UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

report on the implementation of the investment policy review

DOMINICAN REPUBLIC

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Notes

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Contents

Abbreviations

APORDOM	Autoridad Portuaria Dominicana (Dominican Port Authority)
BIT	bilateral investment treaty
CEI-RD	Centro de Exportación e Inversión de la República Dominicana
CACM	Central American Common Market
FDI	foreign direct investment
GDP	gross domestic product
IPR	investment policy review
ONAPI	Intellectual Property Agency
PPP	public–private partnership
NDS	National Development Strategy
SME	small- and medium-sized enterprise
VUF	Ventanilla Única de Formalización (one-stop shop for company establishment)
VUI	Ventanilla Única de la Inversión (one-stop shop targeting high-impact investors)

Investment Policy Review Series

1. Egypt
2. Uzbekistan
3. Uganda
4. Peru
5. Mauritius
6. Ecuador
7. Ethiopia
8. United Republic of Tanzania
9. Botswana
10. Ghana
11. Lesotho
12. Nepal
13. Sri Lanka
14. Algeria
15. Benin
16. Kenya
17. Colombia
18. Rwanda
19. Zambia
20. Morocco
21. Viet Nam
22. Dominican Republic
23. Nigeria
24. Mauritania
25. Burkina Faso
26. Belarus
27. Burundi
28. Sierra Leone
29. El Salvador
30. Guatemala
31. The former Yugoslav Republic of Macedonia
32. Mozambique
33. Djibouti
34. Mongolia
35. Bangladesh
36. Republic of Moldova
37. Republic of the Congo
38. Sudan
39. Bosnia and Herzegovina
40. Kyrgyzstan
41. Madagascar
42. Tajikistan

Introduction

The Investment Policy Review (IPR) of the Dominican Republic was completed in 2008.[1] The Review assessed the investment regulatory framework and the national investment promotion effort. It outlined a number of reforms aimed at increasing the competitiveness of the economy and promoting a transition to higher value-added activities, in line with the country's national development objectives. The goal was to leverage FDI to make the Dominican Republic a regional leader in manufacturing and services.

The FDI strategy proposed in the IPR recommended upgrading the country offer to investors from one based primarily on a pool of low-cost labour and fiscal incentives, to one based also on the excellence of its investment climate and the quality of its infrastructure. In this regard, it called upon the Government to fill the major remaining gaps in the investment regulatory framework, such as the lack of a competition policy and an outdated commercial code. It recommended strengthening institutions, particularly those in charge of environmental permitting, contract enforcement and the fight against corruption. In infrastructure, the IPR encouraged the authorities to seek more competitive outcomes in concessioning, including by adopting a public–private partnership (PPP) law.

The strategy chapter of the IPR focused on strengthening the coherence and effectiveness of the national investment promotion effort. It thus proposed reorganizing the investment promotion agency (Centro de Exportación e Inversión de la República Dominicana (CEI-RD)) and formalizing cooperation between different government agencies involved in investment promotion. It also recommended that this upgraded investment promotion framework, taking the form of a national system of investment promotion, be overseen by a minister of investment.

In 2015, the Government requested UNCTAD to review the progress made in implementing the recommendations set out in the IPR. This implementation report summarizes the main findings. A companion action plan, requested by the Government, will provide additional details about a number of areas where further reforms should be pursued.[2]

1 The IPR was published in 2009. The fact-finding mission took place in February 2007, and a national validation workshop was held in December 2007. This report reviews progress achieved since then.

2 This report was prepared by Massimo Meloni under the direction of Chantal Dupasquier, Chief of the Investment Policy Review Section, Division on Investment and Enterprise (DIAE). Overall guidance was provided by Joerg Weber, Head of the Investment Policy Branch and James Zhan, Director, DIAE. Comments were received from Rory Allan, Richard Bolwijn, Joachim Karl and Elizabeth Tuerk. Irina Stanyukova and Jovan Licina provided statistical support.

1. Summary of findings

A substantial number of IPR recommendations were fully or partially implemented, as described in detail in the implementation matrix (table 2). In particular, progress was made in the following key areas:

- *FDI-specific regime.* Although the Foreign Investment Law was not modified, a revision of the Constitution in 2010 introduced the principle of non-discrimination between foreign and domestic investment, as well as guarantees against expropriation and dispute settlement provisions, such as stipulating that all contracts between the State and a foreign investor should subject the latter to Dominican laws and jurisdictional organs, but allowing for such disputes to be submitted to national or international arbitration, in accordance with the law (article 219). In addition, the Dominican Republic adopted a model bilateral investment (BIT) treaty, which is currently being revised with the assistance of UNCTAD in order to reflect the policy guidance of the Investment Policy Framework for Sustainable Development.[3]

- *Commercial legislation.* A new company law was adopted in 2008 and revised in 2011. The new law addressed the need to modernize commercial legislation, which was based on the Commercial Code of 1884, including with respect to company types and shareholder protection. A one-stop shop for company establishment became operational in 2013 to assist in compliance by small- and medium-sized enterprises (SMEs). In addition, International Financial Reporting Standards were introduced. Finally, a modern bankruptcy regime, which had been in preparation for over a decade, was signed into law in August 2015.

- *Land.* Land registry digitalization was completed, and access is being fully automated. In addition, legal reform improved title security and introduced provisions to handle condominium-type ownership of property. A land management and use plan is also in progress. The legacy of the past regime, which resulted in the proliferation of competing claims on land, is still generating a large number of disputes, but individuals and investors alike will benefit from improved land security over the coming years.

- *Investment promotion.* CEI-RD adopted a new structure that has added a functional approach, in line with the IPR recommendations. Moreover, staffing for investment promotion has been expanded, and the hiring process has targeted front-line staff with private sector backgrounds. New functions were added, including investor aftercare, and others were strengthened. For instance, a facilitation desk (Ventanilla Unica de la Inversión) targeted primarily at high-impact investors provides assistance in the permitting process.

[3] UNCTAD, 2015, Investment Policy Framework for Sustainable Development, Geneva.

- *Other.* The human and institutional capacity of the environmental screening agency has improved considerably; the regime for the entry of foreign workers has been clarified, and several new tools to strengthen governance and the fight against corruption were adopted.

Notwithstanding such progress, a number of obstacles towards establishing a best-in-region regulatory framework persist, and only minor progress was recorded in implementing IPR recommendations in the following areas:

- *Competition.* A competition agency was established in 2009, but it has not been operationalized yet. Moreover, the deficiencies of the law as identified in the IPR (e.g. its limited scope, which does not extend to vertical agreements, and mergers and acquisitions) have not been addressed, and no implementing regulations have been passed to date. In this context, cartels, monopolies and anticompetitive practices abound, with negative effects on prices, entrepreneurship development and income distribution.

- *Taxation.* Although some taxes were aligned to regional benchmarks, such as the withholding tax on dividends, the general tax regime remains burdensome and is permeated with overreaching incentives. In this context, most priority sectors of the economy and several large potential taxpayers operate under special incentive schemes that significantly reduce the tax burden. Yet smaller businesses potentially face high taxes. As a result, the tax regime fails to generate sufficient public revenue and constitutes a deterrent to formalization of SMEs.

- *Contract enforcement.* Policy attention on the judiciary has focused on the reform of the Criminal Code and the fight against corruption.[4] However, no progress was recorded in revising the Civil Code to streamline the resolution of commercial disputes, or in fostering alternative dispute resolution mechanisms. As a result, the time, cost and number of procedures required to enforce a contract are still daunting.

- *Infrastructure.* Severe energy infrastructure and provision deficiencies persist, and the injection of competition into energy provision and other utilities called for in the IPR has not materialized. The PPP law, whose adoption was recommended in the IPR, has also remained in the drafting stage, although different iterations have been prepared over the years, and no significant improvement in the independence of sector regulators has been noted.

- *Labour and skills.* No revision of the labour legislation has taken place since the IPR, and the termination provisions deemed to encourage job hopping by requiring high severance packages are still the subject of a national debate. Likewise, no active scheme to encourage the attraction of new talent to the country has been initiated.

Encouragingly, the National Development Strategy (NDS) 2030 adopted in 2012 commits the Government to form a series of pacts with civil society organizations to agree on structural reforms in energy, taxation and education. It also launches a series of initiatives that are aligned with the recommendations of the IPR. Discussions on energy reform started in January

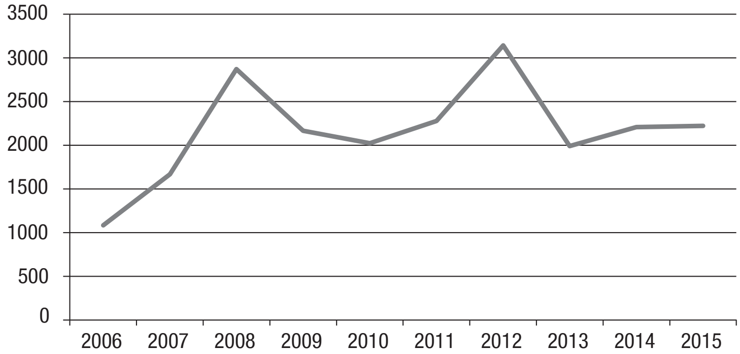
[4] This is reflected in the country's ranking in Transparency International's Corruption Perceptions Index, which improved from 168 on 189 in 2007 to 115 on 175 in 2014.

2015 and are expected to lead to a new energy policy. The reform of the labour regime is also under discussion, and one stated objective is “to align labour regulations to best international practice”. The fiscal pact is expected after the 2016 elections and should aim at promoting a comprehensive tax reform by widening the tax base and rationalizing fiscal incentives. Finally, the NDS calls for strengthening the regulatory and institutional framework for competition.

2. Foreign direct investment trends

The IPR recommended that the Dominican Republic aim at doubling FDI inflows by 2015 and maximize their impact on sustainable development. This could be achieved by fostering a second wave of diversification into more advanced export goods and services that could absorb higher labour costs and upgrade workforce skills. Notwithstanding the international economic crisis, several factors – political stability, sustained economic growth, continued reforms and a surge in mining activities – have contributed to moving towards these objectives. FDI inflows rose from $928 million annually in 2001–2005 to $1.96 billion annually in 2007–2010, and $2.36 billion annually in 2011–2015, thus surpassing the IPR target (figure 1).[5]

Figure 1. Inflows of foreign direct investment
(*Million dollars*)



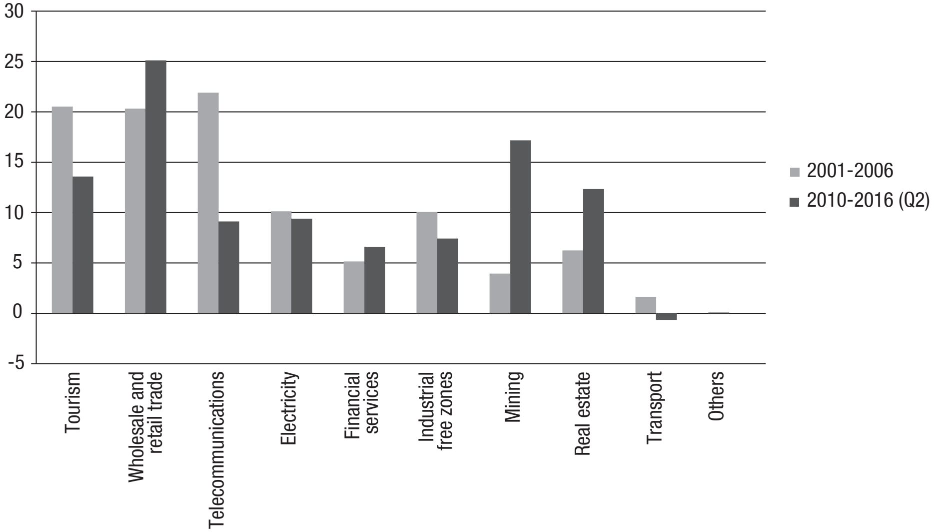
Source: UNCTAD secretariat.

[5] The target would have been achieved even discounting the one-off FDI projects in mining.

Furthermore, FDI inflows are also more diversified. The traditional sectors attracting FDI, such as tourism, telecommunications and industrial free zones, have become less prominent, and other sectors, such as commerce, real estate and financial services are emerging (figure 2). The most notable increase, though, concerns the mining sector, where FDI represented 17 per cent of inflows in 2010–2016 (second quarter), up from 4 per cent in 2001–2006. This is largely the result of one gold project coming to maturity (Barrick Gold), and the reason why Canada has become the second largest investor country to the Dominican Republic (20.7 per cent of total FDI inflows between 2010 and 2016-first quarter). Other important investors include traditional ones, such as the United States of America (21.2 per cent), but also new ones from the region, such as Mexico (3.5 per cent) and the Bolivarian Republic of Venezuela (3.2 per cent). The share of investment originating from Spain has declined in parallel with the declining share of FDI in tourism (3.8 per cent).

Figure 2. Flows of foreign direct investment by economic activity

(Percentage)



Source: Central Bank of the Dominican Republic.

The surge in FDI inflows has made the Dominican Republic one of the top performers in terms of absolute FDI inflows in the region, surpassed only by Panama and El Salvador (table 1). In relative terms however, i.e. taking into account population, gross domestic product (GDP) or gross fixed capital formation, the country has lost some ground compared with key competitors such as Costa Rica, Nicaragua or Panama in the attraction of FDI. In this regard, the NDS sets as one of the key objectives of its economic programme to foster higher levels of both domestic and foreign investment in high value-added activities with propensity to create decent jobs. Nonetheless, the FDI objective set within the NDS – inflows above $2.5 billion by 2030 (indicator 3.23) – does not appear particularly ambitious.

Table 1. Comparative inflows of foreign direct investment to selected countries

(Dollars and percentage)

Country	Average inflows of foreign direct investment								Foreign direct investment stock		
	Absolute figures		Relative figures								
	Million dollars		Per capita (dollars)		Per $1 000 gross domestic product		As percentage of gross fixed capital formation of GFCF		Total millions dollars	Per capita (dollars)	Percentage of gross domestic product
	2001–2010	2011–2015	2001–2010	2011–2015	2001–2010	2011–2015	2001–2010	2011–2015	2015		
Dominican Republic	1 962.2	2 367.8	201.3	227.6	42.2	38.0	16.3	17.5	30 978.4	2 908.2	45.9
Costa Rica	1 651.1	2 625.1	364.3	538.9	55.7	54.5	25.8	27.4	27 172.5	5 432.7	51.4
El Salvador	566.1	323.9	92.0	51.1	27.7	13.2	18.6	9.4	9 158.4	1 425.2	35.5
Guatemala	699.3	1 232.7	51.2	79.7	19.2	22.4	11.1	16.2	13 176.3	810.6	20.6
Honduras	816.2	1 096.0	111.4	135.3	60.8	58.0	22.5	24.7	12 431.1	1 475.7	61.3
Nicaragua	443.9	847.6	78.3	139.4	55.7	76.9	24.4	28.0	8 918.6	1 425.5	73.0
CACM	4 176.6	6 125.3	139.4	188.9	43.8	45.0	20.5	21.1	70 856.9	2 113.9	48.4
Panama	2 115.0	3 930.9	595.2	1 017.3	88.8	89.1	31.1	21.9	40 314.1	10 109.2	77.3
Jamaica	790.8	522.4	290.8	187.7	61.9	36.7	26.1	19.1	14 101.5	5 012.5	101.3
Latin America and the Caribbean, excluding Caribbean Financial Centres and Dominican Republic	114 000.3	177 170.8	200.8	294.9	27.4	30.6	13.5	14.8	1687 616.9	2 748.6	33.3
Chile	12 894.0	20 187.4	766.2	1 145.8	71.9	78.1	33.6	33.7	207 826.7	11 594.8	86.5
Mexico	25 385.3	29 180.1	220.8	238.6	25.1	24.1	11.3	11.1	419 956.1	3 353.3	36.7
Malaysia	6 468.0	11 110.1	236.9	373.9	30.2	35.4	13.9	14.0	117 643.8	3 838.1	39.7

Source: UNCTAD secretariat.
Abbreviations: CACM = Central American Common Market

Notwithstanding the significant role played by FDI in the economy of the Dominican Republic, its impact could have been stronger. Much FDI remains concentrated on supplying export markets, and several investors, apart from utilizing labour, have minimal contact with the domestic economy. Indeed, export industries have failed to develop local supply chains, and FDI has made little headway in injecting competition into domestic markets.

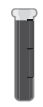
3. Investment policy review implementation matrix

What	Why	How	Status	Findings
I. Modernize the FDI-specific regime	The legal framework of the Dominican Republic for FDI is open and liberal and contains very few sectoral restrictions. However, the investment law is outdated with regard to investor treatment and protection provisions. It also grants CEI-RD extensive regulatory functions, which the agency only partially implements. Moreover, the BITs in force differ significantly, including as regards the scope of key provisions, which can lead to inconsistent interpretations by arbitral tribunals. Inconsistencies also highlight the absence of a coherent approach to BIT negotiation.	**I.1** Revise the Foreign Investment Law to: - Introduce key treatment and protection provisions, such as non-discrimination and guarantees against expropriation - Reflect the sectoral FDI entry restrictions - Repeal the responsibility for transfer of technology registration and approval procedure from CEI-RD - Remove the FDI registration requirement by CEI-RD	partially implemented	No changes have been made to the Foreign Investment Law or to its implementing regulations since the IPR. However, the revision of the Constitution in 2010 introduced equality of treatment for foreign investors, except when national law provides otherwise (article 221), and it expanded their guarantees with regard to property rights, including compensation in case of expropriation (article 51). It also stipulated that all contracts between the State and a foreign investor should subject the latter to Dominican laws and jurisdictional organs, but allowed for disputes to be submitted to national or international arbitration, in accordance with the law (article 219).
		I.2 Address the need for accurate FDI statistics by improving data collection methodology (legally require investors to comply with annual surveys)	not implemented	To follow up on the IPR, UNCTAD in November 2008 provided technical assistance to improve the FDI data collection methodology. The project involved setting up a national team with all relevant stakeholders (CEI-RD, Central Bank, National Statistical Office and others) and delivering training and assistance in preparing and undertaking an enterprise survey on FDI and the activities of multinational enterprises. Activities 1 and 2 were completed, but no follow-up action was taken on developing a survey, and several limitations persist with regard to the quality and availability of FDI and FDI impact data.
		I.3 Remove the ceiling on the repatriation of dividends (i.e. not to exceed the post-tax profits for the year)	partially implemented	The source of the restriction, i.e. the Foreign Investment Law (article 7), was not revised, but the authorities report that the ceiling is not applied in practice, in application of the implementing regulations to the Law (No. 214-04).
		I.4 Adopt a model BIT for future negotiations and seek renegotiation of BITs containing unclear or inconsistent provisions	implemented	A model BIT was adopted in 2009, and UNCTAD is assisting the authorities in revising the model to reflect the policy guidance contained in the UNCTAD Investment Policy Framework for Sustainable Development. During the process of revision of the model BIT, no new BITs will be signed.

= implemented; = substantially implemented; = partially implemented; = not implemented.

What	Why	How	Status	Findings
II. Fill remaining gaps in the regulatory framework	The Dominican Republic has generally adopted modern legislation to strengthen its regulatory framework for private sector development. Examples include the legislation on foreign exchange, environment and intellectual property. However, glaring gaps persist, including an outdated commercial code, a weak competition law and the absence of a PPP regime.	**II.1** Expand the scope of the competition law to mergers and acquisitions and vertical agreements, adopt a precise definition of abuse of dominant position, including the minimum market-share threshold		There have been no changes to the competition law nor has any implementing regulation been adopted. In the NDS 2030, the need to strengthen the legal and regulatory framework for competition and consumer protection is recognized as a priority (objectives 3.3.1.2– 3.3.1.6).
		II.2 Establish and operationalize an independent competition agency		A competition authority was established in 2009, but it is not yet operational. In June 2011, three members of the Board of National Commission for Protection of Competition were sworn in. A fourth member was appointed in early 2015. Finally, in October 2016, an executive director of the Board was appointed. No cases have been investigated to date. On 9 July 2015, the President of the National Commission for Protection of Competition formally asked UNCTAD for comprehensive support to incorporate substantial improvements in the regulation and implementation of the General Law on Protection of Competition.
		II.3 Ensure greater independence of sector regulators		No significant changes were reported. In ports, the Dominican Port Authority (APORDOM) prepared strategic plans in 2009, which included a new organizational structure that would reengineer it in his new role as regulator rather than operator. However, in 2012, it took back control of the port of Manzanillo as a result of the cancellation of the concession contract. A draft general law on ports to convert APORDOM into a regulator has been under preparation for some years.
		II.4 Adopt the draft public–private partnership law		Several PPP bills have been presented to Congress since 2007, but none have yet been adopted.
		II.5 Revise the Commercial Code to bring it up to modern standards, including on company formation requirements, accounting standards and corporate governance		The General Law of Corporations and Single Limited Liability Companies of 2008 (Law No. 479-08) was amended by Law No. 31-11 of 2011. It modified company formation requirements, introducing the limited liability enterprise constituted by one person, and enabling a company to be formed by a minimum of two people (down from 8). Article 31 of the Law also provided that financial statements should be prepared in accordance with the principles and/or accounting standards accepted nationally and internationally. The securities market regulator (Superintendencia de Valores) has further required mandatory use of International Financial Reporting Standards for companies on the stock exchange and for all unlisted companies that are considered of medium or large size under Law 488-08 (Resolución 001 Acta 2010-004).

What	Why	How	Status	Findings
III. Improve the adminis-tration of regulatory procedures	Many of the existing laws are partially implemented and often inappropriately administered. Regulatory failures in banking and electricity are the most visible problems. Other examples exist in areas such as environmental permitting, immigration, governance, intellectual property and concessioning.	**III.1** Implement a one-stop facility for company establishment, including an electronic alert system to detect the origins and frequencies of delays		A one-stop shop for company establishment, targeting the formalization of SMEs (Ventanilla Única de Formalización – VUF), was established in 2013 to streamline the process to start a company. VUF, under the Ministry of Industry and Commerce, brings together the National Association of Chambers of Commerce, the Intellectual Property Agency (ONAPI), the Tax Service (Dirección General de Impuestos Internos) and the Chamber of Commerce of Santo Domingo. VUF reduced company incorporation time from 20 to 7 days, and introduced a single form. As of mid-2015, VUF had yet to put any of its services online. A second one-stop shop (Ventanilla Única de la Inversión – VUI), targeting high-impact investors (i.e. investment above $500’000 and at least 25 jobs), was established to assist companies obtaining permits in the post-establishment phase. VUI is a presidential project jointly carried out by CEI-RD and the Ministry of Public Administration. In August 2015, the tourism sector was formally integrated into VUI. The integration implies a process of mapping, validation and simplification of the permitting requirements for the sector. There are plans to integrate new sectors to VUI, which is currently physical only, with the intention to establish an online service in the future. In this regard, the Ministry of the Presidency authorized the integration of the manufacturing, free-zone services and telecommunications sectors.
		III.2 Strengthen the environmental protection institution and increase its human and technical resources		The human and technical resources of the environmental evaluation unit have increased. The unit now has 28 experts (up from 18 in 2008), and their technical capacity has been strengthened, including through a programme of post-graduate studies financed directly by the Ministry of Environment and Natural Resources.
		III.3 Set service charges for the environmental permitting process on a cost-recovery basis		Since 2012, all service charges have been allocated to the central budget. The treasury redistributes them to the Ministry. The process, however, is reported to be slow and the amount reallocated difficult to predict.
		III.4 Promote a professional certification procedure among environmental consultants. If a voluntary process does not work, a mandatory certification process should be introduced		There were no significant changes reported in terms of improving the qualification of environmental consultants and no certification process is in place.
		III.5 In the longer term, prepare a resource management framework for land use, zoning and building regulations at the provincial and municipal levels		In the context of NDS 2030, the Government committed to adopt and implement a Land Use Plan to regulate land use, encourage sustainable use of resources and facilitate comprehensive risk management within a period not exceeding three years. To this end, a draft law on land management and land use, establishing the regulatory framework for land planning and use, was approved in first reading by the Chamber of Deputies in May 2015.

What	Why	How	Status	Findings
III. Improve the administration of regulatory procedures	Many of the existing laws are partially implemented and often inappropriately administered. Regulatory failures in banking and electricity are the most visible problems. Other examples exist in areas such as environmental permitting, immigration, governance, intellectual property and concessioning.	**III.6** Extend land records digitalization to all land registries in the country and clear up back log of disputed titles		The significant reform effort to promote land title security, which had started before the IPR, has continued. Resolution 2669 of 2009, pertaining to the Law on the Property Registry (108 of 2005), was introduced to regulate national title registries, including the title registration process. A new cadastre with digitized property titles was established, together with 23 land registry offices across the country. All paper records and titles have been digitalized and can be accessed online, either directly or in consultation rooms across the country. Established in 2012, the State Lands Titling Commission is intended to achieve the titling of around 150,000 urban and rural properties. Although the legacy of the former regime is still felt by individuals and investors, greater title security has been achieved and 75 per cent of titles are reported to be clear of any competing claim.
		III.7 Introduce a system of corporate title to handle situations of condominium-type ownership of residential and commercial properties		Law 108 of 2005 and the implementing regulations (Resolutions 1337 of 2007, 2669 of 2009) identify condominiums as a typology of property. When a title certificate is issued, as a result of the constitution of a condominium regime, it contains the identification of the individual unit belonging exclusively to the title holder, as well as the percentage of ownership of common areas and functional plots that corresponds to it.
		III.8 Operationalize the National Department for the Prosecution of Administrative Corruption and carry through the proposed modernization of the criminal code with respect to sanctions for corruption		Several efforts to promote accountability in public service have been taken. The Public Service Law (2008) and the 2010 revision of the Constitution set out the core values of public service and introduced conflict of interest provisions. Law 311 (2014) established financial disclosure obligations for high-level officials in the public administration. The Special Prosecutor for the Prosecution of Administrative Corruption is now responsible for investigating and prosecuting administrative corruption cases. Corruption investigations against two senators and a former minister of public works have been initiated, though no high-profile conviction has been reported. A new criminal code was adopted in 2014 (Law 550-14) but it did not introduce new tools to fight administrative corruption.
		III.9 Improve the efficiency of contract enforcement mechanisms		The time required to enforce a contract has not changed. There was no change in the Civil Code, though a draft revision has been pending for over 10 years. Alternative dispute resolution mechanisms are not sufficiently developed, arbitration decisions are not binding and most cases go to litigation. In the absence of legal reform, the judiciary has started a process of mapping and validation of procedural steps to streamline and harmonize court processes across the country.

What	Why	How	Status	Findings
III. Improve the administration of regulatory procedures	Many of the existing laws are partially implemented and often inappropriately administered. Regulatory failures in banking and electricity are the most visible problems. Other examples exist in areas such as environmental permitting, immigration, governance, intellectual property and concessioning.	**III.10** Clarify residence permits conditions under the 2004 immigration law		The implementation decree of the Law on Migration of 2004 was adopted in 2011 (Decree 631-11). It clarified permanent residence schemes, including the Residence by Investment programme and put it under the umbrella of the 2004 law.
		III.11 Introduce an active programme to attract business talent and spread skills		No active programme to attract foreign business talent or to diffuse skills among the workforce has been introduced.
		III.12 Consider introducing a system to allow employees to access severance payment funds on a periodic basis to reduce the incentive for employees to job hop		There was no change in labour legislation. NDS 2030 calls for reform of the labour regime in line with international best practice (objective 3.3.2.1-2), including with regard to termination provisions. A reform of the Labour Code has been under discussion since late 2013, when the President established a committee of government and business representatives to propose revisions. A draft bill was under discussion at the time of the UNCTAD fact-finding mission.
IV. Re-orient tax policy to achieve new development objectives	Taxation policy has served past objectives well but needs to be re-oriented to meet new objectives of upgrading, modernization and innovation.	**IV.1** Reduce the general rate of corporate income tax and apply it to all types of business, including free zones and tourism		The corporate income tax rate was 25 per cent in 2008 (down from 30 per cent in 2006). It was increased to 29 per cent in 2013 and gradually reduced to 27 per cent in 2015. Companies in tourism and free zones still benefit from lower tax rates (see below).
		IV.2 Remove across-the-board tax exemptions in favour of targeted incentives tailored to the goals of upgrading and innovation		Free trade zones and border zone incentives are still in place, but export performance and local content requirements were eliminated. Moreover, a 2.5 per cent tax on sales of goods and services by free trade zones companies to the customs territory of the Dominican Republic was introduced by Law 239-11 and subsequently raised to 3.5 per cent by Law 253-12. A tax of 5 per cent on the gross sales of free zone companies established under Law No. 4315 (1955), amended by Law No. 397 (1969), was introduced by Law No. 253-12. The same law also suspended the classification of new special free zones (those outside an industrial park) under Law 8 (1990). Three new laws were implemented to promote investment in the tourism, cinematographic and financial sectors. However, in line with the recommendation of the IPR, NDS 2030 calls for the rationalization of incentives (objective 3.1.2.1) and for designing more tailored incentives to foster value addition and innovation (objective 3.4.1.5).
		IV.3 Reverse the current imputation system so that corporate tax is credited against shareholder tax liabilities		Compensation claims for withholding on dividends paid were eliminated by Law 253-12 and a 10 per cent withholding tax on dividends was introduced.

What	Why	How	Status	Findings
IV. Re-orient tax policy to achieve new development objectives	Taxation policy has served past objectives well but needs to be re-oriented to meet new objectives of upgrading, modernization and innovation.	**IV.4** Eliminate the tax on assets and the tax on capital contributions and reduce the tax on property transfers		The net worth tax (*impuesto al activo*) was reduced to 0.5 per cent and is scheduled for elimination in 2016. The other taxes remain unchanged.
		IV.5 Reduce withholding taxes on payments abroad for services, royalties and interest (from 30 per cent to 10 per cent)		Interest is subject to a final 10 per cent withholding tax (5 per cent for bank loans used in the generation of alternative energy). Royalties and other payments made to non-residents are taxed at 27 per cent of the gross amount.
		IV.6 Establish a strategic projects window through which special fiscal and other incentive arrangements can be made for large developmental investments of strategic significance		In 2009, the Investment Cabinet for Strategic Projects (Gabinete de Inversion), chaired by the President of the Republic, was established to approve ad hoc incentive packages for projects with a high socioeconomic impact (Decree 143-09 amended by Decree 178-09). The Cabinet gathers various line ministers, and CEI-RD serves as executive secretary. It is reported that the Cabinet has not been called to meet in more than a year.
		IV.7 Introduce a separate and higher structure of taxation for resource rents in the extractive industries, including mineral royalties		This has been done through individual contracts with the main mining companies in the country, which are ratified by Parliament. The contract with Barrick Gold, the largest mining operation in the country, was renegotiated and ratified in 2013.
V. Establish a national system of investment promotion	CEI-RD has played its part in the successful FDI attraction performance of the Dominican Republic. However, the FDI promotion platform could be improved to attract the foreign investment necessary to move up the value chain. This requires a new approach. The IPR recommended the creation of a national system of investment promotion with three main elements:	**V.1** Reorganize CEI-RD by function, to carry out research and lead generation, account management, facilitation, aftercare and marketing		The investment team of CEI-RD was restructured in line with the recommendations of the IPR (i.e. first by function, then by sector) as follows: market intelligence team (research and lead generation), new business team (FDI promotion); one-stop shop for investment (facilitation of large projects); and aftercare (including account management functions). Each core team is further subdivided with a sector focus. Two additional teams – marketing and investment policy (with policy advocacy functions) – support the work of the investment promotion arm.
		V.2 Create a central project database of all foreign investments, managed by CEI-RD, supporting all promotion activities		CEI-RD has established a project matrix, a database of established investors, which is based on information from the FDI registry, as well as other information obtained from the different teams of the investment promotion arm. Given that statistical gaps in the FDI collection methodologies persist (see I.2), the database does not yet provide comprehensive information on all foreign investments. However, a customer relationship management (CRM) system and a project management software are being implemented, and should help address the need for reliable project tracking.

What	Why	How	Status	Findings
V. Establish a national system of investment promotion	CEI-RD has played its part in the successful FDI attraction performance of the Dominican Republic. However, the FDI promotion platform could be improved to attract the foreign investment necessary to move up the value chain. This requires a new approach. The IPR recommended the creation of a national system of investment promotion with three main elements: • An enhanced CEI-RD as the lead agency for investment promotion • Formal investment promotion relationships among all stakeholders • A minister of investment to drive strategy and coordinate the national system of investment promotion	**V.3** Improve the capacity of CEI-RD staff to carry out investor targeting, relationship management and selling techniques		Investment team staff, many of whom come from the private sector, has undergone training and capacity-building in different areas. Further capacity-building is required in investor-targeting techniques and advocacy.
		V.4 Double the staff of CEI-RD to about 35 and shift the balance towards front-line staff. Increase the budget as required.		At the time of UNCTAD's fact-finding mission in August 2015, CEI-RD staff directly involved in investment promotion had increased from 18 to 29. This did not include staff in marketing, investment policy and the other administrative support units.
		V.5 Formalize the relationships between stakeholders in investment promotion through service-level agreements (protocol agreements)		CEI-RD signed a cooperation agreement with the Ministry of Energy and Mining to provide investment promotion and facilitation assistance to potential mining investors. No other cooperation agreements have been concluded, but more limited facilitation agreements have been concluded with the agencies responsible for the sectors integrated into VUI.
		V.6 Introduce a minister of investment supported by a specialized ministry, to coordinate investment-related agencies and be in charge of advocacy		No change has taken place in this regard. However, an initiative is in place to establish an inter-institutional mechanism to coordinate the activities of all the agencies which have a role in the promotion, attraction and expansion of investment in the Dominican Republic, both in the public and private sectors.
		V.7 Introduce an investment ombudsman under the new minister to facilitate the mediation and conciliation process		No changes, either to date or in the proposed law discussed above
		V.8 Establish an investment advisory board comprising private and public sector representatives that would meet twice a year to advise on international competitiveness		No change had taken place as of August 2015.

4. Conclusions and the way forward

A major policy effort has been undertaken since 2008 to improve the investment environment and implement the recommendations contained in the IPR. A number of processes and procedures have been clarified or streamlined, including those for establishing a company, accessing land, hiring foreign skills or paying certain taxes. Moreover, institutional or legal strengthening has taken place in key policy areas, such as environmental permitting, public and corporate governance or investment promotion and facilitation. As a result, establishing and running a business has become easier, and the capacity of the public administration to protect public interest has improved.

In this context, notwithstanding the global economic and financial crisis, the Dominican Republic experienced high levels of growth, as real GDP increased at an average annual rate of 4.6 per cent in the period 2008–2015. In the same period, FDI surged and diversified. However, the Dominican Republic has only partially succeeded in differentiating itself from its peers by establishing a best-in-region investment climate, as recommended in the IPR. When the size of the economy is taken into account, the FDI attraction performance of the country remains below that of some of its key competitors in Central America and the Caribbean.

Key regulatory and structural gaps identified in the IPR persist, including severe electricity supply issues; governance issues in infrastructure provision and the absence of a PPP framework; anticompetitive practices not countered by policy action; a tax regime favouring large investors while potentially discouraging the emergence of smaller enterprises; labour regulations discouraging long-term employment and a slow and often unpredictable adjudication of commercial disputes. In addition, while CEI-RD has been dramatically upgraded and equipped for undertaking proactive investment promotion functions, more progress is needed to improve the coherence and effectiveness of the national investment promotion effort by fostering the cooperation with the various agencies involved.

As discussed in this brief report, the NDS promises to address several of the above issues by 2030, and several forums have been opened to design shared solutions. In support of this process, UNCTAD has been requested to prepare an action plan on investment. The action plan, which builds on this report, will provide further policy assistance to attract FDI to the Dominican Republic in support of sustainable development.

IPR

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