



## **Executive Summary**

Dominica's economy is expected to grow by 1.7% in 2014. Fueled by a public sector investment program, the government has undertaken a growth strategy to foster economic growth and create employment. Opportunities for investment exist in alternative energy, tourism services and education.

The Government of the Commonwealth of Dominica strongly encourages foreign direct investment, particularly in the sectors of hotel accommodation, including eco-lodges and flagship boutique hotels; nature and adventure tourism services; fine dining restaurants; information and technology services; film, music and video production; agro-processing; manufacturing; bulk water export and bottled water operations; medical and nursing schools; health and wellness tourism; geothermal and biomass industries; biodiversity; aquaculture; and English language training services.

The government has instituted a number of investment incentives for businesses considering the possibility of locating in Dominica, encouraging both domestic and foreign private investment. Government policies provide liberal tax holidays, duty-free import of equipment and materials, exemption from value added tax on some capital investments, and withholding tax exemptions on dividends, interest payments and some external payments and income.

Dominica employs a system of eminent domain to pay compensation when property needs to be acquired in the public interest. There have been no reported tendencies of the government to discriminate against U.S. investments, companies or landholdings. There are no laws forcing local ownership in specified sectors.

Foreign investors in Dominica can repatriate all profits, dividends and import capital. There are no restrictions on the repatriation of dividends for totally foreign-owned firms; however a mixed foreign-domestic company may repatriate profits to the extent of its foreign participation. Dominica bases its legal system on the British common law system.

Foreign investment in Dominica is not subject to any restrictions, and foreign investors are entitled to receive the same treatment as nationals of Dominica. Dominica uses transparent policies and effective laws to foster competition and establish clear rules for foreign and domestic investors in the areas of tax, labor, environment, health, and safety.

Dominica is a member of the Caribbean Basin Initiative, which permits duty free entry of many products manufactured or assembled in Dominica into markets of the United States. Dominica has no bilateral investment treaty with the United States but has a bilateral investment treaty with the United Kingdom and with Germany.

### **1. Openness To, and Restrictions Upon, Foreign Investment**

The Government of the Commonwealth of Dominica strongly encourages foreign direct investment, particularly in industries that create jobs, earn foreign currency, and have a positive impact on its citizens.

The government has instituted a number of investment incentives for businesses considering the possibility of locating in Dominica, encouraging both domestic and foreign private investment. Government policies provide liberal tax holidays, duty-free import of equipment and materials, exemption from value added tax on some capital investments, and withholding tax exemptions on dividends, interest payments and some external payments and income. Fiscal incentives are provided under various laws to encourage the establishment and expansion of both foreign and domestic investment.

All proposals for investment concessions and incentives are reviewed by the Invest Dominica Authority to ensure that the project is consistent with the national interest and provides economic benefits to the country. The Invest Dominica Authority provides ‘one-stop shop facilitation’ services to investors to guide them through the various stages of the investment process. Dominica encourages investment in the following sectors: hotel accommodation including eco-lodges and flagship boutique hotels; nature and adventure tourism services; fine dining restaurants; information and technology services; film, music and video production; agro-processing; manufacturing; bulk water export and bottled water operations; medical and nursing schools; health and wellness tourism; geothermal and biomass industries; biodiversity; aquaculture; and English language training services. Additional sectors may also be considered.

Foreign nationals receive the same legal protections as local citizens. The police and court systems are unbiased in commercial matters. The judicial system generally upholds the sanctity of contracts, although court proceedings can last years. Dominica has a legal system based on British common law. The judiciary is independent, and trials are generally fair. Deregulation in the telecommunications industry has facilitated market access for new competitors, although historically the industry was monopolized. There are currently three service providers: Cable and Wireless (Lime), Digicel, and Marpin Telecommunications.

Local enterprises generally welcome joint ventures with foreign investors in order to access technology, expertise, markets, and capital. There is no general limit on the amount of foreign ownership or control in the establishment of a business. If fiscal incentives are being sought, depending upon the sector, an application is filed with the Invest Dominica Authority, where a screening committee reviews the application and makes a decision on the incentive application. The decision-making process is relatively fast, with the investor receiving a notice within two to four weeks. Where the investment is less than EC\$2 million, the decision is made by a subcommittee of the cabinet called the Approval Committee. If the investment is more than EC\$2 million, the matter is submitted to the cabinet for consideration and approval. It normally takes one month for the cabinet to make a decision.

There are some special license requirements as to acquisition of land, development of buildings and expansion of existing construction, and special standards for various aspects of the tourism industry. Individuals or corporate bodies who are not citizens and who are seeking to acquire

land may require a license prior to the execution of the transactions, depending upon the amount of land in question. A foreign national may hold less than one acre of land for residential purposes or less than three acres for commercial purposes without obtaining an alien landholding license; if more land is required then a license must be obtained, and the applicant must pay a fee equivalent to 10% of the market value of the land. The Tourism Act of 2005 provides for the creation of standards for the tourism sector and the government through the Discover Dominica Authority regulates and certifies certain tourism services, such as food and hotel services, vendors, travel agents, taxi operators, hair braiders, tour operators, tour guides and water sports activities.

**TABLE 1:** The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	(41 of 177)	<a href="http://cpi.transparency.org/cpi2013/results/">http://cpi.transparency.org/cpi2013/results/</a>
Heritage Foundation's Economic Freedom index	2013	63 of 177	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>
World Bank's Doing Business Report "Ease of Doing Business"	2013	(77 of 189)	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>
Global Innovation Index	2013	n/a	<a href="http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener">http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener</a>
World Bank GNI per capita	2012	USD 6,440	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## 2. Conversion and Transfer Policies

Foreign investors in Dominica can repatriate all profits, dividends and import capital. There are no restrictions on the repatriation of dividends for totally foreign-owned firms; however a mixed foreign-domestic company may repatriate profits to the extent of its foreign participation.

As a member of the Organization of Eastern Caribbean States, there are no exchange controls in Dominica and the invoicing of foreign trade transactions may be made in any currency.

Importers are not required to make prior deposits in local funds and export proceeds do not have to be surrendered to government authorities or to authorized banks. There are no controls on transfers of funds. The Government of the Commonwealth of Dominica guarantees the free transfers of profits and repatriation of capital.

## 3. Expropriation and Compensation

There are no known pending expropriation cases involving American citizens. In such an event, Dominica would employ a system of eminent domain to pay compensation when property needs

to be acquired in the public interest. There have been no reported tendencies of the government to discriminate against U.S. investments, companies or landholdings. There are no laws forcing local ownership in specified sectors.

#### **4. Dispute Settlement**

Dominica bases its legal system on the British common law system. The magistrates and the High Court administer justice in Dominica. An appeal may be taken to the Organization of Eastern Caribbean States Court of Appeal, and final appeals are taken to the Judicial Committee of the Privy Council in the United Kingdom. In January 2014, Britain gave Dominica the stamp of approval to join the Caribbean Court of Justice and to recognize it as Dominica's final court, but it must be debated and passed in Dominica's parliament for changes to be made to the Constitution of Dominica.

The United States and Dominica are both parties to the World Trade Organization (WTO). The WTO Dispute Settlement Panel and Appellate Body resolves disputes over WTO agreements, while courts of appropriate jurisdiction in both countries resolve private disputes.

#### **5. Performance Requirements and Investment Incentives**

While there are no formal performance requirements, government officials strongly encourage investments they believe will create jobs and increase exports and foreign exchange earnings. There are no requirements for participation either by nationals or by the government in foreign investment projects.

There is no requirement that enterprises must purchase a fixed percentage of goods from local sources, but the government encourages local sourcing.

In an effort to increase investment, Dominica has implemented a series of investment incentives. The Fiscal Incentives Act provides a list of incentives including:

- Tax holiday of up to 20 years for approved hotel and resort developments
- Exemption from customs duties on material and equipment deemed necessary to establish or update an enterprise
- Withholding tax exemptions on dividends, interest payments, and other relevant external payments
- Exemption from payment of import duty on plant, machinery, equipment, spare parts, raw and packaging materials, and vehicles
- Exemption from income tax on any income accrued from a source outside Dominica to a retired person who, prior to retirement, was not resident in Dominica
- Exemption from provisions of the value added tax for capital investments for the initial investment up to commencement of taxable activities, for direct imports of approved items on the master list consigned to the approved enterprise
- Other incentives may be granted where appropriate

##### *Corporate Tax Incentives*

Under the Fiscal Incentives Act, four types of enterprise qualify for tax holidays. The length of the tax holiday for the first three depends on the amount of value added in Dominica. The fourth

type, known as enclave industry, must produce goods exclusively for export outside the CARICOM region.

Enterprise	Value Added	Maximum Tax Holiday
Group I	50% or more	15 years
Group II	25% to 50 %	12 years
Group III	10% to 25%	10 years
Enclave	Enclave	15 years

Companies which qualify for tax holidays are allowed to import into Dominica duty-free all equipment, machinery, spare parts and raw materials used in production.

The Hotel Aids Act provides relief from customs duties on items brought into the country for use in construction, extension and equipping of a hotel of not less than five bedrooms. In addition, the Income Tax Act provides special tax relief benefits for hotels. These provide for granting of a tax holiday for up to 20 years for approved hotel and resort developments.

The standard corporate income tax rate is 30%. There is no capital gains tax. International Business Companies are exempt from tax. Corporate tax does not apply to exempt companies or to enterprises that have been granted tax concession.

#### *Customs Allowance*

Dominica provides companies with a further tax concession effective at the end of the tax holiday period. In effect, it is a rebate of a portion of the income tax paid based on export profits as a percentage of total profits. Full exemption from import duties on parts, raw materials, and production machinery is also available.

#### *Citizenship through Investment*

Under the Economic Citizenship Program, foreign individuals can obtain citizenship in accordance with section VII of the Constitution and the 1993 Amendment to the Citizenship Act, which grants the right of citizenship (without voting rights), by investment. The minimum that would entitle an investor to qualify is US\$75,000, or US\$100,000 for a family. Applicants must also provide a full medical certificate, undergo a background check and provide evidence of the source of funds before proceeding to the final stage of an interview. The government introduced a Citizen by Investment Certificate in order to minimize the risk of unlawful duplication.

## **6. Right to Private Ownership and Establishment**

Foreign investment in Dominica is not subject to any restrictions, and foreign investors are entitled to receive the same treatment as nationals of Dominica. The only restriction is the requirement to obtain an Alien Landholders License for foreign investors seeking to purchase property for residential or commercial purposes (more than one acre for residential purposes, or more than three acres for commercial purposes). The cost of these licenses is 10% of the value of

the land or of the interest in the real estate to be purchased. Licenses are granted once properly submitted to Cabinet for consideration.

## **7. Protection of Property Rights**

Civil law protects physical property and mortgage claims. Dominica is a member of the United Nations World Intellectual Property Organization (WIPO). Article 45 of the Protocol Amending the Treaty that established CARICOM commits all 15 members to implement stronger IP protection and enforcement.

The administration of intellectual property laws in Dominica are under the responsibility of the Attorney General. The registration of patents, trademarks, and service marks is administered by the Companies and Intellectual Property Office.

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

Embassy point of contact: Jonelle Watson WatsonJM@state.gov

## **8. Transparency of the Regulatory System**

Though Dominica has laws to foster competition and establish clear rules for foreign and domestic investors in the areas of tax, labor, environment, health, and safety; some domestic and international investors have expressed concern about the transparency of dealings with various government regulators.

The Revised Treaty of Chaguaramas provides the competition policy applicable to CARICOM States. Member States are required to establish and maintain a national competition authority for facilitating the implementation of the rules of competition. At the CARICOM level, a regional Competition Commission is established to apply the rules of competition in respect of anti-competitive cross-border business conduct. The CARICOM competition policy addresses anti-competitive business conduct, such as agreements between enterprises, decisions by associations of enterprises, and concerted practices by enterprises that have as their object or effect the prevention, restriction or distortion of competition within the Community; and actions by which an enterprise abuses its dominant position within the Community. No legislation is yet in operation to regulate competition in Dominica. The Organization of Eastern Caribbean States (OECS) has agreed to establish a regional competition body to handle competition matters within its single market. The draft OECS bill has been submitted to the Ministry of Legal Affairs for review. However, regulation of competition in the telecommunications field is provided for under the Telecommunications Act (2000).

An external company that wishes to carry on business in Dominica must first be registered in Dominica. Registration is done at the Companies and Intellectual Property Office. Companies using or manufacturing chemicals must obtain a license of their environmental and health practices from the Dominica Bureau of Standards and the Environmental Health Unit.

## **9. Efficient Capital Markets and Portfolio Investment**

The Eastern Caribbean Central Bank (ECCB) controls the currencies of several island states including St. Dominica.

Dominica's monetary and exchange rate policies are determined by the ECCB. The ECCB regulates domestic banks. As a member of the OECS, Dominica is a member of the Eastern Caribbean Securities Exchange and the Regional Government Securities Market. The ECSE is a regional securities market established by the Eastern Caribbean Central Bank and licensed under the Securities Act of 2001, a uniform regional body of legislation governing securities market activities to facilitate the buying and selling of financial products for the eight member territories. Dominica is a member of this stock exchange, and is open to portfolio investment. According to the most recent data available from the government, assets of commercial banks totaled US\$656.7 million in November 2012, and remained relatively consistent throughout the year. The reserve requirement for commercial banks was 6% of deposit liabilities.

## **10. Competition from State-Owned Enterprises**

The government has somewhat reduced its direct role in the economy, including elimination of price controls and privatization of the state banana company, is ongoing in Dominica. There are a very limited number of statutory corporations (state-owned enterprises) in Dominica. Those that exist do not generally pose a threat to investors.

## **11. Corporate Social Responsibility**

In Dominica, there is an awareness of corporate social responsibility (CSR) among both producers and consumers. The private sector is involved in projects that benefit society, including in support of environmental, social and cultural causes. Individuals benefit from business sponsored initiatives when local and foreign owned enterprises pursue volunteer opportunities and make monetary or in kind donations to local causes.

The NGO community, while comparatively small, is involved in fundraising and volunteerism in gender, health, environmental and community projects. The government at times partners with non-governmental organizations (NGO) in activities. The government encourages philanthropy.

## **12. Political Violence**

Dominica does not have a history of political violence.

## **13. Corruption**

There have been widely publicized allegations against some government officials. None of those allegations have been substantiated in the courts.

Dominica has laws, regulations and penalties to combat corruption, and the government generally enforces national laws. Government agencies involved in enforcement of anti-

corruption laws include the Commonwealth of Dominica Police Force, the Director of Public Prosecutions, the Financial Intelligence Unit, and the Integrity in Public Office Commission. The country is also party to the Inter-American Convention against Corruption and Dominica acceded to the United Nations Convention against Corruption on 28 May 2010.

#### **14. Bilateral Investment Agreements**

Dominica has no bilateral investment treaty with the United States. Dominica has a bilateral investment treaty with the United Kingdom and with Germany.

##### *Caribbean Community (CARICOM)*

The Treaty of Chaguaramas established CARICOM in 1973. Its purpose is to promote economic integration among its fifteen (15) Member States. Investors operating in Dominica are given preferential access to the entire CARICOM market. The Revised Treaty of Chaguaramas goes further to establish the CARICOM Single Market and Economy (CSME), by permitting the free movement of goods, capital and labor within CARICOM States.

##### *Organization of Eastern Caribbean States*

The Revised Treaty of Basseterre establishes the Organization of Eastern Caribbean States. The OECS consists of seven full Member States of Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts & Nevis, St. Lucia and St. Vincent & the Grenadine, plus associate members Anguilla and the British Virgin Islands. The purpose of the Treaty is to promote harmonization among Member States in areas concerning foreign policy, defense and security, and economic affairs. The six independent countries of the OECS ratified the Revised Treaty of Basseterre establishing the OECS Economic Union on January 21, 2011. The Economic Union established a single financial and economic space within which all factors of production, including goods, services and people, move without hindrance.

##### *Economic Partnership Agreement (EPA)*

The Economic Partnership Agreement (EPA) was concluded between the CARIFORUM States and the European Community and its Member States. The EPA is designed to replace the now expired transitional trade regime of the Cotonou Agreement. The overarching objectives of the EPA are to alleviate poverty in CARIFORUM, to promote regional integration and economic cooperation and to foster the gradual integration of the CARIFORUM states into the world economy by improving their trade capacity and creating an investment-conducive environment. The Agreement promotes trade related developments in areas such as competition, intellectual property, and public procurement, the environment and protection of personal data.

##### *Caribbean Basin Initiative (CBI)*

The objective of the Caribbean Basin Initiative is to promote economic development through private sector initiative in Central America and the Caribbean islands by expanding foreign and domestic investment in non-traditional sectors, diversifying CBI country economies and expanding their exports. It permits duty free entry of products manufactured or assembled in Dominica into markets of the USA.

##### *Caribbean / Canada Trade Agreement (CARIBCAN)*

CARIBCAN is an economic and trade development assistance program for Commonwealth Caribbean countries in which Canada provides duty free access to its national market for the majority of products which originate in Commonwealth Caribbean countries.

### 15. OPIC and Other Investment Insurance Programs

OPIC provides financing and political risk insurance to viable private sector projects, helps U.S. businesses invest overseas, and fosters economic development in new and emerging markets.

### 16. Labor

Dominica's minimum wage was last raised in June 2008. It varies according to the category of worker, with the lowest minimum wage set at about US\$1.50 an hour and the maximum set at around US\$2.06 an hour. The standard workweek is 40 hours for five or six days of work. The law provides overtime pay for work in excess of the standard workweek.

Dominica has a labor force of about 25,000 persons, with a literacy rate of 94%. The country's technical and training needs are met largely by the local state college, which offer courses in skilled labor, including, plumbing, electrical engineering, air conditioning and refrigeration, masonry, carpentry, mechanical engineering, motor mechanics, typing and basic hotel skills. There is also a pool of professionals to draw from, in fields such as law, medicine, business, information technology and accounting. Many of the professionals in Dominica trained in the United States, Canada or the United Kingdom, where many of them gained work experience before returning to Dominica.

### 17. Foreign Trade Zones/Free Ports

There are no foreign trade zones or free ports in Dominica.

### 18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

**TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy**

	Eastern Caribbean Central Bank		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
	Year	Amount	Year	Amount	
<b>Economic Data</b>					
Host Country Gross Domestic Product (GDP) ( <i>Millions U.S. Dollars</i> )	2012	495.7	2012	479.6	<a href="http://www.worldbank.org/en/country">http://www.worldbank.org/en/country</a>

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 ( <i>Millions U.S. Dollars, stock positions</i> )	n/a	n/a	n/a	n/a	<a href="#">(BEA) click selections to reach.</a> <ul style="list-style-type: none"> <li>Bureau of Economic Analysis</li> </ul>
Host country's FDI in the United States ( <i>Millions U.S. Dollars, stock positions</i> )	n/a	n/a	n/a	n/a	<a href="#">(BEA) click selections to reach</a> <ul style="list-style-type: none"> <li>Bureau of Economic Analysis</li> </ul>
Total inbound stock of FDI as % host GDP ( <i>calculate</i> )	n/a	n/a	2012	31	<a href="http://www.eclac.org">www.eclac.org</a>

**19. Contact Point at Post for Public Inquiries**

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