

A competitive platform for
global companies

Free Zones in the Dominican Republic

Juan Ariel Jiménez
6th August 2022



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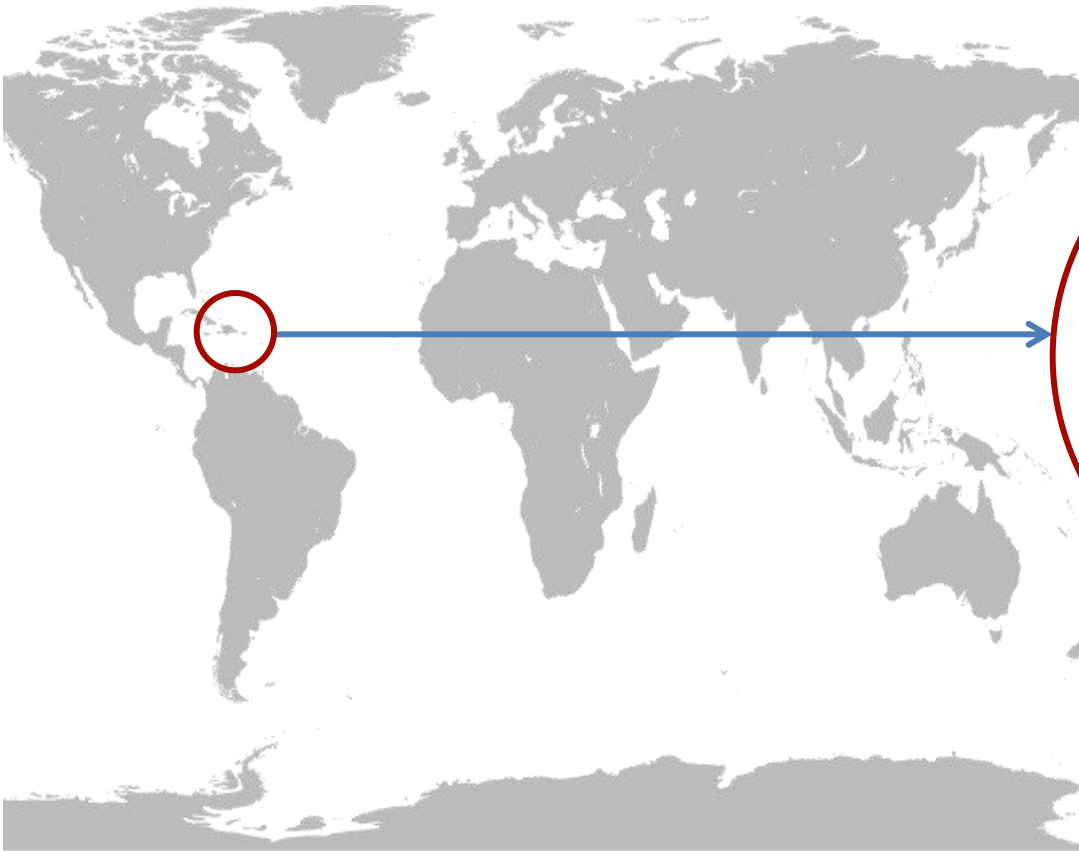
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The Dominican Republic

Our Country in numbers



Population (2019):
10.4 million

GDP per capita (2019):
USD\$ 8,583.1

GDP per capita average growth (1991-2019):
10.9%

Economic openness (Imp+Exp as % of GDP):
51%

GDP composition (2019):
Agriculture 5.6%
Industry 29.8%
Services 64.6%



Political Stability and Absence of Violence and Terrorism Index

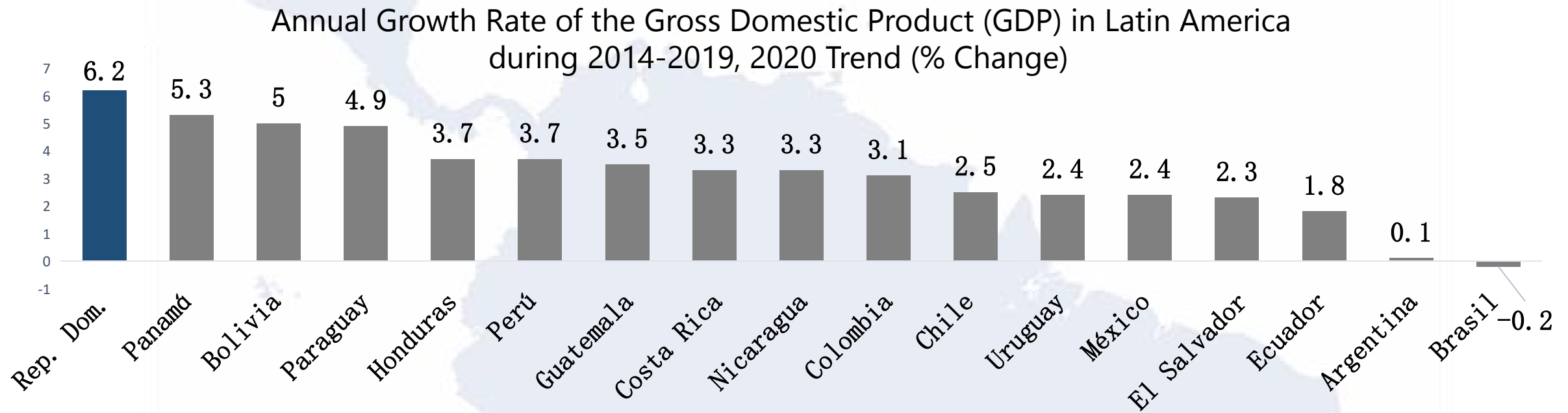
Percentile Ranking

No.	Country	Ranking
1	Uruguay	87.62
2	Costa Rica	62.38
3	Chile	61.43
4	Panamá	56.19
5	Dominican Republic	47.62
6	Argentina	46.67
7	Ecuador	43.33
8	Paraguay	42.38
9	Bolivia	38.10
10	Perú	37.14
11	El Salvador	33.33
12	Brasil	31.90
13	Guatemala	27.14
14	Honduras	26.67
15	México	25.71
16	Haití	23.33
17	Nicaragua	18.10
18	Colombia	17.62
19	Venezuela	9.05

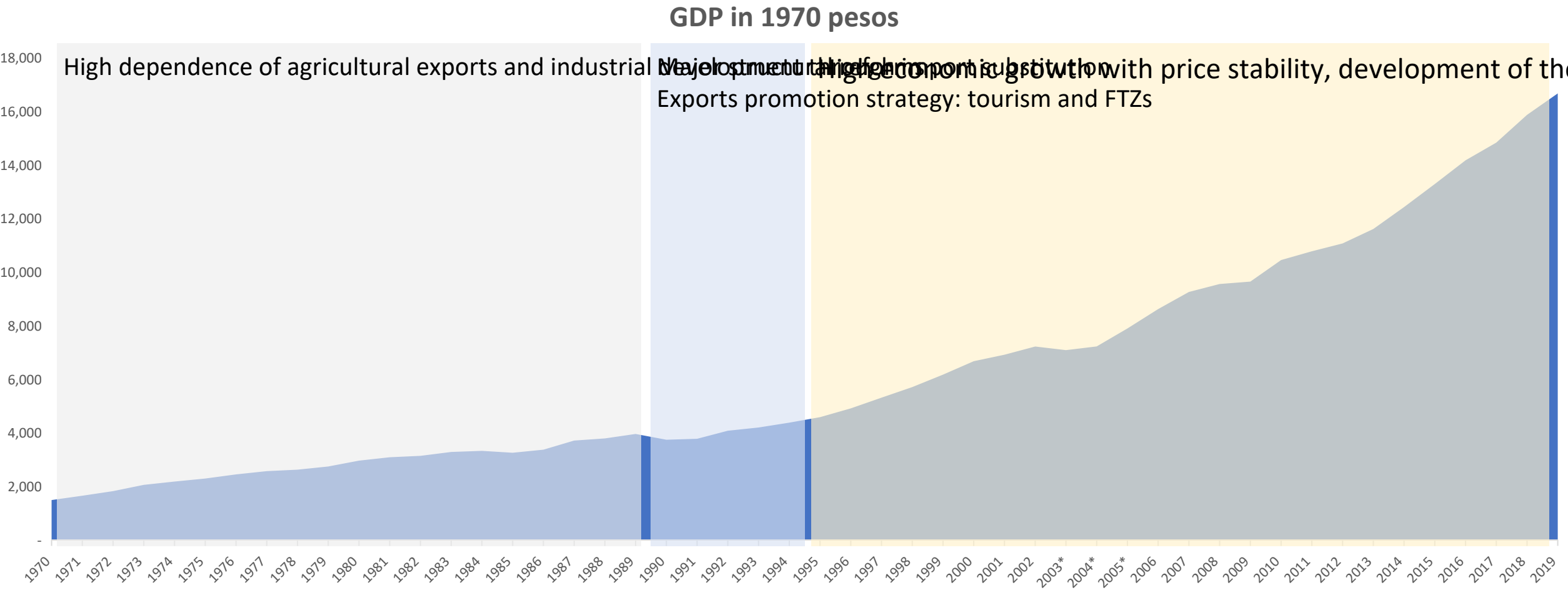
Source: World Bank, Governance Indicators, 2020



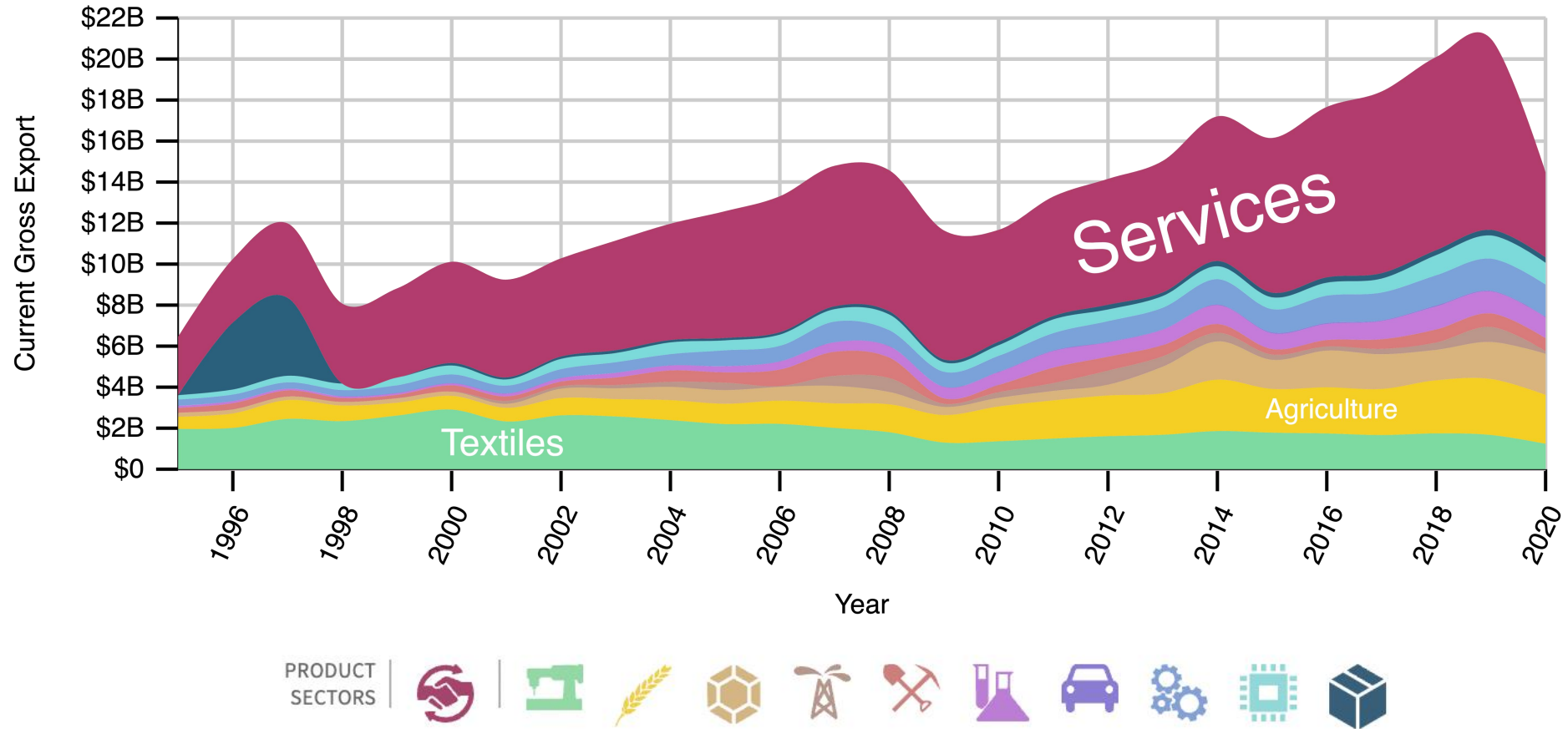
It is the Latin American country with the highest economic growth in the last 5 years



The country changed its development strategy through significant structural reforms and openness to the world



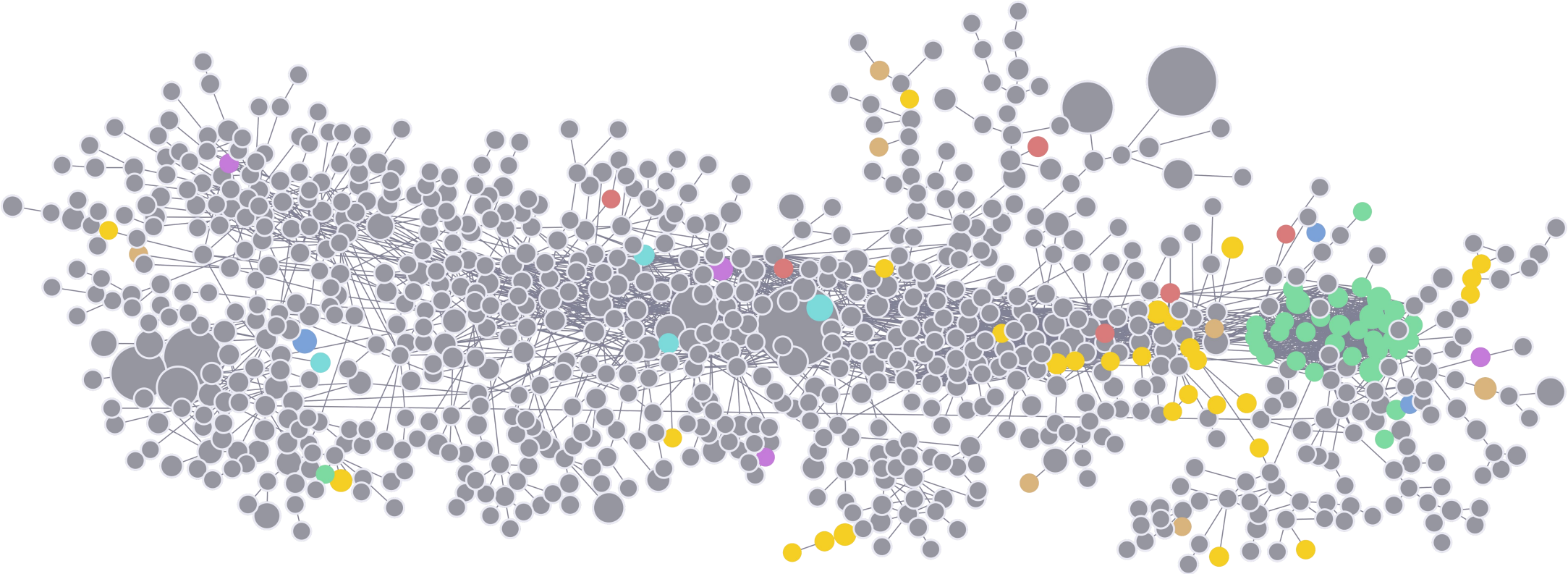
The export basket has also changed



The export basket has also changed

Product Space 1995

\$6.46B



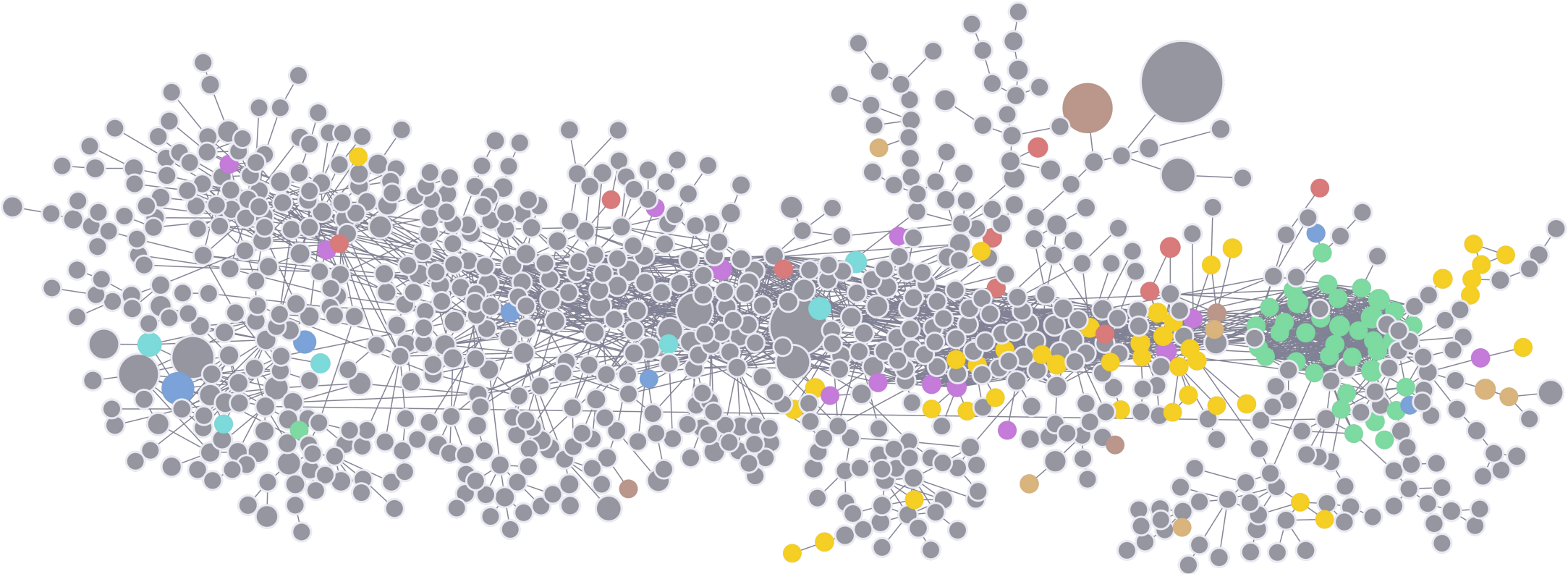
PRODUCT
SECTORS



The export basket has also changed

Product Space 1995

\$12.6B



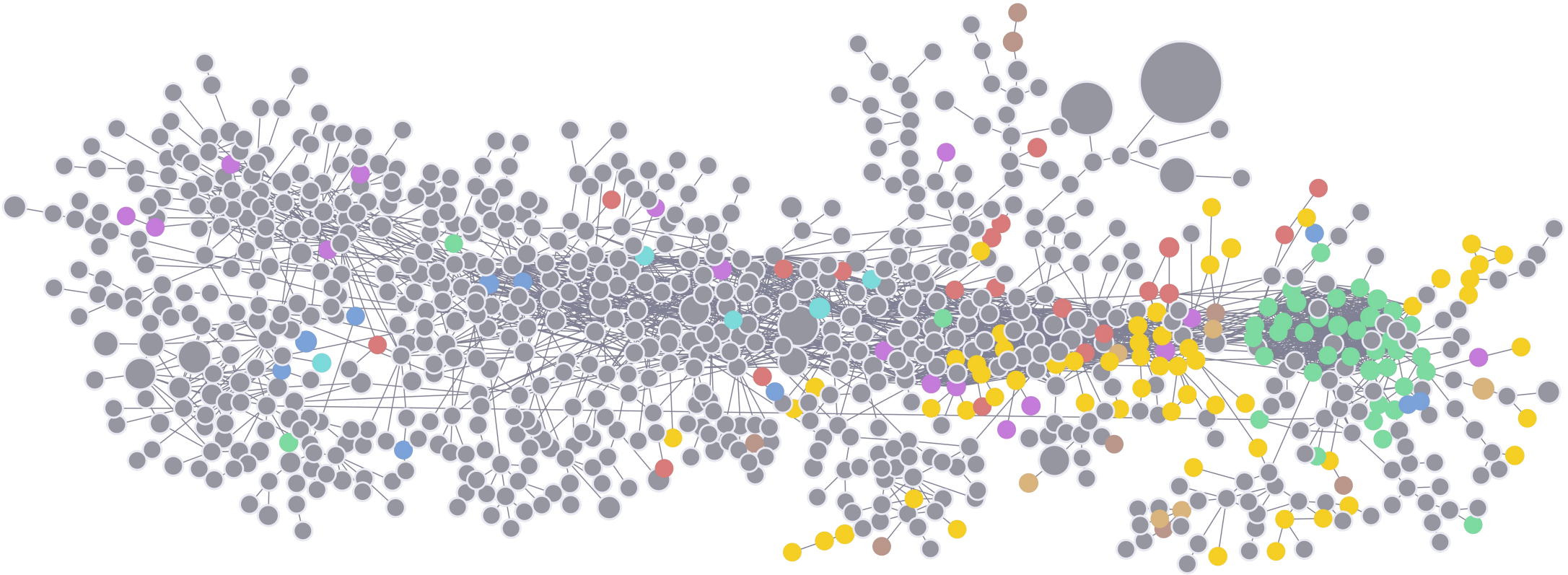
PRODUCT
SECTORS



The export basket has also changed

Product Space 1995

\$14.2B



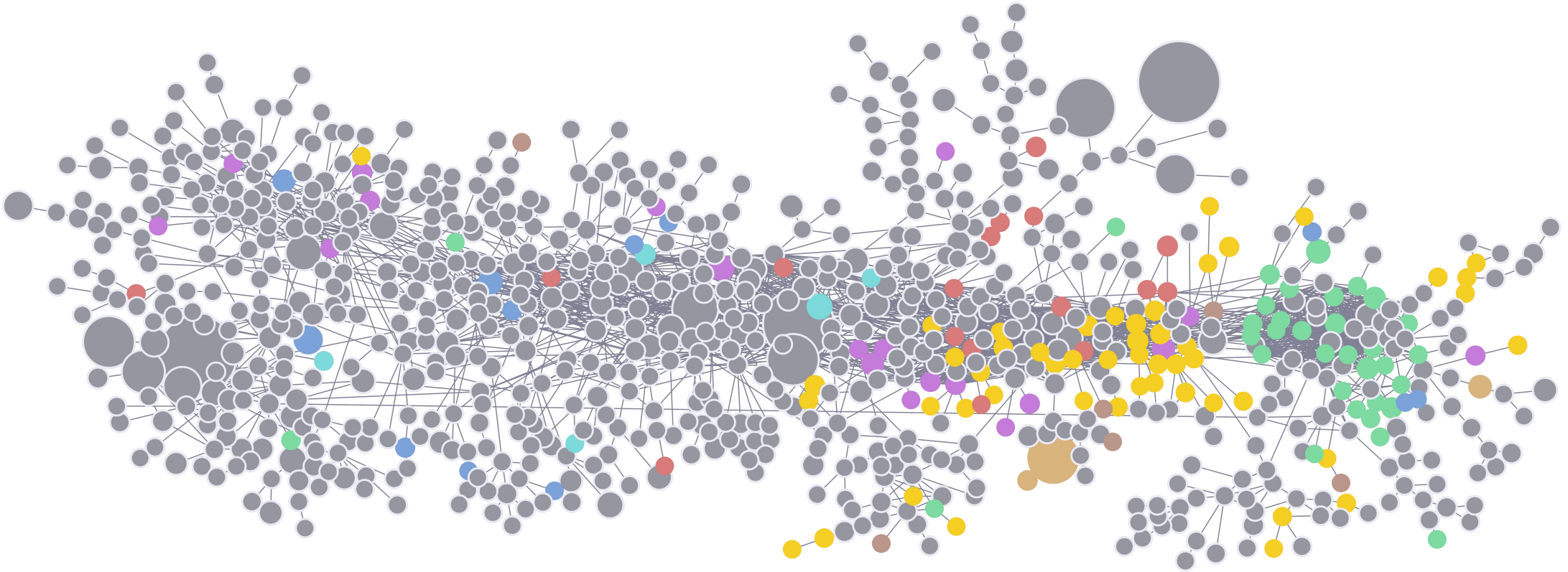
PRODUCT
SECTORS



The export basket has also changed

Product Space 1995

\$14.5B



PRODUCT
SECTORS



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Free Zone Industrial Parks
that offer world-class
services and
infrastructure

Public, private or mixed
administration (multi-company and
single-company) Specialization in
specific productive activities.

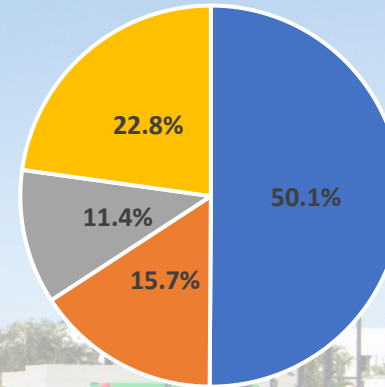
Evolution towards the concept of
Shelter. Business solutions and
services for administrative functions
outsourced by users.

Some parks recognized as:
"Best Free Zone in Latin America" and
"Best Free Zone in the Caribbean"

79

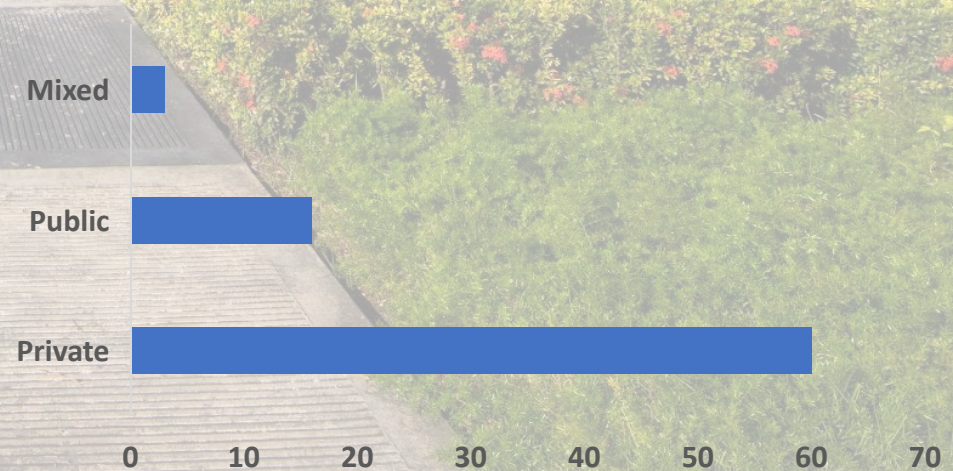
Free Zone Industrial Parks
that offer world-class
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infrastructure

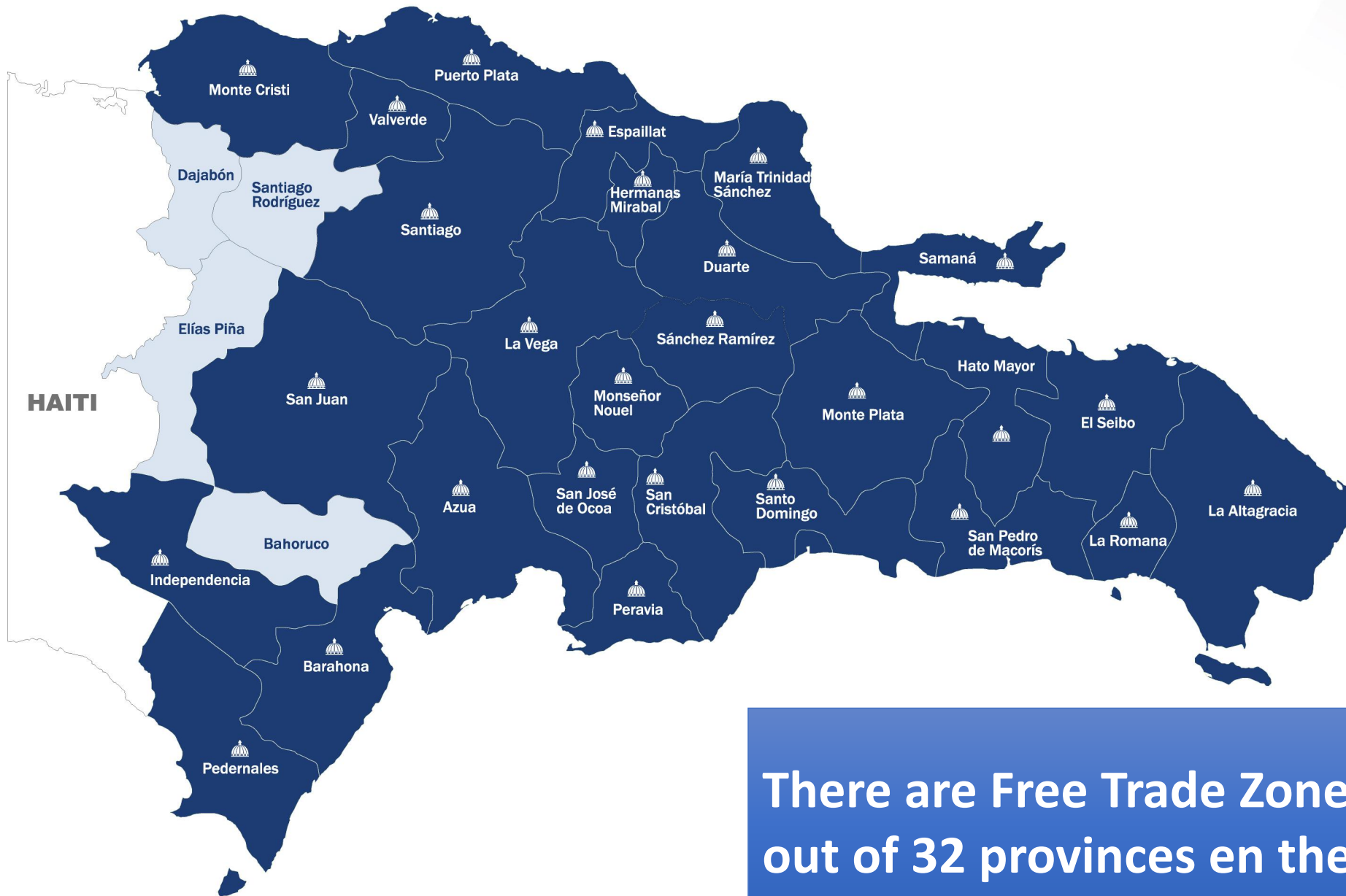
Companies in the FTZ regime by operation center



■ Private Ind Park ■ Public Ind Park ■ Mixed Ind Park ■ Special Zones

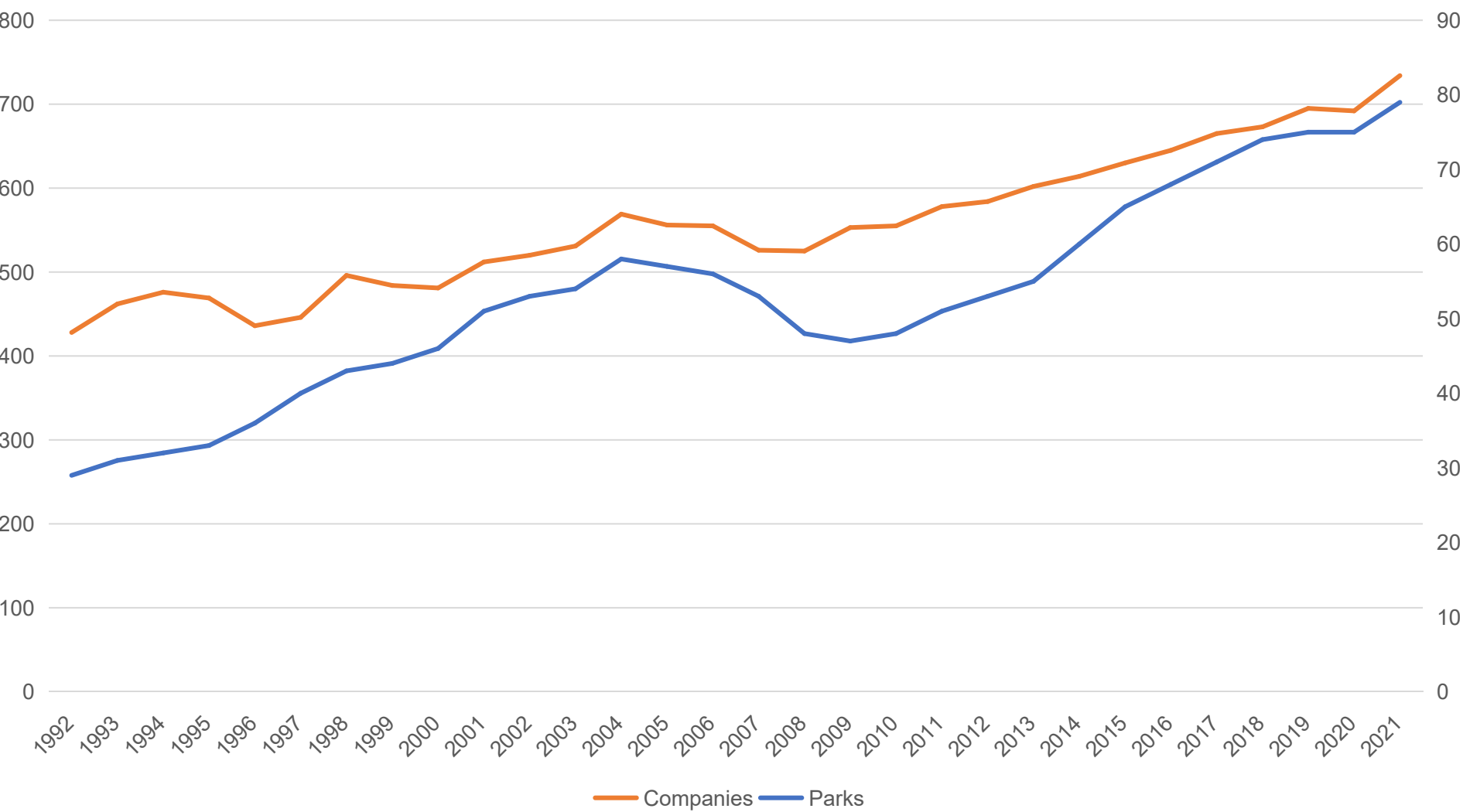
Number of industrial parks by regime





There are Free Trade Zones in 28 out of 32 provinces in the country

FTZs development 1992-2021



Year	Parks	Companies	Jobs	Accumulated investment in US\$ million
2010	48	555	121,001	2,881.6
2011	51	578	125,117	2,913.7
2012	53	584	134,226	3,133.9
2013	55	602	144,383	3,442.8
2014	60	614	153,342	3,794.9
2015	65	630	161,257	4,043.1
2016	68	645	163,147	4,326.8
2017	71	665	165,724	4,473.1
2018	74	673	171,555	4,977.8
2019	75	695	176,555	5,136.3
2020	75	692		
2021	79	734	183, 232	5, 903. 4

183,23 Direct
Dec. 2021 Jobs

US\$ 7,177.7 Exports
Value exported
Jan - Dec 2021

734 Companies
Dec. 2021

79 Industrial Parks
Dec. 2021
In 28 of 32 provinces



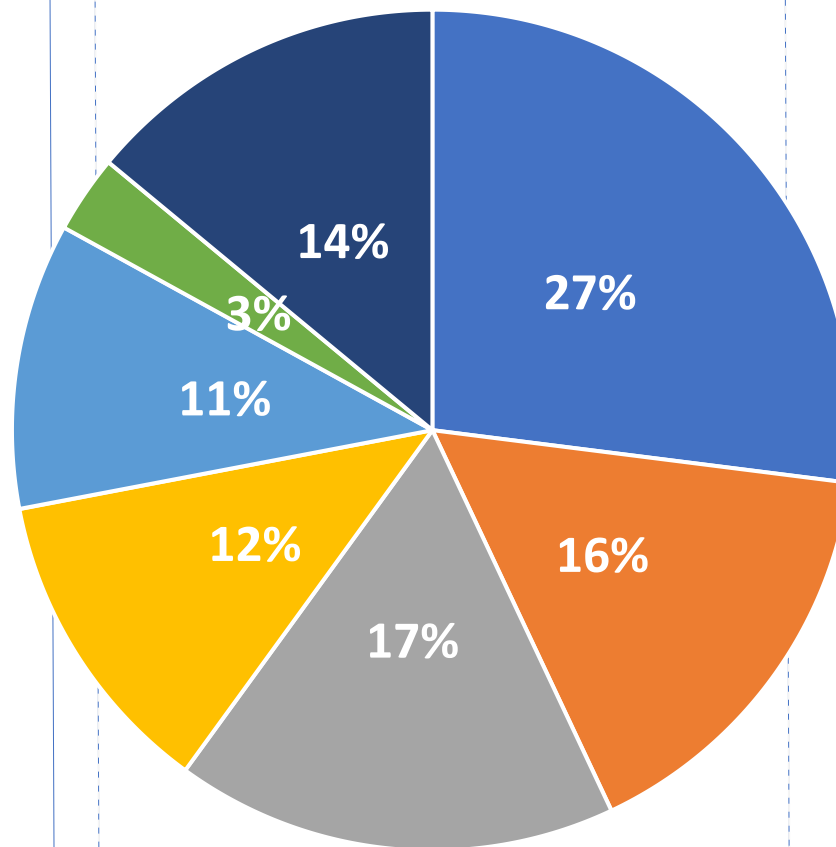
1,744

Products exported
in 2020

129

Countries

FTZs Exports by category



Medical equipments

Electronic appareils

Tobacco

Garments and clothing

Jewelry

Footwear

Other

1,744

Products exported
in 2020

129

Countries



Honeywell



Rockwell
Automation



Baxter

B | BRAUN



CardinalHealth



Johnson & Johnson



Clarks



Cole Haan



ALDO
FOOTWEAR & ACCESSORIES

TIFFANY & Co.



Timberland

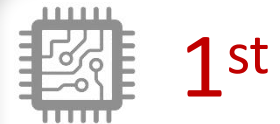


Global Positioning



1st

Global exporter of
hand-rolled cigars



1st

Exporter of
electric
switches to USA



4th

Latin American
exporter of
medical devices
to USA



3rd

Latin American
footwear exporter



2nd

Exporter of
women's wool
coats to USA



2nd

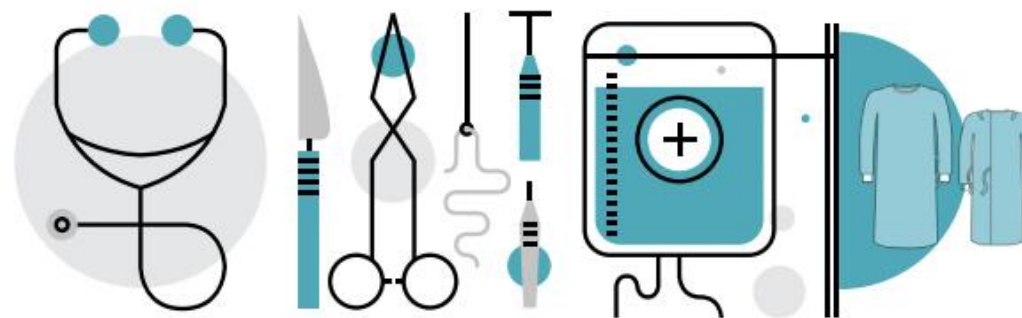
Exporter of
aromatic candles
of Latin America



5 OF THE WORLD'S TOP MEDICAL DEVICE MANUFACTURERS ARE LOCATED IN THE DR



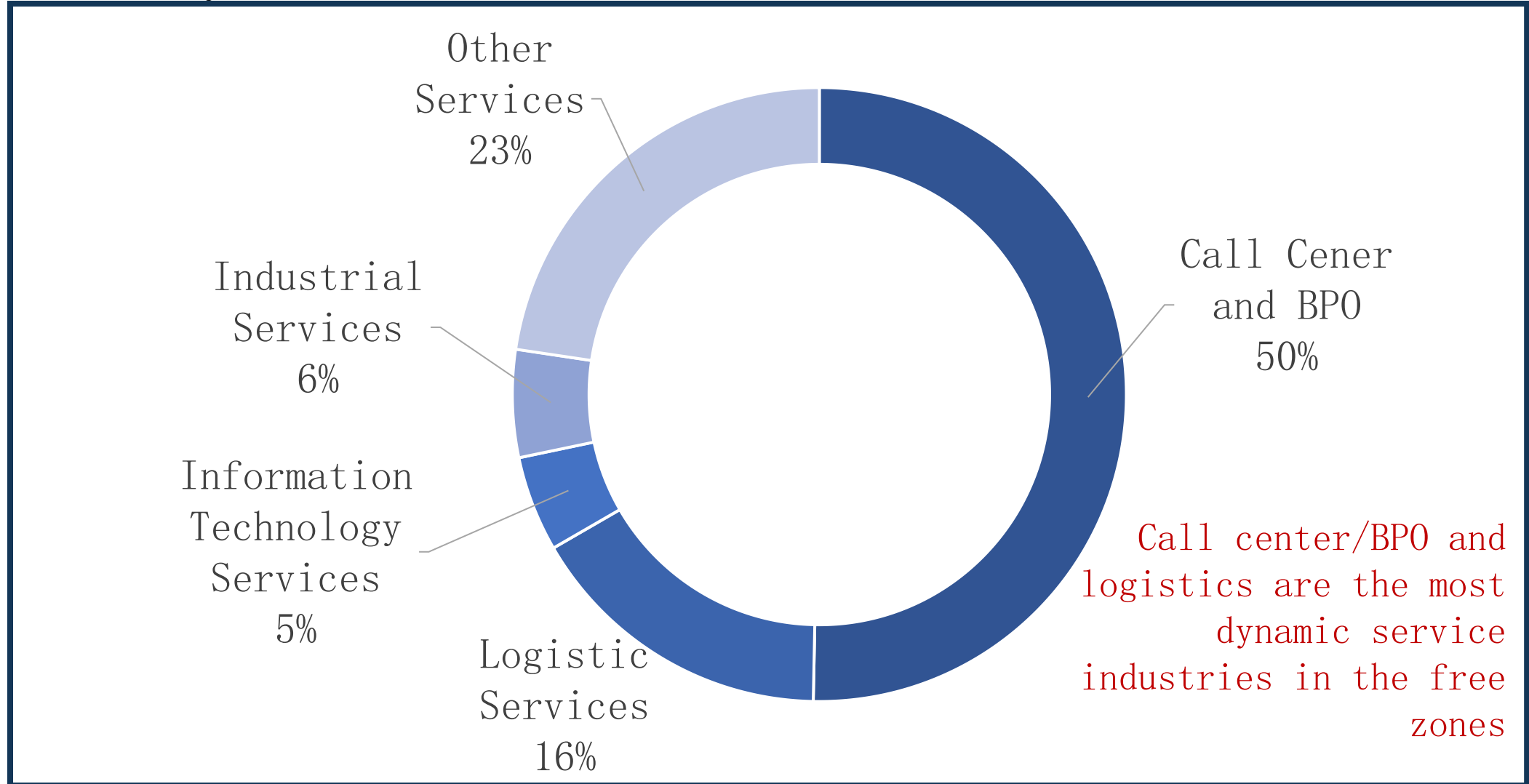
TOP PRODUCTS INCLUDE: OSTOMY APPLIANCES, SURGICAL DRAPES, ELECTRO MEDICAL INSTRUMENTS



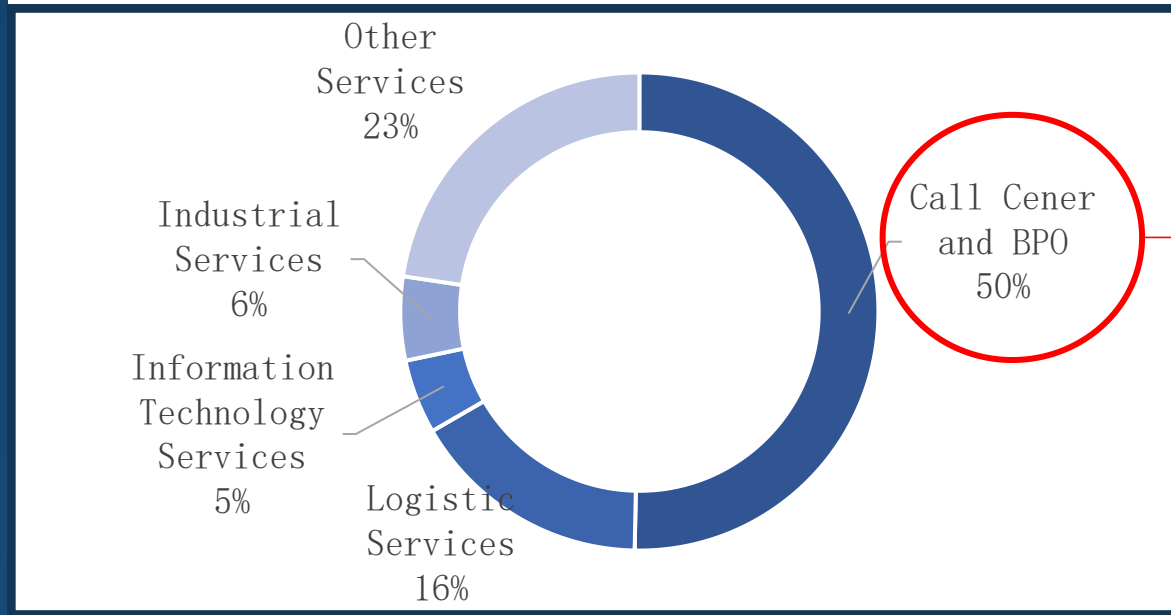


Within the free zones, services is the sub-sector that have experienced the highest growth in the past 10 years, in terms of new jobs and companies.

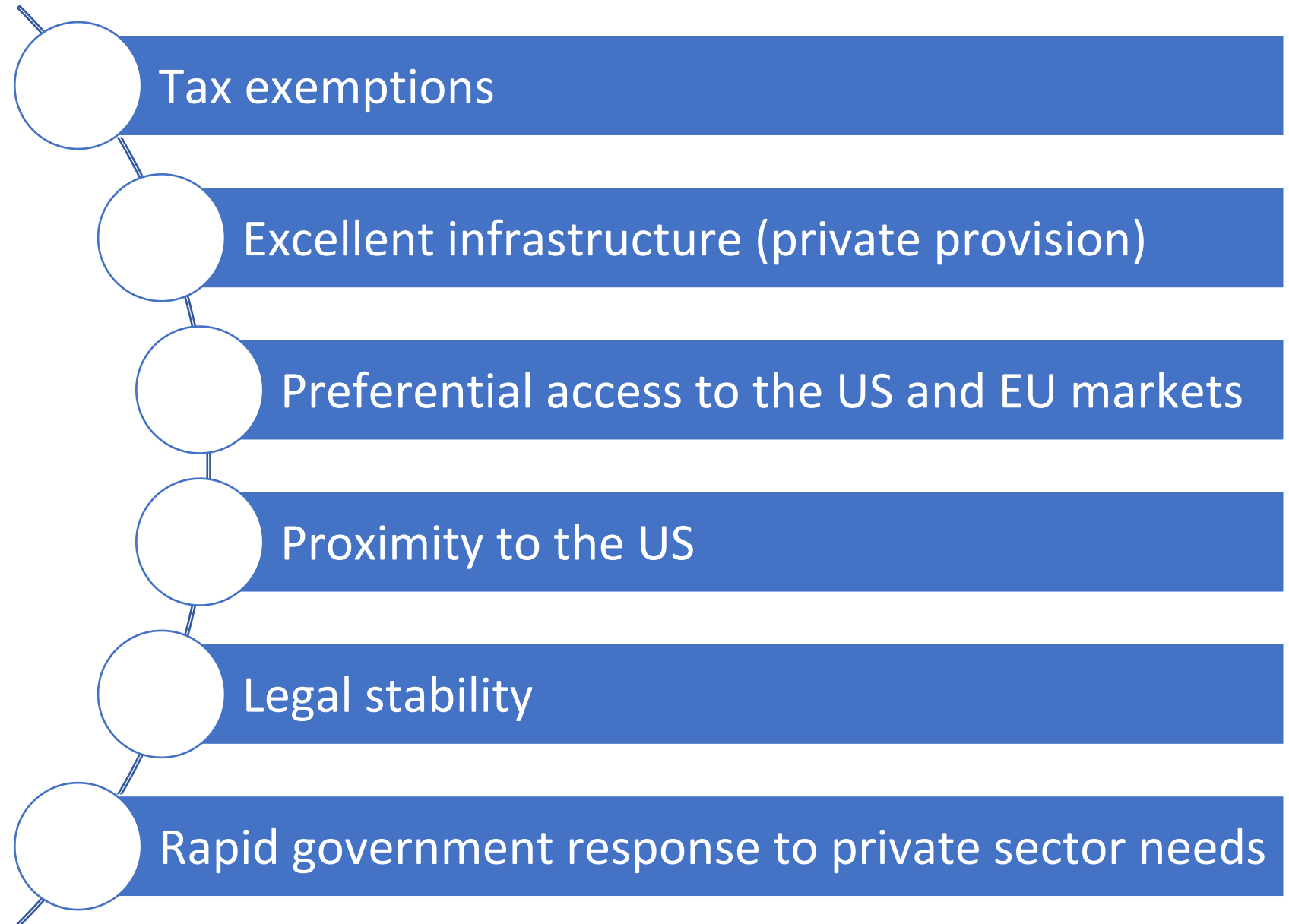
Distribution of Free Zone companies in services by activity



Role of the Dominican diaspora



Many dominicans living abroad have returned to work in call centers because of their English speaking skills



100%

Exemption from national
and municipal taxes

- Income Tax
- Value added tax (ITBIS)
- Import taxes
- Selective tax on insurance, fuel, others
- Tax on patents, assets and patrimony

Exemptions applicable during the entire period of operation of the company, renewable every 15 years.

Framework

- Public Private Committee:

The National Free Trade Zones Council (CNZFE) is in charge of approving new parks and the establishment of firms under the FTZ regime, including tax exemptions.

It is the coordination body of government response of FTZ needs and problems. It also coordinates the promotion of the country in international forums.

It has 5 members from the public sector and 5 members from the private sector.

- Industrial Parks:

They are a real state business in charge of providing all the needed infrastructure and services to the companies that invest in their parks

FDI promotion

- **Government:**

Through the National Free Trade Zones Council (CNZFE) the government promotes FDI in the country in general and specialized fairs, magazines, articles, etc.

Via the Ministry of Foreign Affairs it contacts firms in different countries.

- **Industrial Parks:**

They invest heavily in their promotion, as competition for big companies is fierce. They require government assistance when they have special requirements from potential investors: training, infrastructure outside the park, other complementary private investments, etc.

Foreigners living in the country

- **Hiring limits:**

Companies can hire foreigners for up to 20% of their payroll, but foreigners are not very common in the FTZs (even in manager positions).

- **Work permits:**

Companies can request work permits for visa purposes in the Ministry of Labor and that process usually takes between 60–90 days. Once they get the visa, they can stay for as long as needed.

- **Flexibility:**

There are no limits to exchange rate conversion, money repatriation, travels, etc.

Spillovers to local companies

- **Local ownership:**

Most of the industrial parks are owned by Dominicans, but most of the firms are multinationals (except for services and some agricultural firms).

- **Spillovers:**

There are some firms specialized in services for companies in FTZs, but in terms of supply, most of their inputs are imported (limited backward linkages, as firms are part of a larger value chain).

- **Limited entrepreneurship:**

Few employees end up establishing their own firm.

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Pre-feasibility study for a new industrial park near Caucedo Port

Biggest industrial park in the country

- 4.9 million square feet.
- 40% of the area should be basic infrastructure.
- 60 units with an average area of 55,000 square feet each.

High end industrial park

- Most of the companies would be medical equipment and electrical components.
- 445 employees per firm, on average.
- Rent estimated at 9.5 cents annually per square feet.

CAPEX distributed throughout the years

- USD 44 million initial investment for land and basic infrastructure.
- Units are built when investors sign the agreement (3-6 months average construction time).

As early as in the third year the EBITDA turns positive

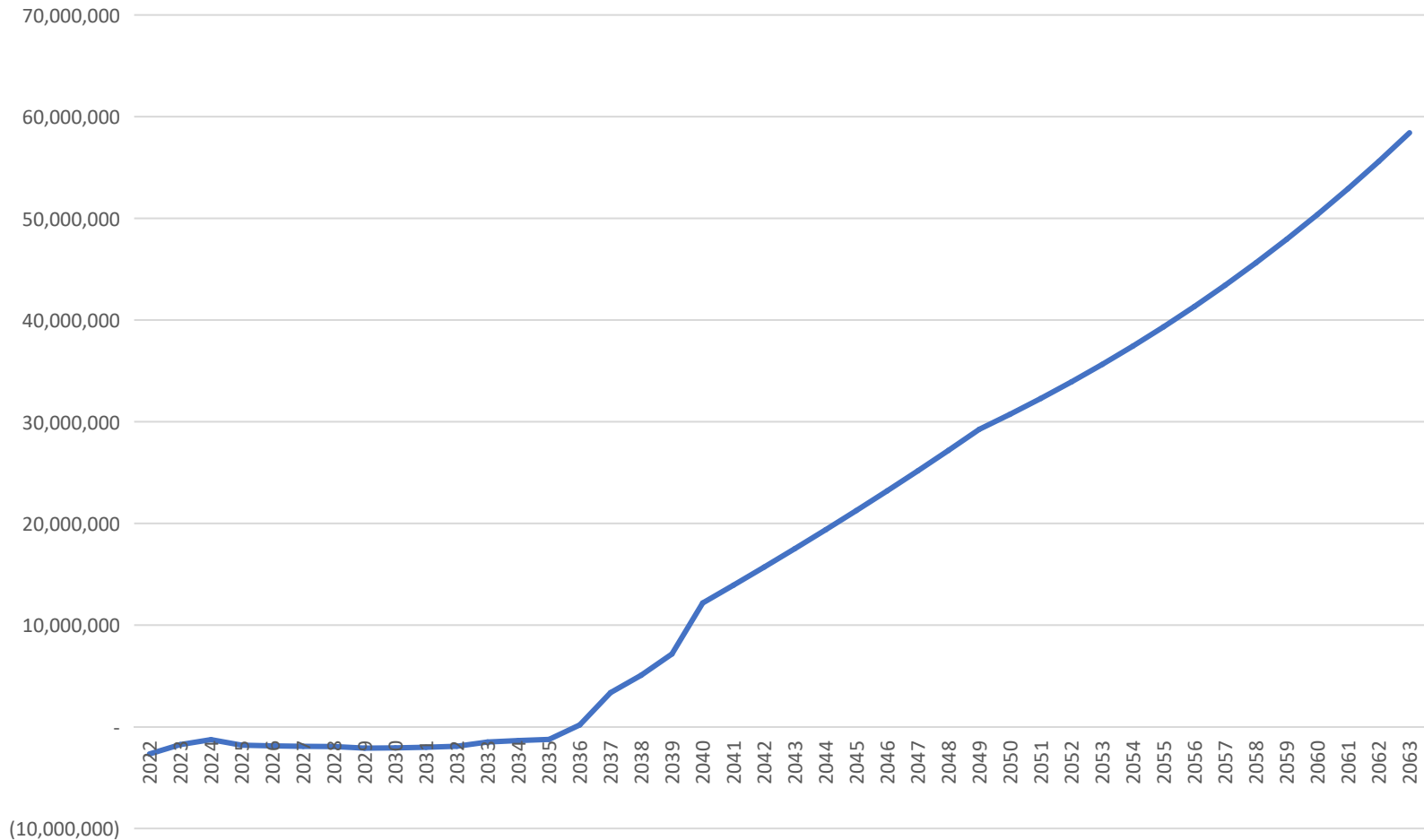


Operational expenses are very low because the industrial park investment is intensive in land and capital.

When the third industrial unit is rented, the EBITDA turns positive.

Equity holders receive positive dividends in the 12th year

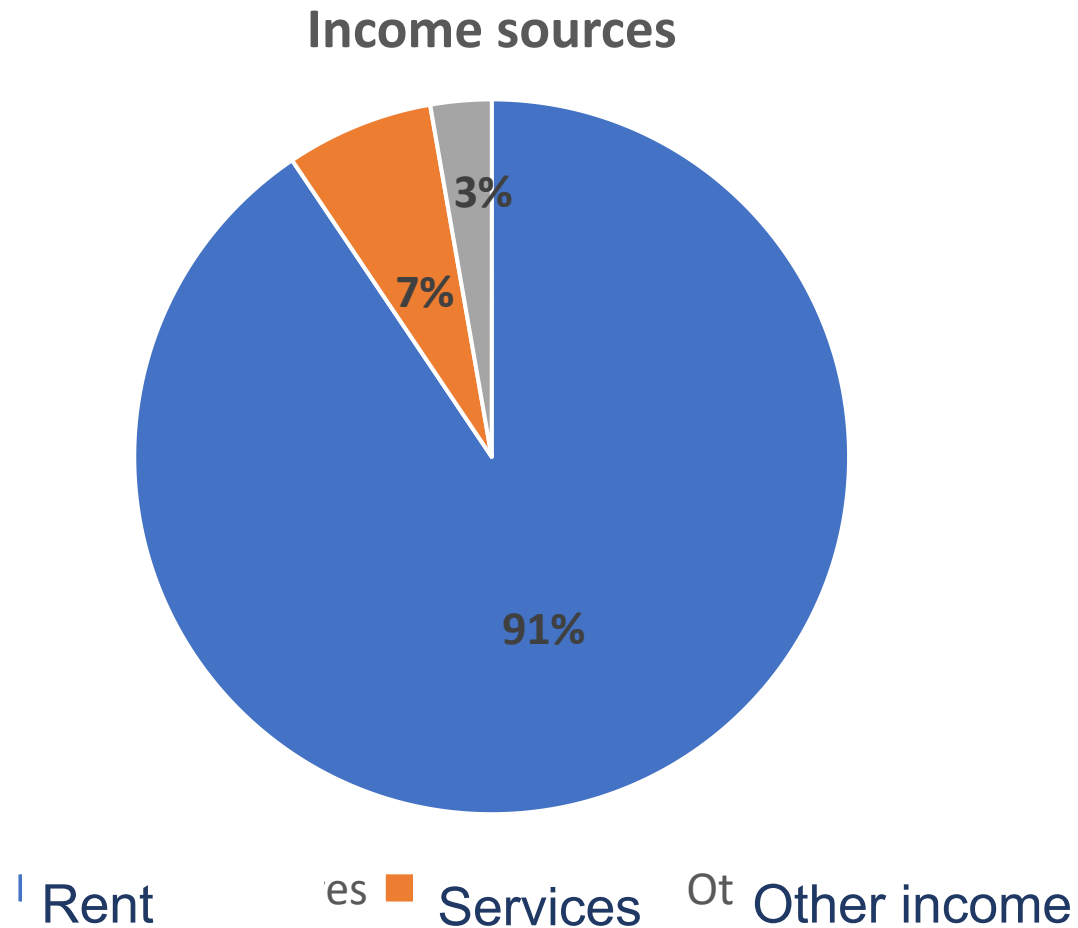
Net cashflow for equity holders



Project NPV for the first 40 years: US\$ 37 million

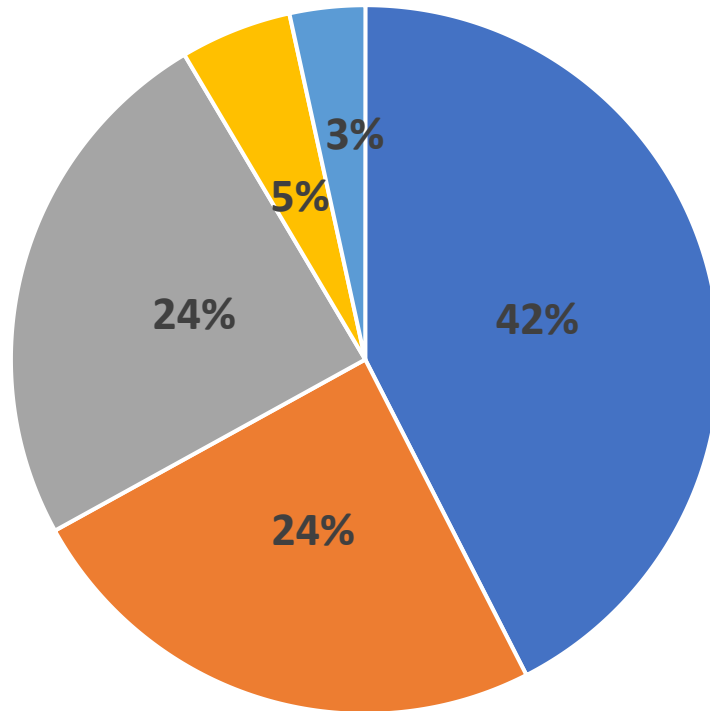
IRR in the first 40 years: 12.8%

Most of the income comes from industrial units rents



Most of the expenses are related to infrastructure maintenance

Cost structure



■ Maintenance ■ Payroll ■ Marketing ■ Insurance ■ Utilities

Recent construction costs increases have deteriorated the project finance

Early 2021

Project NPV for the first 40 years: US\$ 82 million

IRR in the first 40 years: 18.8%



50% increases in utilities, 15% increase in construction costs.

Mid 2022

Project NPV for the first 40 years: US\$ 37 million

IRR in the first 40 years: 12.8%

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