

World Rank: **80** Regional Rank: **16**

Dominica's economic freedom score is 61.6, making its economy the 80th freest in the 2012 *Index*. Its overall score is 1.7 points lower than last year, with deteriorated ratings in seven of the 10 economic freedoms, including freedom from corruption, property rights, and investment freedom. Dominica is ranked 16th out of 29 countries in the South and Central America/Caribbean region, and its overall score is above the world average.

Dominica's record on institutional reforms has been uneven, and more vibrant economic growth is constrained by lingering structural weaknesses that continue to undercut some of the four pillars of economic freedom. The rule of law is not strongly supported by the judicial system, particularly because of growing corruption. Inefficient and high public spending has resulted in a considerable fiscal burden imposed on the population.

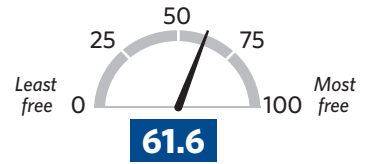
A series of pro-business reforms, including simplification of the business start-up process and reduction of the corporate tax rate, have led to increased regulatory efficiency. However, the pace of reform has slowed in recent years, and policies to open markets further have not been advanced.

BACKGROUND: Dominica has a unicameral parliamentary government with a president and prime minister. In 2008, after Venezuela promised millions in funding for agricultural and industrial development, the government joined Hugo Chávez's Bolivarian Alternative for the Americas (ALBA), a trade organization consisting of socialist Latin American governments. In 2010, Dominica entered into an economic union with other members of the Organization of Eastern Caribbean States. Bananas, citrus, coconuts, coconut soap, and cocoa dominate the economy, and nearly one-third of the labor force works in agriculture. The government has tried to diversify agriculture by encouraging investments in coffee, patchouli, aloe vera, exotic fruits, and cut flowers. Tourism is less significant than on other Eastern Caribbean islands, although the rugged mountains and rain forests attract some ecotourists.

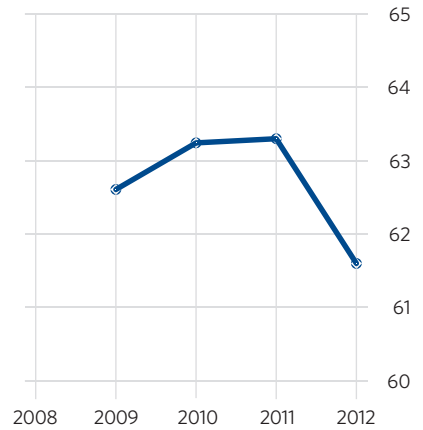
How Do We Measure Economic Freedom?
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

DOMINICA

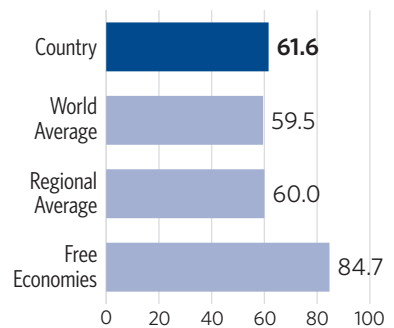
Economic Freedom Score



Freedom Trend



Country Comparisons

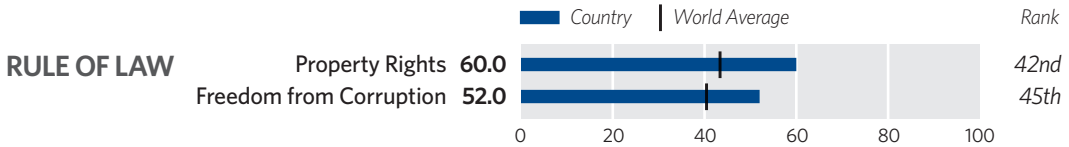


Quick Facts

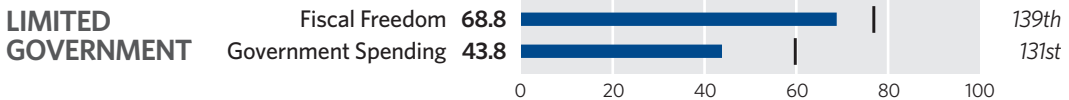
- Population:** 0.1 million
- GDP (PPP):** \$0.8 billion
- 1.0% growth in 2010
- 5-year compound annual growth 2.2%
- \$10,416 per capita
- Unemployment:** 23.0%
- Inflation (CPI):** 2.9%
- FDI Inflow:** \$30.9 million
- Public Debt:** 54.3% of GDP

2010 data unless otherwise noted.
Data compiled as of September 2011.

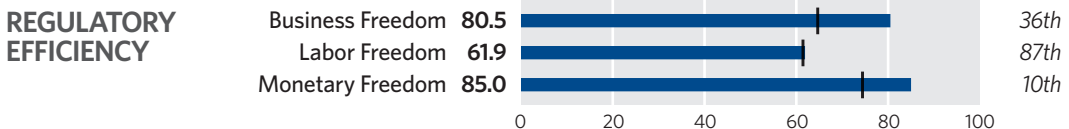
THE TEN ECONOMIC FREEDOMS



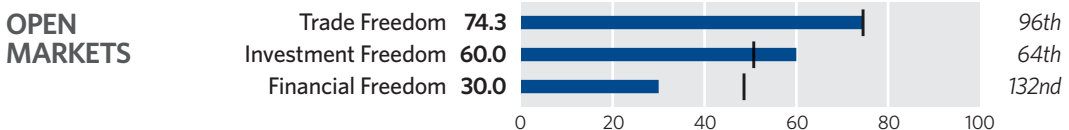
Dominica has an efficient legal system based on British common law, and private property rights are relatively well respected. The judiciary is independent, and public trials are generally fair. There are criminal penalties for official corruption, but the law is not implemented effectively. Pirated copyrighted material is sold openly. Monitoring of non-bank financial institutions needs to be strengthened to deter money laundering.



The top income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax (VAT), an environmental tax, and excise taxes, with the overall tax burden equal to 31.6 percent of total domestic income. Government spending has increased to over 40 percent of total domestic output. The budget balance has been in deficit, and public debt accounts for 54.3 percent of GDP.



Dominica has made progress in eliminating regulatory bottlenecks and reducing the overall cost of conducting business. Launching a business takes less than the world averages of seven procedures and 30 days. The non-salary cost of employing a worker is moderate, but the labor market lacks flexibility in other areas. Inflation is low, and a comprehensive government restructuring of the economy, including the elimination of price controls, is ongoing.



Coupled with myriad non-tariff barriers, Dominica's high tariff barrier of around 8 percent continues to discourage dynamic growth in trade. Foreign investors generally receive national treatment and may hold up to 100 percent ownership. However, the investment regime remains bureaucratic. The financial sector remains underdeveloped. Shallow markets and a lack of available financial instruments restrict overall access to credit.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-5.0	Fiscal Freedom	-0.7	Business Freedom	+5.7	Trade Freedom	0
Freedom from Corruption	-7.0	Government Spending	-2.0	Labor Freedom	-0.9	Investment Freedom	-5.0
				Monetary Freedom	-1.3	Financial Freedom	0