

**DOMINICAN REPUBLIC**

**SECTOR-SPECIFIC INVESTMENT STRATEGY AND ACTION PLAN**

*G20 Indicators for Measuring and Maximizing Economic Value Added and Job Creation from  
Private Investment in Specific Value Chains*

Pilot Study Results

UNCTAD

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This Report forms part of the work undertaken by the Inter-Agency Working Group for the Private Investment and Job Creation Pillar of the G20 Multi-Year Action Plan on Development

## I. INTRODUCTION

This report is part of a series of six country pilot studies, carried out by UNCTAD in collaboration with other agencies of the inter-agency working group (IAWG) as phase two of the program of work on “Indicators for measuring and maximizing economic value added and job creation from private investment in specific value chains.”<sup>1</sup>

The objectives of this report are:

1. To help refine the indicator methodology developed by the IAWG for the G20 and to provide guidance for the meaningful use of development impact indicators in the formulation of policy recommendations in the area of investment.
2. To provide advice to policymakers in the Dominican Republic (DR) on attracting and benefiting from private investment in specific economic sectors. This advice, in the form of recommendations arising from the analysis below, must be considered against the backdrop of the wider strategic development and investment policy framework for the country.<sup>2</sup>

For the purpose of the country pilot study and the testing of the usefulness of the indicator approach the focus of this report is on two pre-selected ‘value chains’: (i) Tourism and (ii) Services Outsourcing.<sup>3</sup> These two sectors are currently a priority in the DR Government’s development strategy and a priority for efforts to attract private investment, including foreign direct investment (FDI). The focus of this report on two pre-selected sectors implies that the indicator approach should help:

1. confirm, nuance or alter current thinking of policymakers on investment priorities
2. identify value chain gaps and opportunities for investment promotion
3. identify prerequisites or challenges for the targeted attraction of investment

This report is the result of desk research and fieldwork carried out by UNCTAD from November 2011 to January 2012. For the fieldwork, interviews were set up in close cooperation with local partner, the Dominican Republic Export and Investment Center (CEI-RD). A total of 14 meetings with representatives of government agencies, NGOs and private sector actors were conducted (see Annex 1). Data were also collected from local statistics sources. Desk research focused on complementing the data and information collected locally with international comparators in order to establish a reference framework. *[All data used in the draft report is currently under review by relevant Dominican Republic institutions. Further meetings are being set-up for sharing and discussion of preliminary findings.]*

The structure of this report is as follows:

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<sup>1</sup> Action item 2 of the Private Investment and Job Creation Pillar of the G20 Multi-Year Action Plan for Development agreed at the G20 Seoul Summit in November 2010. This report is to be considered an integral part of the Pillar’s work. For further background and explanation of the applied methodology, see the interim report to the G20 Development Working Group (presented for the November 2011 G20 Cannes Summit): “Indicators for measuring and maximizing economic value added and job creation arising from private sector investment in value chains”.

<sup>2</sup> The country pilot projects have been designed as an integral part of “Investment Policy Reviews” (IPRs), as carried out by UNCTAD and other agencies of the IAWG (notably the OECD). UNCTAD’s IPRs provide an independent and objective evaluation of the policy, regulatory and institutional environment for FDI, and propose customized recommendations to Governments to attract and maximize the benefits from increased flows of investment. The full IPR of the Dominican Republic can be found at: [www.unctad.org/ipr](http://www.unctad.org/ipr)

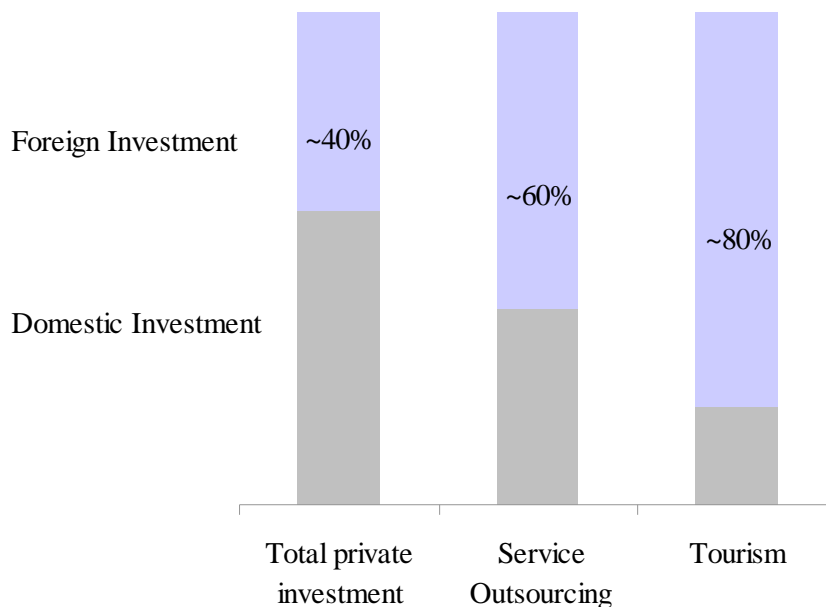
<sup>3</sup> The pre-selection of sectors is necessary to narrow the scope of the pilot studies, even though the ultimate aim of the development-impact indicators framework is also to help policymakers identify the most promising economic sectors for the attraction of investment. Integrating the indicator approach in the IPR process also implies that policymakers will indicate sector preferences and priorities.

- Section II provides a brief overview of the current profile of investments in the two target sectors, in the context of the overall economy.
- Section III looks at the impact of investments in the target sectors through the lens of the indicator framework.
- Sections IV and V deep-dive on the key findings, based on the indicator approach, within the Tourism and Services Outsourcing value chains, respectively.
- Section VI draws final conclusions and formulates policy advice, in the form of key elements of an action plan to attract and negotiate high value-adding investment.

## II. INVESTMENT PROFILE

Private investment has been a major source of growth in the Dominican Republic. While domestic private investment accounts for the majority of total private investment (62 per cent), some sectors have developed strongly due to a high inflow of foreign capital. This is especially the case for the Tourism and Services Outsourcing sectors, where for instance the major share of capital formation is financed by foreign investors (figure 1).

**Figure 1. Private Investment in the Dominican Republic, total and sector specific, 2010**



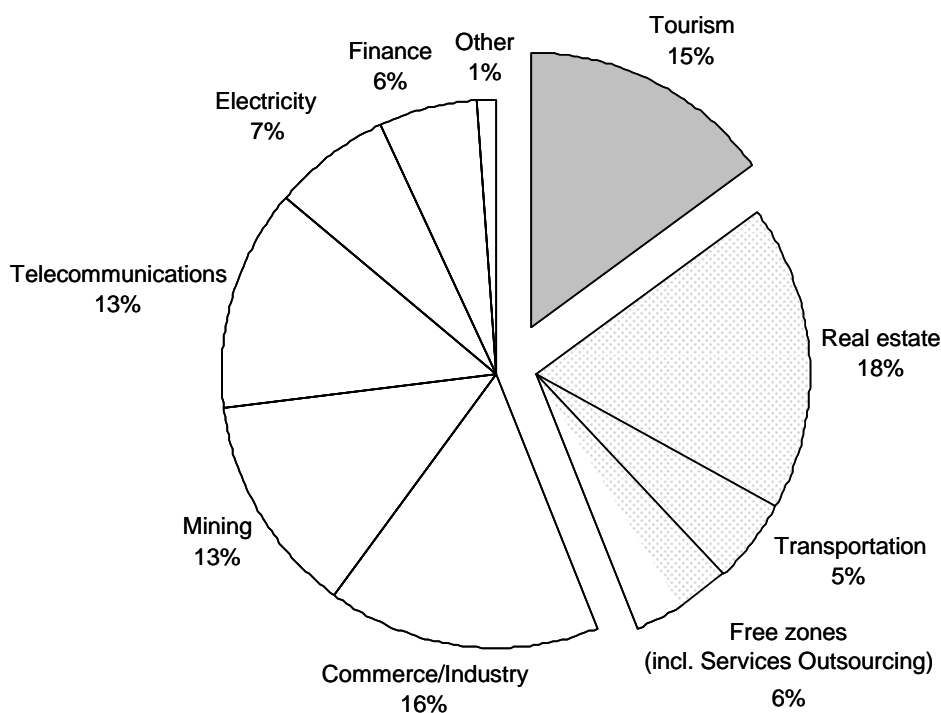
Source: UNCTAD

The Tourism and Services Outsourcing sectors in particular benefit from special incentive schemes. Incentives in Tourism include, among others, 10 years corporate income tax exemption, relief from import duties and VAT on equipment and materials used in construction and relief from tax on the capital of companies and on real estate holdings and transfers. In Services Outsourcing, so called

free-zones allow for 100 per cent exemption of taxes, duties, charges and fees related to production and export activities.

Annex 2 contains a brief summary of overall investment policy in the Dominican Republic, based on the UNCTAD Investment Policy Review (IPR). It confirms that, while gaps remain in certain areas (e.g. competition, land titling, environmental permitting and taxation) the legal and regulatory framework for investment is generally sound and FDI-specific regulations are in line with international practice. The open investment regime and its incentive structure, allied with the presence of natural resources, proximity to North America and cultural ties with Europe (especially Spain), as well as created assets such as transport infrastructure, has encouraged inflows of FDI across a range of industries and activities. In 2010, the FDI stock of the Dominican Republic reached \$14.7 billion, one of the highest in Central America and the Caribbean, excluding Mexico and tax havens. Figure 2 illustrates the sector distribution of FDI inflows in the Dominican Republic, highlighting the Tourism sector (and related real estate and transportation activities) and the free zones, which include Services Outsourcing investments.

**Figure 2. FDI Inflows by Economic Activity, 2001-2010**



**Source:** Banco Central de la República Dominicana.

The Tourism cluster in the Dominican Republic is well developed and hosts over 4 million visitors every year, one of the highest numbers in the region. The vast majority of Tourism operations – and almost all hotels and resorts – are foreign owned. Tourism is one of the biggest overall recipients of FDI, mostly in the form of all-inclusive resorts established by companies such as Grupo Pinero (Spain), Melia Hotels (Spain) and AMR Resorts (United States) (table 1). Infrastructure projects (in particular road and air traffic) played a key role in the development of the sector; most of these are also foreign financed and operated.

**Table 1. Tourism Investors in the DR, cumulative investments, 2003-2011**

<b>Company</b>	<b>Home country</b>	<b>Value (\$ millions)</b>	<b>Projects</b>
Grupo Pinero	Spain	1 000	1
Melia Hotels International (Sol Melia Hotels & Resorts)	Spain	153	4
Lyons Properties (Real Estate)	Ireland	107	1
NH Hotels (NH Hoteles)	Spain	88	2
Globalia Corporation	Spain	83	3
AMResorts	United States	76	2
Carnival (Cruise Operator)	United States	65	1
ETI Promociones Inmobiliarias	Spain	61	1
Pinewood-Shepperton Studios (Entertainment)	UK	52	1
TUI	Germany	38	1
RIU Hotels & Resorts	Spain	38	1
Grupo Iberostar	Spain	38	1
Barcelo	Spain	38	1
Rank Group (Entertainment)	UK	7	1
Iberalta	Spain	0	1

*Source:* UNCTAD TNC Database

The Services Outsourcing sector in the Dominican Republic is very new and only a nascent FDI recipient (making up only a part of total investments classified under free zones in local statistics), although elements have grown quite rapidly since 2006. Recent investments by international business process outsourcing operators have been quite numerous (see table 2), but the size of individual investments is relatively small.

**Table 2. Services Outsourcing Investors in the DR, cumulative investments, 2003-2011**

<b>Company</b>	<b>Home country</b>	<b>Value (\$ millions)</b>	<b>Projects</b>
IAC / InterActiveCorp	United States	14	1
Spanish Association for Standardisation and Certification (AENOR)	Spain	11	1
Mann-India	India	7	1
Mondragon Corporacion Cooperativa (MCC)	Spain	7	2
Globcom	United States	3	1
Stream Global Services	United States	3	1
Synapsis	Mexico	3	1
Data-Tel Info Solutions	United States	3	1
Zumpano, Patricios & Winker (ZP&W)	United States	2	1
Stafford Engineering	United States	2	1
Beauchemin	Canada	2	1
Affiliated Computer Services (ACS)	United States	1	1
Okkralabs	United States	1	1

*Source:* UNCTAD TNC Database

### III. INVESTMENT IMPACT

#### *Economic Value Added*

*Value added and Gross Fixed Capital Formation.* Dominican Republic's GDP nearly doubled to RD\$1.9 trillion (~\$50 billion<sup>4</sup>) between 2005 and 2010 and both the Tourism and Services Outsourcing sectors played a role in this. The Tourism sector, in particular, is a major contributor to the country's economy, making up roughly 9.2 per cent of GDP (table 3). Of this, hotels, bars and restaurants account for the bulk of value added (74.5 per cent) with other services such as transportation, trade, and travel agencies making up the rest. The Tourism sector, as a whole, accounts for roughly 10.2 per cent of GFCF in the country, the preponderant share of which is by foreign investors. Services Outsourcing, still in its infancy, does not as of yet contribute much in terms of value added. However, UNCTAD estimates that the sector generated about 0.4 per cent of the country's GDP in 2010, which is up from virtually nothing five years earlier.

**Table 3. Summary of key quantifiable indicators, 2010 estimates\***

	Tourism <sup>b</sup>		Services Outsourcing	
	Value (\$ or number)	Share of total economy (%)	Value (\$ or number)	Share of total economy (%)
Value added	6 billion	9.2	185 million	0.4
Capital formation	0.8 billion <sup>c</sup>	10.2 <sup>c</sup>	n.a.	n.a.
Export generation ( <i>International tourism receipts</i> )	4.2 billion	39.7	53 million	0.5
Number of formal business entities	2,200	5.5	150	0.4
Fiscal revenues	370 million <sup>c</sup>	5.8 <sup>c</sup>	n.a.	n.a.
Employment	195,000 <sup>d</sup>	12 <sup>d</sup>	31,000	1.9
Wages (average hourly wage)	1.5	~ 70	1.9 – 2.4	90 – 115
<i>Memorandum:</i>				
FDI stock	2.2 billion <sup>c</sup>	15	0.3 billion <sup>c</sup>	2

*Source:* see Annex 3 for details and sources.

<sup>a</sup> Or most recent year available; see Annex 3.

<sup>b</sup> All numbers include Tourism related industries, except for the number of formal business entities, which is limited to Hotels, Bars and Restaurants.

<sup>c</sup> Awaiting confirmation from the Dominican Republic.

<sup>d</sup> Awaiting confirmation from the Dominican Republic, final numbers are likely to be higher as not all Tourism related industries are included.

*Exports.* Exports are equivalent to over a fifth of the Dominican Republic's economy and Tourism alone makes up about a third of the total. Tourism related industries made up approximately 40 per cent of total exports in 2010. Tourism services exports have grown steadily, registering a 3.9 per cent CAGR between 2000 and 2010 (figure 4A). Services Outsourcing exports have also increased in importance in recent years, but from a low base. They now account for roughly 3 per cent of

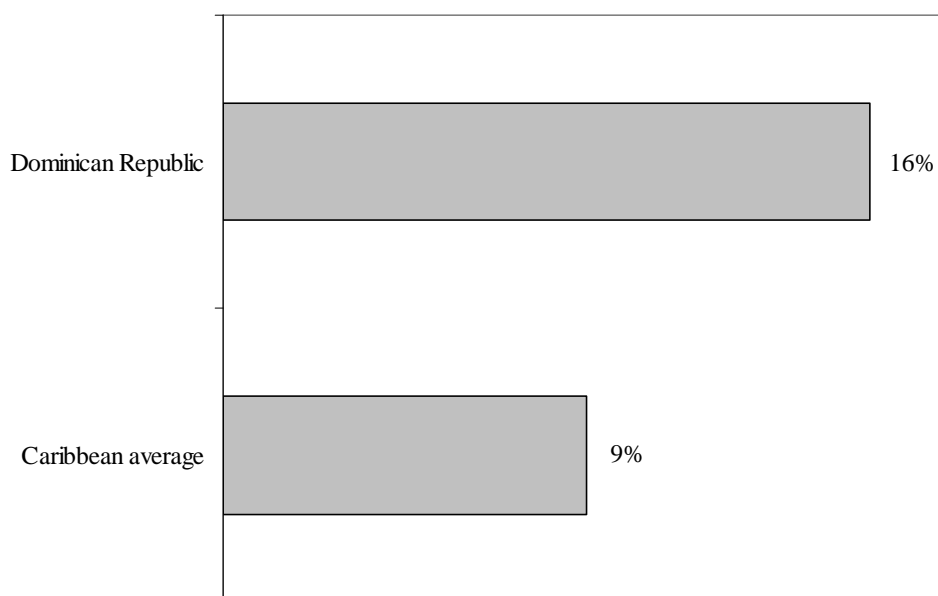
<sup>4</sup> The current exchange rate applied throughout this report is roughly 1 US\$ = 40 RD\$.

services exports (compared to tourism which makes up 83 per cent). However there is quite some scope for further growth, compared to the experience of a number of countries in the region. For instance, Services Outsourcing account for 41 per cent of service exports in Costa Rica and 14 per cent in Colombia; though these countries differ markedly from each other and the Dominican Republic, there are possibilities, depending on the policy options chosen.

*Number of business entities.* There are nearly 40,000 business entities in the Dominican Republic, of which about 2,200 are hotels, bars and restaurants; and this number is rising slowly. These are relatively large entities and there are no available numbers for small businesses in some fashion linked to these entities. The number of business entities operating in the country's Services Outsourcing sector has expanded rapidly in recent years. For example, between 2006 and 2011 the number of call centers, jumped from 37 to 103 (figure 4C).

*Fiscal revenues.* In contrast to some other indicators, foreign investor's contribution to the country's fiscal take is limited. Tourism related industries account for an estimated 5,8 per cent of all fiscal revenues in 2010. This is due to the generous incentives afforded to tourism investors, mentioned above, and is a common feature across the Caribbean. The Dominican Republic, however, extracts comparatively more fiscal revenue from each tourist compared to its peers, through consumption taxes, such as the room tax/VAT (figure 3). In a similar vein a low tax contribution is also the case for the Services Outsourcing sector, where almost all operations are in free zones (or have free-zone status). The only exception is the sub-segment of information-technology outsourcing firms, which are not yet exempt, largely due to their low level of exports in total sales. Because software companies pay much higher wages than either call centers or the formal parts of the Tourism sector, at roughly RD\$ 40,000 per month (\$1,085), the fiscal take from this group is much higher per person (Annex 3 for further details by sector).

**Figure 3. Room taxes (VAT/accommodation tax) in the Dominican Republic and in the Caribbean**



Source: IBFD, 2012.

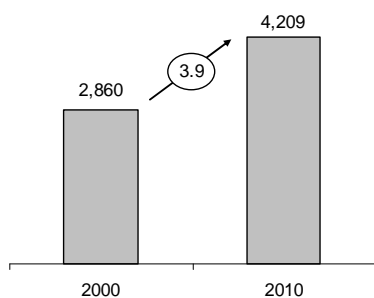
**Job creation**

*Total employment.* Both sectors are significant employers. In Tourism employment in hotels, bars and restaurants (direct and indirect) alone in 2010 was more than 195,000 people, or roughly 12 per cent of the number employed in the formal sector; this number is a large absolute increase over 2000, albeit representing only 1.6 per cent CAGR over the 10 year period (figure 4B). Services Outsourcing employment has grown dramatically since 2006 (figure 4D). By 2011 call centers alone employed more than 30 thousand people, up 46 per cent CAGR from 2006; at 2 per cent of the formal sector, this share is much greater relative to the sector's contribution to value added. No data on informal employment in Tourism or Services Outsourcing are available, though it is estimated that the informal sector employs around half of all the economically active population in the Dominican Republic (BCRD 2009) and many of these are likely related to Tourism.

**Figure 4. Selected (growing) Indicators of Impact in the Tourism and Services Outsourcing Sectors**

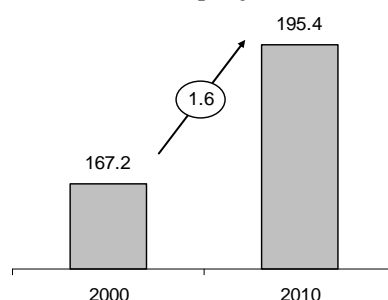
**Tourism sector**

**A. International tourism receipts**  
(Millions of dollars and CAGR)



Source: Banco Central de la República Dominicana.

**B. Employment generated by hotels, bars and restaurants**  
(Thousands of employees and CAGR)

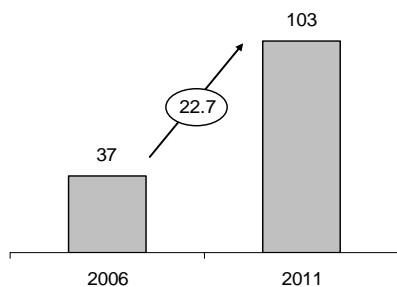


Note: Includes direct and indirect employment associated with the activity.

Source: Banco Central de la República Dominicana, based on data from ASOHONARES.

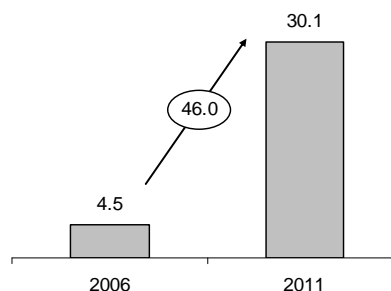
**Services Outsourcing sector**

**C. Number of call-centers**  
(Number and CAGR)



Source: CEI-RD, Call-Center Cluster.

**D. Call center employment**  
(Thousands of employees and CAGR)



Source: CEI-RD, Call-Center Cluster.



*Employment by category.* Occupational statistics in Tourism – as proxied by hotels, bars and restaurants – suggest that the majority of employees are service staff and semi and unskilled workers (making up 69 per cent of the total) (Annex 3). Higher grades or professional grades, such as management, professional office workers and technicians constitute 19 per cent, with mechanics, drivers, and other licensed workers making up the rest. Interviews with companies in the country's Services Outsourcing sector suggest that the situation is not dissimilar, except in the software industry. However, in the formal sector of the country as a whole, higher and professional grades amount to over 45 per cent of the total (Annex 3), which even allowing for discrepancies and misclassification implies that the skills development impact of investment is limited.

*Wages.* Tourism is typically associated with lower wages and in the Dominican Republic this also holds true. In 2010, average hourly pay of formal sector employment in hotels, bars and restaurants was RD\$ 58, which is lower than the average for the formal sector, at RD\$ 83 (Annex 3). Wages in the Services Outsourcing sector are significantly higher than in Tourism. Starting call center agents can expect to make roughly RD\$ 75 per hour, which can rise up to RD\$ 100 per hour depending on skills and demand; this is not too different from the economy average, but the remuneration for professional and supervisory staff tends to be higher. Workers in software services earn significantly more at RD\$ 230 an hour.

### ***Sustainable Development (selected indicators)***

*Labour impact.* There are issues in both sectors, neither necessarily specific to the Dominican Republic (annex 3). Tourism work is highly seasonal and contracts often temporary for many grades of workers; and of particular concern are the very large numbers of unskilled employees in the sector working at very low wages. Women represent 40 per cent of the workforce in the Tourism sector, which is below the average of about 55 per cent for the region (UNWTO 2010); this appears to be because men make up the bulk of the unskilled workforce in tourism in the Dominican Republic. Partly because of the latter, women on average earn a higher salary than men, a noteworthy feature, considering that, at the global level, women in tourism typically earn 10 to 15 per cent less than their male counterparts (UNWTO 2010).

Tourism has made an important, hard to quantify, contribution to *skills transfer and diffusion* within the Dominican Republic. Investors in the sector have systematically used parent company personnel to provide training and capacity building for local staff. Over two decades, hundreds of thousands of people have been trained, and the adoption of international standards has facilitated the modernization of Dominican society, stimulating improvements in work efficiency, processes and in the capacity to plan logistics operation, to the benefit of the entire economy (Pérez, 2011).

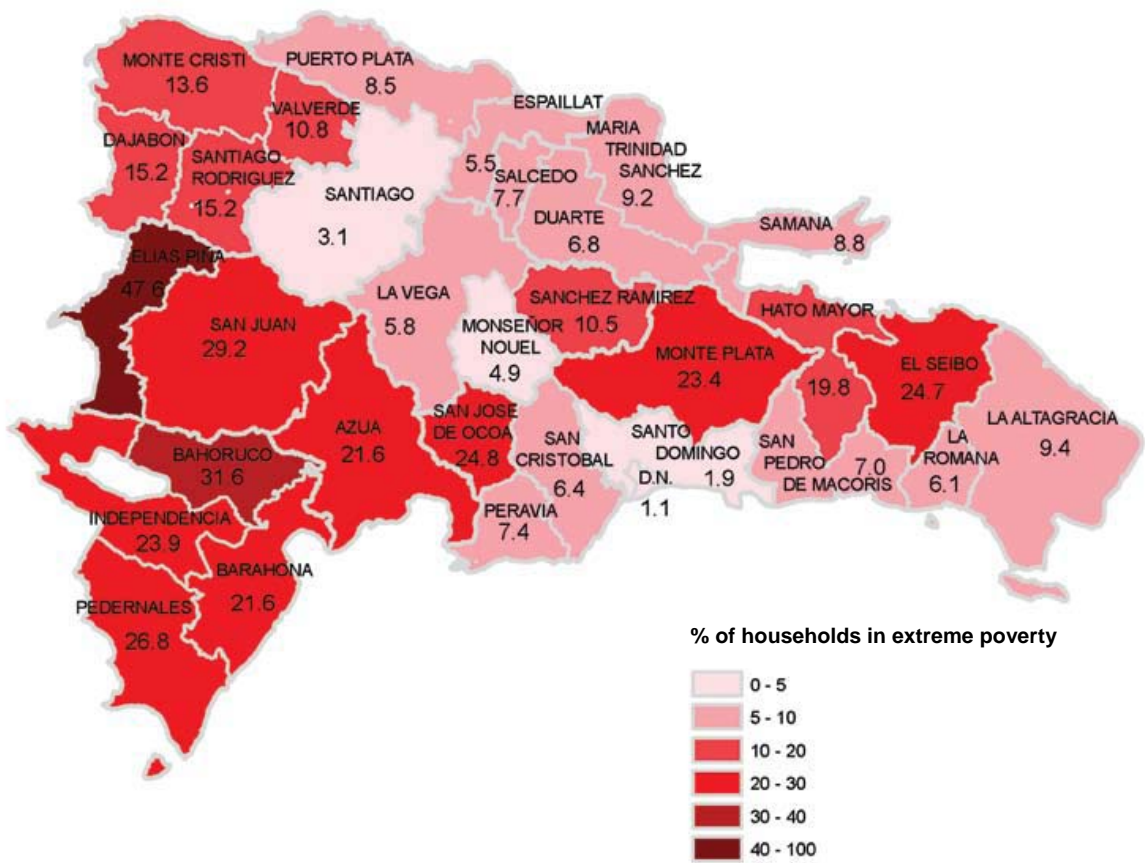
Tourism has probably played a role in the increased incidence of HIV-AIDS in the country; indeed it is considered the leading cause of death among women of reproductive age in the country. This has led to the authorities introducing prevention and control projects in key tourist areas (World Bank, 2004).

Another key sustainability concern regarding Tourism in particular is its *environmental impact*, although information is not systematically available. While it is argued that water overconsumption has already caused saltwater intrusion reaching 20 to 50 km inland from the shoreline of the Dominican Republic (Werbrouck 2004), international tourism-related water consumption in the country amounts to 0.44 per cent of total consumption, which is less than in Denmark (0.60 per cent), Austria (0.65 per cent) or Spain (0.81 per cent) (Gössling et Al. 2011).

The most comprehensive analysis to date on the distribution of poverty within the Dominican Republic suggests that the *incidence of extreme poverty* is generally lower in the Provinces where

Tourism is concentrated (the South-Eastern coast and the Northern coast from Puerto Plata to Samana). The Dominican authorities, with international donor assistance, are looking to extend the reach of tourism to areas currently underdeveloped, by diversifying the tourism offering through the development of eco-tourism and adventure trails. The Province of Pedernales, for instance, offers an array of natural resources and boasts two national parks, but lacks adequate tourism infrastructure, and is among the poorest Provinces. The USAID, together with the Pedernales Community Development Foundation (FONDACIPE), are rehabilitating a hotel and building a Natural Resources Interpretation Center focused on the Province’s ecotourism attraction, with the objective of promoting the formation of microenterprises such as tour guides and visitor transportation services that will stimulate economic diversification and bring business to other hotels, restaurants and minimarkets in the area.

**Figure 5. Poverty atlas of the Dominican Republic: percentage of households in extreme poverty by Province, 2002**



Source: UNDP et al. 2005

Work in the Services Outsourcing sector varies by activity within the sector. High employee turnover in call centres parallels the phenomenon worldwide. In both call centre and software clusters discussion with firms and industry associations suggests that the potential exists for developing and honing additional skills that would be transferable to other activities in the economy. Interviews with sector representatives indicate that proportionally there are more men working in services outsourcing than women, but there are no statistics.

#### IV. TOURISM VALUE CHAIN: POLICY CHALLENGES AND OPPORTUNITIES

Disregarding the elements of the Tourism value chain based outside the destination country (outside the Dominican Republic), which often account for 45-50 per cent of total value added in the chain, the following is a summary of key investment policy challenges by value chain segment.

##### *Hotels/resorts.*

Given the mass-tourism, all-inclusive nature of most operations in this segment, these include all segments of 'horeca' (hotels, restaurants, catering). Operations in this segment are predominantly built with foreign investment. Further investment, both local and foreign, is driven by opportunities to:

- Upgrade existing facilities either within the same value segment of the market, or to higher value segments (luxury segment).
- Add further facilities of the current type, i.e. all-inclusive resorts.
- Add further facilities aimed at higher value segments or niche markets, e.g. eco-tourism.

Upgrading or establishing new facilities in higher value segments appears to be a key policy objective of the Dominican Republic. For example, specific incentives are granted for refurbishments and upgrading of facilities to 5-star level. However, occupancy rates (70 per cent on average) with the current offering are among the highest in the region and so are international tourism receipts. Even tourism receipts per visitor, at \$ 1030, are above the regional average of \$ 930. It is unclear that aiming for fewer, higher paying tourists will add to overall tourism receipts in absolute terms, at \$ 4.2 billion among the highest in the region, with a market share second only to Mexico.

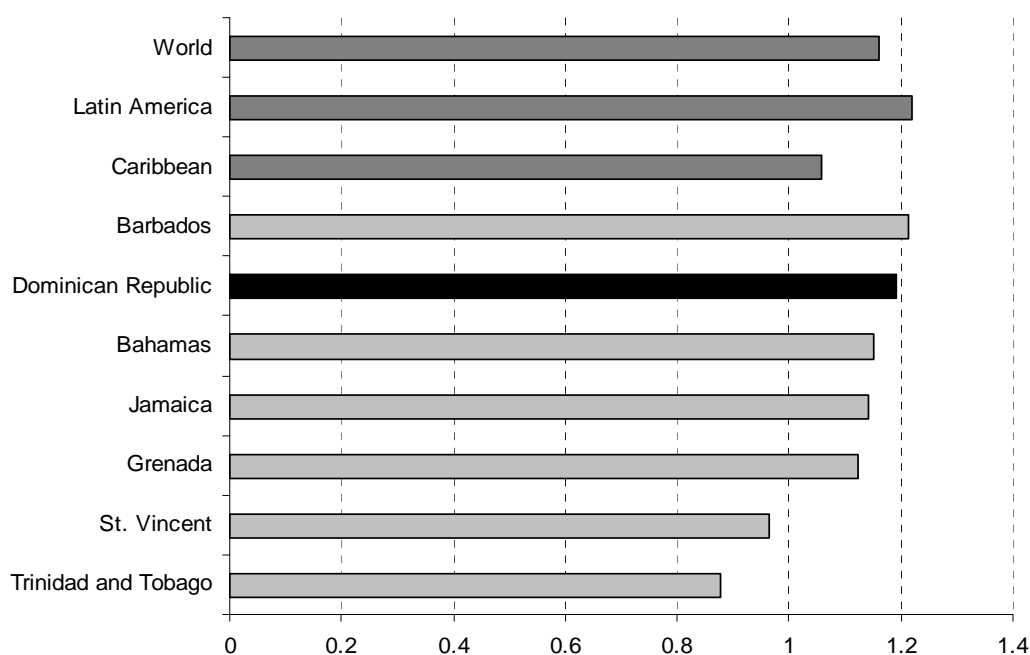
A useful proxy for capturing the overall impact of tourism on an economy is the overall *tourism contribution multiplier* (TCM) – the association between of 1 dollar of tourism spent on GDP.<sup>5</sup> This multiplier is net of all leakages from the economy (e.g. imported inputs), government spending or capital investment to attract investment, but includes effects on other parts of the economy arising from, for instance, consumption by workers in the sector and backward and forward linkages with local enterprises in other industries. In the Dominican Republic, the TCM was 1.19 in 2010 (figure 6), which is higher than the regional average and just above the world average, but slightly lower than the average for Latin America.

Looking in more detail at the key components of the contribution multiplier facilitates an assessment of where the overall impact can be boosted further. For example, while higher wages and salaries could boost the *consumption multiplier* (and hence the TCM), concerns for the economy arise from low multipliers associated with tax yield and backward and forward linkages (which, if improved would boost the TCM). These issues are further discussed in sections IV and V.

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<sup>5</sup> The TCM is not a consumption multiplier, but rather a cost-effective proxy for the investment multiplier using available information, in line with the impact indicators approach. A multiplier approach is useful because, among others, it allows comparison with other countries on a like-for-like basis.

**Figure 6. The Tourism Contribution Multiplier in the Dominican Republic and selected comparators, 2010**



*Source:* UNCTAD, based on data from the World Travel & Tourism Council.

The low tax yield of the sector, compared to its contribution to value added or employment, is a key policy concern. The results of this study indicate that the fiscal treatment of tourism companies in the Dominican Republic does not differ significantly from that of other Caribbean countries, all of which offer generous incentives, including an exemption from virtually all taxes for Tourism investors for a number of years. Countries in the region appear to make a clear policy choice to stimulate investment by offering corporate income tax exemptions, partially compensating for the shortfall through indirect (consumption) taxes and by levying taxes directly on tourists (e.g. airport taxes and ‘tarjeta de turismo’). Taking into account these different mechanisms, the Dominican Republic appears to extract more fiscal revenue from the sector than the rest of the region, through relatively higher indirect taxes (room tax, departure tax, consumption taxes).

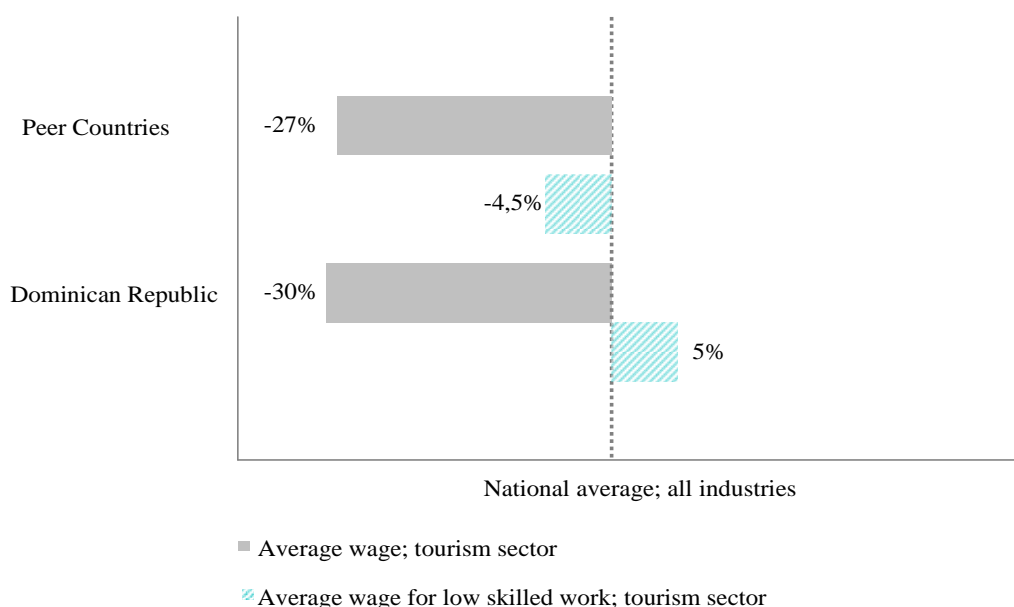
Another policy concern in this segment of the value chain is related to employment generation, working conditions, wages and skills transfer. This concern may be another reason for the drive to move towards higher value segment hotels and resorts, insofar as luxury hotels may be perceived as offering better conditions for staff, and employing more personnel per visitor. While this study did not benchmark the Dominican Republic against other worldwide comparators in the higher end segment of the market, an analysis of employment indicators actually shows that the current model in the Dominican Republic does not employ fewer staff per visitor than is the case in regional peer countries, including some peers with higher average standard hotels and resorts or operating in more exclusive or niche markets (e.g. the eco-tourism dominated Costa Rican market employs fewer staff per visitor). Also, in terms of absolute employment contribution of the sector (not employment per visitor), total employment relative to tourism receipts in the Dominican Republic appears to be among the highest in the region, although employment growth is lagging behind revenue growth in the sector (figure 4).

As to conditions and wages, the indicator analysis shows that average wages are some 30 per cent below the national average, which is in line with other countries in the region (see figure 7). This

number mostly reflects the low-skilled nature of much of the employment generated in the tourism sector. If comparison is made only between wages of low skilled work within the tourism sector and low skilled work within other sectors of the Dominican Republic, wages in tourism are slightly higher than the national average, and even higher compared to peer countries.

Among the expected benefits of moving into a higher end tourism infrastructure model, are the higher skills employed, associated with higher wages. However, it has not been possible in the Dominican Republic to test the aspect of skills transfer through quantifiable indicators. Interview evidence indicates it may be limited because most employees are in either unskilled or semi-skilled categories. The share of higher-grade workers is lower than the national average, partly because some of these categories (mostly managerial and professional) are occupied by foreign nationals. Evidence on skills categories employed in the sector is contained in Annex 3.

**Figure 7. Average wage in the tourism sector compared to national average**



Other policy objectives typically associated with the diversification of the tourism sector out of the mass-market all-inclusive model are better environmental conservation, increased expenditure by tourists in the local economy and development of remote regions. Due to data availability or reliability issues, these aspects are not included in this analysis. Overall, however, the relatively favorable multiplier and the analysis of other indicators suggests that, while expansion of the higher value segment of hotels/resorts is a valid strategy, it should not be at the cost of the mass-tourism all-inclusive model, and in particular the commitment of public funds in the form of incentives should be carefully evaluated.

*Airport operations/local transportation.*

The majority of local (private) airports relevant for the Tourism value chain have been established by foreign investors. Further investment of this type will be largely driven by new investments in the hotels/resorts segment of the value chain. Domestic public and private investment is a crucial complement for the continued competitiveness of the Tourism sector.

In airport operations, e.g. loading and handling of tourists on arrival and departure from the country can generate appreciable local value added and employment, and can be an effective avenue for tax collection from Tourism. Airport taxes levied on tourists in the DR account for 1.9 per cent of the country's tax take; and the "tarjetas de turismo" provide a further 0.6 percent. On the other hand, inasmuch as most airports where tourists arrive are operated in free zones, profits are not taxed. Overall, this reduces the opportunity to use taxes to develop useful infrastructure for the rest of the economy, quite apart from there being very few linkages because airports (as the resorts) are remote from population centers.

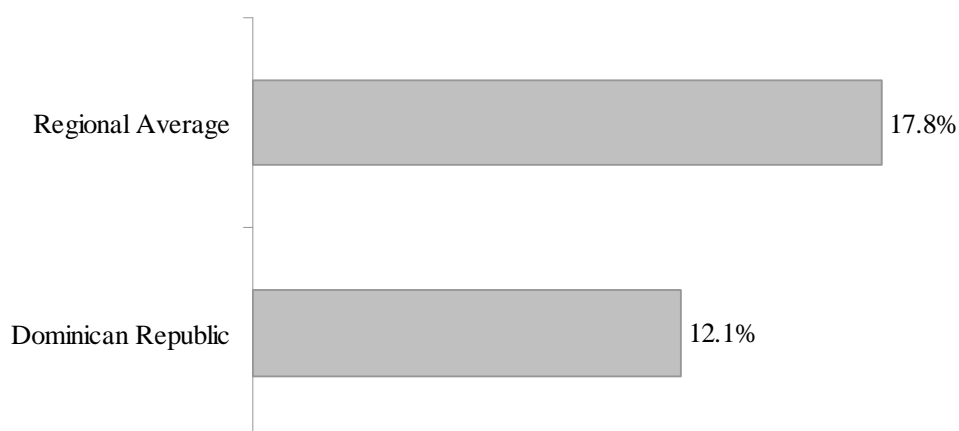
*Supply industries to hotels/resorts.*

This includes:

- Agriculture/food products. Driven primarily by local private investment. Further investment required to improve processing quality to required (international) standards and for certification.
- Services. In large part established through foreign investment and integrated with hotels/resorts, as the latter are remote from populated areas. Domestic investment opportunities are again dependent on adequate certification capabilities.

A key policy objective specific to this segment of the Tourism value chain is extending investment in local supply linkages to increase the value added captured from tourism receipts. The remote nature of hotels/resorts appears to militate against linkages with the economy to a degree. Also, there is a perception that significant 'leakage' of value occurs through import of even basic inputs by foreign-owned hotels/resorts. Evidence from the indicator analysis shows that, in reality, about 12 per cent of all purchases by Tourism providers in the Dominican Republic are imported, which is lower than the regional average, and lower than, for example, Costa Rica which pursues a more exclusive/niche-market tourism approach (figure 8). Also, mostly these are items such as furniture and fittings, and local sourcing is the rule for food products and other supplies. Over 90 per cent of foodstuffs used in hotels are purchased from local suppliers.

**Figure 8. Share of imports in purchases by Tourism providers, 2010, per cent**



Source: UNCTAD, based on data from the World Travel & Tourism Council.

*Local Tourism activities (entertainment, retail, excursions).*

Apart from agricultural and foodstuff inputs and basic supplies, linkages between the resorts and other (especially services) elements of the Tourism value chain in the economy are tenuous. Tackling this issue requires both building up local supplier capabilities, especially the ability to fulfill international quality standards, and creating mechanisms for tourists to leave their resort enclaves. Numerous stakeholders – including the various geographic Tourism clusters, the consortium of Tourism clusters, and the national competitiveness council – are working on building up local communities' capabilities to provide Tourism-related services and activities. Stakeholders are also working to educate tour operators about these new offers (for example, the ginger or cacao trails).

One of the reasons for the drive to boost shopping, excursions and use of local restaurants is that they confer greater pro-poor and sustainability effects, as evinced from many case studies. There are examples of existing initiatives, especially related to eco-tourism. For instance:

- La Caleta's Underwater Museum Park, which offers alternative employment to local fishermen and is run on sustainable principles.
- The chocolate eco tour in Vincentillo, which also diversifies local employment away from cocoa production per se.
- The "Mountain Serene" trek in Los Bueyes, which partly reverses the drain of labour from the area and has resulted in a motivation for reforesting the local hills.
- Visits from surrounding tourist areas to Arte Cuseco in Villas Padre Nuestro where women have received support in jewellery design and production (over 13,000 artisan pieces have been sold since inception in the early 2000s).

## **V. THE SERVICES OUTSOURCING VALUE CHAIN: POLICY OPPORTUNITIES AND CHALLENGES**

The Services Outsourcing value chain includes a variety of activities or segments, which differ from industry to industry. Services Outsourcing can be subdivided into three distinct clusters of activities: (i) business process outsourcing (BPO), e.g. call centers, payroll activities and document management; (ii) information technology outsourcing (ITO), ranging from infrastructure management to IT consulting; and (iii) knowledge process outsourcing (KPO) activities such as business consulting and legal services. What ties BPO, ITO and KPO together is that companies offering these services possess – to a degree – technology and skills-sets which are cross-transferable between the three clusters. Each of these clusters has lower and higher value adding segments; BPO on average requires the lowest level of skills.

As Services Outsourcing in the Dominican Republic is still in its infancy and the level of relevant skills in the country still relatively low, companies in BPO have led the way in the sector's expansion. Within BPO, call centers predominate, essentially consisting of foreign affiliates of major Services Outsourcing multinationals, such as ACS (United States), Teleperformance (France) and Synapsis (Mexico) (table 2). There is also some local investment in the ITO cluster, but this is less developed, consisting mainly of small SMEs distributing software/services in the country. The KPO cluster in the country has a small share of the sector (an estimated 1 per cent of the total).

There are today more than 100 call centres based in the country, employing more than 30,000 people, a number which has increased six-fold since 2000. Other clusters, notably ITO, employ a little more than 1,000 people. The Services Outsourcing sector pays relatively high wages and salaries, both overall and compared to other sectors such as tourism. It is, however, too early to say what the overall impact of the sector is, although in the longer-term free-zone status of call centers, which means that they pay virtually no tax, will have implications similar to tourism if the status persists.

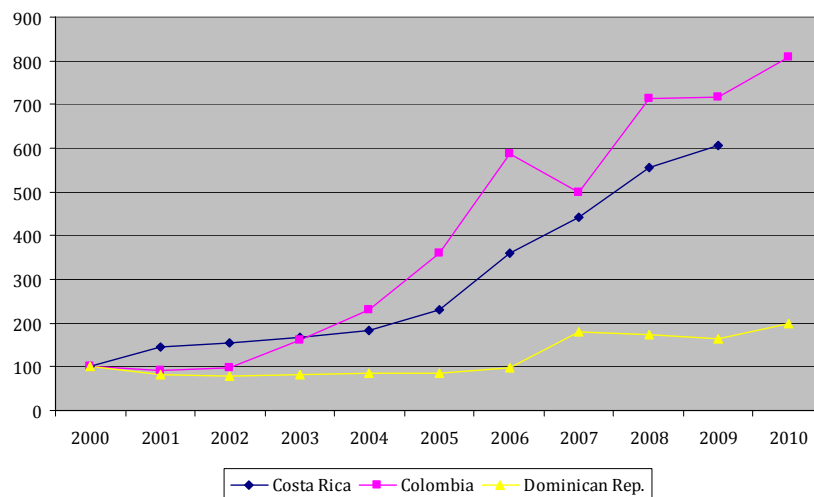
While the sector is burgeoning, with exports doubling between 2006 and 2010 to nearly RD\$ 2 billion, this rate of expansion is below that of countries such as Costa Rica and Colombia (figure 9). There are differences in the composition of the Services Outsourcing sector between countries, however, which partly explain these trends. Colombia, with a larger and more skilled population than the Dominican Republic, has attracted investment from foreign companies with a wider range of Services Outsourcing activities (across BPO, ITO and KPO), including by Indian companies such as TCS and Wipro in higher value added segments. Costa Rica, with similar endowments to the Dominican Republic, but with a higher skills-base in jobs relevant for Services Outsourcing, has been more successful in attracting Latin American Services Outsourcing companies such as CPM Braxis (Brazil) and Sonda (Chile) which also operate across all three Services Outsourcing clusters. However, in contrast to Colombia and Costa Rica, most of the companies locating in the Dominican Republic are narrowly specialized in BPO, which reflects the local skills profile (Fernandez-Stark et al 2011; Gereffi et al 2009).

The marginal benefits from the country's participation in the Services Outsourcing value chain are quite high. For example, UNCTAD estimates from Greenfield data that each US\$ million of investment generates 150-300 jobs, RD\$ 54-100 annual sales and RD\$ 32-65 of annual economic value added (the range is high because of difficulties in estimating the investment from Greenfield data). Along with other Latin American and Caribbean countries, the Dominican Republic is well placed to attract further Services Outsourcing investment because of the expansion of



"nearshoring", especially vis-à-vis the United States (in fact, the country is one of the geographically closest to North America). Nearshoring is on the rise as factors such as lower travel costs, a desire by principal companies for geographical proximity with their suppliers, cultural affinity, time zones and bilingual abilities (English and Spanish) play a role in companies deciding to offshore nearby rather than further afield.

**Figure 9. Growth of Services Outsourcing-related exports of selected countries, 2000–2010**  
(Index: year 2000 = 100)



*Source:* UNCTAD calculations based on data from UNSD’s ServTrade database.

*Note:* Services Outsourcing-related exports are the sum of “Computer and information services” and “Other business services”.

Upgrading by moving from call-center to higher value added segments within BPO, as well as to ITO and KPO, is an important policy goal of the Government. There are, however, a number of pathways in making such a move and these require a careful assessment of endowments and constraints. At the same time, the analysis of impact indicators shows that call centres contribute significantly to the economy and can remain a part of a more diversified Services Outsourcing sector. Perhaps the most significant constraint is to do with professional and technical skills. From the fieldwork, for instance, it became clear that local companies and foreign affiliates (such as one established by ACS) have been looking to move into higher value added segments (e.g., into legal and healthcare-related outsourcing), but have found the limited skills base a barrier. Human resources remain a more general concern, even regarding the further expansion of call centers (at a minimum these require good language and communication skills) and one that the country needs to address.

## VI. CONCLUSIONS AND POLICY RECOMMENDATIONS

As mentioned earlier, the policy advice in this section - posited for ease of exposition as recommendations - arises from the data analysis earlier, based on the impact indicator framework. As such, the analysis and these recommendations need to be considered by policymakers in the context of their wider development goals and the existing policy framework. These processes may well modify the advice, and hence the action plan(s) below can be better aligned, harmonized and integrated with other policy decisions. In doing this, policy-makers should also assess the conditions required to fulfill an action plan, some of which are mentioned below, and act accordingly. The wider policy context and the specificities of sectors and conditionalities will also affect the time scale and sequencing of action plans which are implemented. Finally, it should be borne in mind that the indicators framework is a starting point for decisions about entering, deepening or extending a country's participation in GVCs, not an end point. As such, its application in a particular context may immediately raise more questions than are answered, but in the final analysis understanding better what you need to know is a long way towards the solution.

### 1. Tourism

Tourism is a major contributor to the economy of the Dominican Republic, accounting for 16 per cent of GDP and 12 per cent of employment. It is also a primary target for FDI, representing some 15 per cent of the country's FDI stock, primarily through investment projects in all-inclusive resorts for mass-tourism (as well as some luxury resorts).

Dominican Republic policymakers actively pursue strategies to attract further local and foreign investment to the sector. In particular, significant efforts and resources are employed by the government and international development partners on policies to:

- a) Deepen links with the rest of the economy – there are concerns regarding the relatively low local value added and welfare contribution of the current tourism model.
- b) Aim for higher value added types of tourism – opportunities exist in niche tourism markets such as eco-tourism (which are also perceived to offer better sustainable development impacts than the current model).

An objective assessment of the sustainable development and employment contribution of the current tourism model, based on the quantitative indicators methodology deployed in the pilot study, shows that

- a) The economic development contribution is actually in line with or better than international comparators, in terms of value added (including local sourcing), employment generation, and export generation.
- b) Concerns regarding low wages in the sector are confirmed if compared to other sectors in the economy, but are largely in line with international peers.
- c) Concerns regarding the limited fiscal revenues generated by the sector are also confirmed; the sector does not 'pull its weight' in the country's total tax intake. However, the fiscal contribution of the sector, including indirect taxes, again appears to be above average compared with regional peer countries.

Overall, while the build-up of niche markets and the facilitation of investment in local tourism activities is a valid longer-term strategy, including for sustainability and inclusiveness goals (e.g. to bring development gains into more remote areas), the development impact and additional value added may be smaller than currently assumed. Promoting further local and foreign investment in all-inclusive tourism may yield greater net value added and employment gains, and benefits will be

more immediate. Further gains can be achieved by facilitating the upgrading of some existing low-end infrastructure.

### ***Key elements of an Action Plan to attract and negotiate high-value-added investment in Tourism***

- In the current on-going reassessment of the country's overall tax regime, look for opportunities to increase the tax take from investors by rebalancing the take between investors and tourists (and between direct and indirect taxes). While a coordinated approach is needed at the regional level to avoid entering a period of harsh fiscal competition and race to the bottom, a detailed feasibility study may be warranted on the effective impact of measures that would gradually increase the corporate income tax contribution of the sector (e.g. by capping the duration of favorable tax regimes offered to tourism investors). This may include a review of the DR's network of double-taxation agreements with major tourism home markets, and the balance of fiscal take (on corporate income) between investor home and host countries.
- In evaluating commitments of public funds (e.g. through incentives) to the sector, either in the design of incentives programs or in individual negotiations with investors, re-consider carefully any additional commitments over and above those given to the sector as a whole for the specific purpose of promoting upgrades to higher value segments. The marginal additional development contribution of such commitments of public funds must be evaluated on a case-by-case basis.

## **2. Services Outsourcing**

The services outsourcing value chain in the Dominican Republic is still in its infancy. The core of the sector currently consists of call centers and other business process outsourcing operations, which are largely foreign affiliates of major services outsourcing multinationals. Growth over the past five years has been rapid, with the number of employees rising nearly seven-fold from 4,500 in 2006 to roughly 30,000 in 2011. Services outsourcing, and especially call center activities, have benefited from the country's traditional ties to its largest market – the United States. These activities also employ many staff who have lived in the United States and speak Spanish and English fluently. A further growth enabler is the country's excellent telecommunications infrastructure.

Although still a relatively small share of the economy, at around 0.5 per cent of GDP, the employment contribution of the sector is already significant at some 2 per cent of employment in the formal sector. The country also benefits through the fact that services outsourcing activities are concentrated in population centers, unlike other important sectors, such as tourism or mining.

Current Dominican Republic policy aims at expanding the services outsourcing sector and simultaneously moving into higher value-added segments of the market, including knowledge-intensive business process outsourcing services and IT-related services.

An assessment based on the quantitative indicators methodology deployed in the pilot study, confirms that there is significant potential for further contributions of the sector to value added, exports, job creation and higher wages, among others. Fiscal contributions are low as investments in the sector are considered free-zone operations; given the importance of low costs for locational decisions in this sector this is unlikely to change in the foreseeable future and may need to be considered a trade-off for quality employment generation (compensated in part by indirect taxation), also in light of similarly low contribution rates in regional peer countries.

The push for investment in higher-value added segments merits careful consideration:

- a) The development contribution of call center operations, the basic ‘entry-level’ segment of the value chain, is quite significant, and any additional contribution from moving into higher-value added segments will be relatively small and longer-term in nature. (This is confirmed also by a comparison of growth paths of the sector in regional peer countries.)
- b) Already the primary constraint on the growth rate of call center operations is the local skills base and the availability of qualified local personnel. This constraint will be even more important for other segments. (Again, a peer country analysis shows that the early development of lower value-added services contributes to the skill-base required for longer-term upgrading.)

***Key elements of an Action Plan to attract high-value-added investment in Services Outsourcing***

- While upgrading into higher value added segments of the BPO value chain, and extending into the other clusters in Services Outsourcing are valid aims, actions in this regard should be balanced, with clear pathways for achieving goals in the mid- to long-term. Call centers, for example, are playing a significant role in creating employment opportunities, so further expanding these activities, even if they are in the lower value added segment of the sector, merits consideration. Moreover, both call centers and operations in ITO and KPO clusters are struggling to find workers with the necessary skills to upgrade, so actions taken have to be commensurate with conditions.
- Given the importance of skills development for the attraction of both local and foreign investment and further growth in this sector, a detailed study based on the indicators methodology of the HRD pillar may be warranted. Educational and human resource development actions could include:
  - Education and training to be based more on specialized vocational training institutions, which will require the requisite boost in resources.
  - English language training programs to be reinforced, with a view to encouraging all students to learn English as a second language in primary and secondary schools.
  - Policies on the part of the authorities to unlock existing skills bases in the population. For instance, this entails making better use of the country's current skills portfolio in medical and legal services.
  - Investment in the future of Services Outsourcing through training in computer and related skills in primary and secondary education, as a precursor to vocational and higher-level training mentioned above.
- Effective pathways to upgrading and extending into all Services Outsourcing clusters require action in targeting investors. In particular, investment promotion policies are needed to attract Services Outsourcing companies that specialize in ITO and BPO type of operations. Attracting such companies has wider ramifications, for instance Government action to encourage and support prospective local partners to obtain necessary international certifications.

## Annex 1

### Dominican Republic List of Interviews

#### CEI-RD

Marcelo Vargas, Manager After Care

Location: CEI-RD

#### ASONAHORES (National Hotels and Restaurants Association)

Arturo Villanueva S., Executive Vice-President

Location: ASONAHORES

#### Cyber Park of Santo Domingo

Rafael Vargas, Director of Marketing

Location: PCSD

#### Call Center Cluster

Vittorio Dallomo, CFO, United Nearshore Operations

Location: CEI-RD

#### Central Bank.

Sra. Olga Díaz y Miguel Jiménez Corner, Nacional Account Manager

Miguel A. Jimenez Corneille, Director, Departamento de Cuentas Nacionales y Estadísticas Económicas

Location: Central Bank

#### Finance Ministry

Martin Zapata, Secretaría de Estado de Hacienda

Ruth De los Santos, Subdirectora General

Mariam Ortiz, Analista de Estudios y Políticas Tributarias II

Location: Hacienda

#### CNC (National Competitiveness Council)

Laura del Castillo Savinon, Sub-Directora Técnica

Tamara V. Vasquez Sosa, Sustainable Tourism Coordinator

Location: CNC

#### ONE (National Statistical Office)

Pablo Tactuk, Director Nacional

Location: ONE

#### INFOTEP (National Institute for Technical-Vocational Training)

Idionis Perez, Director General

Maura Corporan, Manager

Location: CEI-RD

#### DGII (Tax Bureau)

Roberto Rodríguez, Legal Director

Location: DGII

Ministry of Higher Education, Science and Technology  
Ms. Ligia Amada Melo de Cardona, Minister  
Location: MESCYT

Ministry of Tourism  
Radhamés Martínez Aponte, Vice Minister  
Gustavo Ricart, Economic Analyst  
Location: MITUR

Consortio Dominicano de Competitividad Turística  
Lisette Gil, Senior Advisor  
Location: MITUR

ACS (call-center, BPO)  
Damaris Alvarez C., Site Operations Manager Global Operations Support  
Location: CEI-RD

ClusterSoft  
Jose P. Diaz G., General Manager, Diextra  
Miguel M. Arias, General Manager, Grupo Práxis  
Eduardo Alvarez Gomez, General Manager, Avacomp  
Location: CEI-RD

CEI-RD: wrap up session  
Mr. Eddy Martínez Manzueta, Secretary of State, Executive Director CEI-DR [et al.]  
Location: CEI-RD

## Annex 2

### FDI Policy in the Dominican Republic

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UNCTAD's Investment Policy Review of the Dominican Republic, completed in 2009, concluded that FDI has led economic diversification in the Dominican Republic and that the legal and regulatory framework for FDI in the country is open and liberal, containing very few restrictions. A reform process started in the mid-1990s with the economic and trade liberalization that led to the adoption of modern legislation aimed at bringing the regulatory framework for private sector development up to the best international standards. Examples include the legislation on environment, land, intellectual property and foreign exchange arrangements.

The IPR encouraged the Dominican Republic to maintain its reform drive and recommended policies to attract more technology-driven FDI and higher value-added operations to the country, including concrete recommendations geared at achieving a "best-in region" investment framework. Apart from better protecting the public interest and providing a high-quality regulatory environment for local business, this outcome could have a surprisingly high pay-off in FDI attraction. It would help to differentiate the DR from regional countries, with whom it shares very similar investment attraction fundamentals. In this regard, the report contained recommendations for policy action in a number of regulatory areas. For example, a remaining gap identified in the report was the need to modernise the commercial code and implement the competition policy. Environmental permitting, land titling and effective enforcement of the rule of law and contracts were also considered top priorities for administrative improvement.

Apart from these priorities, the IPR recommended a package of incremental improvements in (i) labour law (moderating the accumulation of severance pay rights so as to reduce job hopping); (ii) foreigner residence permitting (clearer regulations to the law, removing the restriction on remuneration when a position is localised and having a more active programme of talent attraction), (iii) land law (providing for corporate title) and (iv) upgrading the civil code and modernising corporate governance provisions.

In the area of taxation, the IPR concluded that existing policy had served past objectives well but needed to be re-oriented to meet new objectives of upgrading, modernisation and innovation. Measures to be considered included a general reduction in corporate taxation and withholdings of payments abroad, removal of most corporate tax exemptions in favour of better-targeted incentives to encourage more specific outcomes desired by national policy. In tourism, for instance, it called for rebalancing direct and indirect tax to improve competitiveness and the adoption of investment allowance to hotels being built or upgraded to 5 star rating

Finally, the IPR proposed ways to strengthen the Government's investment promotion arm, CEI-RD, and the coordination among CEI-RD and other agencies involved in investment promotion, with a view to strengthening the national investment promotion effort, and ensuring its coherence.

*Source:* UNCTAD IPR of the Dominican Republic

### Annex 3

#### Breakdown of the Economy and Sectors Under Review by Impact Indicators

Type of Indicator	Indicators	Details - specifics/measures may vary by industry, value chain segment or type of activity within a segment (e.g. budget hotels versus up-scale ones)	Total economy	Tourism Sectors	Services Outsourcing Sectors
Economic Value Added	<ul style="list-style-type: none"> <li>Total value added</li> </ul>	<ul style="list-style-type: none"> <li>Value added (GDP contribution) of the new/additional economic activity resulting from the investment</li> </ul>	GDP (current): 1,020,002.0 million RD\$ (2005) 1,901,896.7 million RD\$ (2010)	175,214.7 million RD\$ (2010), with multiplier of 1.37 (see fig. 4) 240,044.1 million RD\$ (2010), 9.2% of GDP, related to activities in Hotels, Bars, and Restaurants.  158,771.4 million RD\$ (2005), 15.6% of GDP, total Tourism related industries (TSA2005 presentation). Breakdown: 37.4% hotels, 37.1% bars and restaurants, 10.6% transportation, 1% car rental, 1.3% travel agencies, 1% handcrafts, 7.3% cultural/sport/recreation activities, 4.3% tax contribution minus subsidies.	Software cluster: Value added of 515 million RD\$ (2010) (UNCTAD estimate).  Call center cluster: Value added of 6,348 million RD\$ (2010) (UNCTAD estimate).  Combined were 0.4% of GDP (2010).
	<ul style="list-style-type: none"> <li>Value of capital formation</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to gross fixed capital formation (GFCF)</li> </ul>	GFCF (current): 166,933.4 RD\$ (2005) 310,784.7 RD\$ (2010)	Total Tourism related industries account for 10.2% of gross fixed capital formation (2005) (TSA2005 presentation).	Na



<ul style="list-style-type: none"> <li>Total and net export generation</li> </ul>	<ul style="list-style-type: none"> <li>Total export and import generation by value</li> </ul>	<p>Exports of goods and services (current):</p> <p>306,312.1 million RD\$ (2005)</p> <p>423,402.2 million RD\$ (2010)</p>	<p>International tourism receipts US\$ 4,209 million (2010).</p> <p>Hotels, Bars, and Restaurants account for 27% of the country's exports of goods and services, 45% of their production is exported (2005 IO table). Total Tourism related industries account for 34.7% of exports of goods and services (2005) (TSA2005 presentation).</p> <p>BOP: \$4,050 million USD (2009) = inbound Tourism expenditure, \$341 million USD (2009) outbound Tourism expenditure. (Distribution of tourist expenditures in country: 58.33% hotels and food; 18% entertainment; 12.36% local transportation; 5.86% gifts; 5.45% others (all 2009)).</p>	<p>Software cluster: Exports of 284 million RD\$ (2010) Call center cluster: Exports of 1,692 million RD\$ (2010) (UNCTAD estimate). Combined were 0.5% of exports of goods and services (2010).</p>
<ul style="list-style-type: none"> <li>Number of formal business entities</li> </ul>	<ul style="list-style-type: none"> <li>Number of businesses in the value chain or value chain element supported by the investment.</li> </ul>	<p>39,029 enterprises (2010)</p>	<p>2,160 enterprises (2010) "hotels, restaurants and bars".</p>	<p>Software cluster: 46 IT services companies (2011).</p> <p>Call center cluster: 103 call centers (2011).</p>
<ul style="list-style-type: none"> <li>Total fiscal revenues</li> </ul>	<ul style="list-style-type: none"> <li>Total fiscal take from the economic activity resulting from the investment, through all forms of taxation, including taxes levied from the company as well as from employees</li> </ul>	<p>255,085.1 million RD\$ (2010) "Ingresos del Gobierno Central"</p>	<p>Tourism related industries account for 5.8% of taxes paid, 14,794.9 million RD\$(2010).</p> <p>Hotels, Bars, and Restaurants account for 3.3% of taxes paid (2008 results from DGII, includes taxes paid by employees and customers). Airport taxes paid by tourists account for 1.9% of tax take in the DR (2010). Tarjetas de Turismo account for an additional 0.6%.</p>	<p>NA</p>

<b>Job creation</b>	<ul style="list-style-type: none"> <li>Total Employment</li> </ul>	<ul style="list-style-type: none"> <li>Total number of jobs generated by the investment, both direct and indirect</li> </ul>	<p>1,437,260 people employed in the formal sector (2005)</p> <p>1,631,129 people employed in the formal sector, of 3,669,375 people economically active (2010)</p>	<p>195,371 (2010) total: 55,820 direct and 139,551 indirect (direct related only to activities in Hotels, Bars, and Restaurants).</p> <p>376,700 (2005) total Tourism related industries (274,192 male, 102,508 women). (TSA2005 presentation)</p>	<p>Software cluster: 910 employees (2010)</p> <p>Call center cluster: ~30,000 (2011)</p>
	<ul style="list-style-type: none"> <li>Employment by category</li> </ul>	<ul style="list-style-type: none"> <li>Occupational breakdown of industry employment</li> </ul>	<p>1,631,129 (2010) employed in the formal sector.</p> <p><u>Breakdown:</u></p> <p>6% Management  17% Professionals  12% Technicians (middle level)  12% Office workers  14% Personal services staff (sales, service, etc.)  2% Licensed workers to deal with agricultural and meat products  9% Mechanics  11% Machine operators and drivers  18% Unskilled workers</p>	<p>110,062 (2010) employed in the formal sector in Hotels, Bars, and Restaurants.</p> <p><u>Breakdown:</u></p> <p>3% Management  1% Professionals  5% Technicians (middle level)  10% Office workers  47% Personal services staff (sales, service, etc.)  3% Licensed workers to deal with agricultural and meat products  4% Mechanics  4% Machine operators and drivers  22% Unskilled workers</p>	<p>Software cluster: Interviews suggest majority of workers are developers, though no hard statistics.</p> <p>Call center cluster: Majority of employees are call center agents (roughly 75% for ACS), with a small number of data processing staff, developers, and administration.</p>

	<ul style="list-style-type: none"> <li>Wages</li> </ul>	<ul style="list-style-type: none"> <li>Wages and benefits</li> </ul>	<p>1,631,129 (2010) employed in the formal sector. Average hourly wage 83.00 RD\$</p> <p><u>Breakdown:</u>  Management: 211.45;  Professionals: 155.45;  Technicians (middle level): 90.89;  Office workers: 57.41;  Personal services staff (sales, service, etc.): 53.30;  Licensed workers to deal with agricultural and meat products: 57.03;  Mechanics: 64.44;  Machine operators and drivers: 52.17;  Unskilled workers: 40.77</p>	<p>110,062 (2010) employed in the formal sector in Hotels, Bars, and Restaurants. Average hourly wage 58.24 RD\$</p> <p><u>Breakdown:</u>  Management: 147.04;  Professionals: 136.54;  Technicians (middle level): 72.94;  Office workers: 53.50;  Personal services staff (sales, service, etc.): 58.33;  Licensed workers to deal with agricultural and meat products: 42.26;  Mechanics: 59.43;  Machine operators and drivers: 60.80;  Unskilled workers: 41.25;  Of these workers: 60% report their employer paid for some of their food; 8% report their employer paid some of their housing costs; 26% report their employer paid some of their transportation costs; 1% report their employer paid some of their communications costs.</p>	<p>Software cluster: average monthly salary of junior and mid-level programmers was RD\$40,000 (US\$1,085) in 2010. Roughly, RD\$ 230 per hour (assuming 174 working hours per month). Call center cluster: typical salaries: 75-95 Associate 80-100 Senior associate 150-200 QA 200-225 Supervisor</p>
Sustainable development	<ul style="list-style-type: none"> <li>Labour impact indicators</li> </ul>	<ul style="list-style-type: none"> <li>Employment of women · Skills upgrading, training provided; paying particular attention to the creation of transferable skills · Health and safety effects, occupational injuries</li> </ul>	<p>3,669,375 people economically active with earnings (2010), 65% male and 35% female.</p>	<p>376,700 (2005) total Tourism related industries (274,192 male, 102,508 women). (TSA2005 presentation)</p> <p>110,062 (2010) employed in formal sector in Hotels, Bars, and Restaurants. Women make up 44,121, or 40% of the total. Their average wage was 64.29 RD\$ an hour, compared to 54.18 RD\$ for men (due largely to the higher share of unskilled men working in this sector at a very low wage rate).</p>	<p>Software cluster: Interviews suggest majority of workers are male, no statistics. Call center cluster: Interview suggest slightly more men than women working in call centers.</p>

Source: UNCTAD Impact Indicator Analysis, based on information provided by Banco Central de la República Dominicana, CEI-RD, DGII, ONE, Call-Center Cluster, Software Cluster.

## Annex 4

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