty	26.7	20.4	25.9	24.1	N/A	N/A
	2016	**2021**	**2016**	**2021**	**2016**	**2021**
Share of internet users (% of population)	63.9	85.2	54.5	74.2	81.8	89.6
	2016	**2021**	**2016**	**2021**	**2016**	**2020**
Gini index	45.7	38.5	46.3	44.8	34.1	33.6
	2009	**2018**	**2009**	**2021**	**2009**	**2021**
Share of total population in informal households (%)	N/A	42.3	44.2	46.8	N/A	N/A
Share of total population in informal households, upper-income quintile (%)	N/A	15.7	23.9	21.3	N/A	N/A
Share of total population in informal households, lower-income quintile (%)	N/A	74.9	77.6	78.2	N/A	N/A
	2019	**2023**	**2019**	**2023**	**2019**	**2023**
SIGI index	18.2	14.8	25.4	21.6	17.5	15.3
	2015	**2018**	**2015**	**2018**	**2015**	**2018**
PISA score in science	332	336	411	407	489	487
Productivity and innovation						
	2016	**2023**	**2016**	**2023**	**2016**	**2023**
Labour productivity (% of the United States)	29.6	33.5	29.3	27.1	70.0	68.5
	2016	**2021**	**2016**	**2021**	**2016**	**2021**
High-tech exports (% of manufactured exports)	4.4	8.5	8.4	7.2	16.5	16.0
	2016	**2019**	**2016**	**2019**	**2016**	**2019**
R&D expenditures (% of GDP)	N/A	N/A	0.3	0.4	1.8	2.0
Investment and production transformation						
	2016	**2022**	**2016**	**2022**	**2016**	**2022**
Total investment, gross fixed capital formation (% of GDP)	22.9	33.2	20.8	21.3	21.9	22.8
Foreign direct investment (FDI), net capital inflow (% of GDP)	3.3	3.5	4.4	4.6	6.8	3.5
	2016	**2019**	**2016**	**2019**	**2016**	**2019**
Private investment (% of GDP)	20.5	21.7	16.1	15.8	18.2	18.8
	2016	**2021**	**2016**	**2021**	**2016**	**2021**
Public investment in economic infrastructure (% of GDP)	1.4	0.6	2.3	1.6	N/A	N/A
Citizens' perceptions and institutions						
	2016	**2020**	**2016**	**2020**	**2016**	**2020**
Share of population who perceive FDI as beneficial (%)	85.1	65.3	70.9	53.9	N/A	N/A
	2018	**2020**	**2018**	**2020**	**2018**	**2020**
Share of population who consider that, in general, domestic products are of lower quality than imported ones (%) (agreeing or strongly agreeing)	55.7	51.1	44.6	42.7	N/A	N/A
	2016	**2022**	**2016**	**2022**	**2016**	**2022**
Corruption Perception Index (score on a scale of 0 [highly corrupt] to 100 [totally clean]).	31.0	32.0	41.2	40.6	67.3	66.3
Security risks indicator (score from 0 [low security risks] to 10 [high security risks])	5.5	5.8	5.9	5.6	2.8	2.6
	2010-14	**2017-22**	**2010-14**	**2017-22**	**2010-14**	**2017-22**
Belief that science and technology will create more opportunities for the next generation (score on a scale from 1 [strongly disagree] to 10 [strongly agree])	N/A	N/A	7.3	7.2	7.6	7.2
Share of population who worry (very much or a great deal) about not being able to provide a good education for their children (%)	N/A	N/A	75.4	74.0	49.8	41.4
Fiscal position						
	2016	**2021**	**2016**	**2021**	**2016**	**2021**
Total tax revenues (% of GDP)	13.0	14.5	22.0	21.5	33.6	34.1
Environmentally related tax revenue (% of GDP)	1.8	1.7	1.1	0.9	2.4	2.0
Share of VAT (% GDP)	4.6	4.8	5.9	6.1	6.6	7.0
Share of PIT (% GDP)	1.2	1.3	2.0	2.0	7.8	8.3
Share of CIT (% GDP)	2.0	2.8	3.2	3.4	2.9	3.1
Debt service (% of total tax revenue)	19.5	21.5	11.3	12.3	5.4	5.3
Social expenditure (% of GDP)	7.7	8.9	11.3	13.3	20.1	22.0
	2016	**2020**	**2016**	**2020**	**2016**	**2019**
Perception of tax evasion (%)	N/A	27.9	N/A	27.3	N/A	N/A

Note: See the Reader's Guide for definitions and sources.

StatLink 🔗 https://stat.link/xwv0m5

From:
Latin American Economic Outlook 2023
Investing in Sustainable Development

Access the complete publication at:
https://doi.org/10.1787/8c93ff6e-en