



DOMINICA

MEDIUM-TERM ECONOMIC STRATEGY PAPER

1994-96

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Government of the Commonwealth of Dominica
West Indies

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The MTESP was completed in April 1994 for review by Cabinet and to allow for feedback from External Donor Agencies. The report may be revised prior to the 1994 Caribbean Group for Cooperation in Economic Development (CGCED) meetings.

FISCAL YEAR

July 1 - June 30

CURRENCY EQUIVALENTS

Currency Unit Eastern Caribbean Dollar (EC\$)

US\$ 1 00 = EC\$ 2 70

Since its creation in 1965, until July 1976, the Eastern Caribbean dollar was linked to the pound sterling at the rate of £ 1 00 = EC\$ 4 8. Since July 1976 the Eastern Caribbean dollar is linked to the US dollar at the rate of US\$ 1 00 = EC\$ 2 70.

GLOSSARY OF ABBREVIATIONS AND ACRONYMS

ACP	African, Caribbean and Pacific Countries
ADCU	Agricultural Diversification and Coordinating Unit
AIDBANK	Agricultural and Industrial Development Bank
CAIC	Caribbean Association of Industry and Commerce
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CET	Common External Tariff
CIDA	Canadian International Development Agency
DAIC	Dominica Association of Industry and Commerce
DBC	Dominica Broadcasting Corporation
DBGA	Dominica Banana Growers Association
DBMC	Dominica Banana Market Corporation
DEXIA	Dominica Export and Import Agency
DHA	Dominica Headmasters Association
DOMLEC	Dominica Electricity Services Corporation
DOWASCO	Dominica Water and Sewerage Corporation
DPA	Dominica Port Authority
DSS	Dominica Social Security
EAL	Entrepreneurial Approach to Labor
EU	European Union
EEC	European Economic Community
ECCB	Eastern Caribbean Central Bank
ECODEF	Eastern Caribbean Organization of Development Foundation
EDU	Economic Development Unit
ECSEDA	Eastern Caribbean States Export Development Agency
FAO	Food and Agriculture Organization of the United Nations
FY	Fiscal Year
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNFS	Goods and Nonfactor Services
GOCD	Government of the Commonwealth of Dominica
HA	Hectare
ICOR	Incremental Capital Output Ratio
IDA	International Development Association
IICA	Inter-American Institute for Coordination on Agriculture
IMF	International Monetary Fund
LIAT	Leeward Islands Air Transport
MOA	Ministry of Agriculture
MTESP	Medium-Term Economic Strategy Paper
NAFTA	North American Free Trade Agreement
NDC	National Development Corporation
NDF	National Development Foundation
NEAP	National Environmental Action Plan
OECS	Organization of Eastern Caribbean States
OFA	Oil and Fats Agreement
PRC	Policy Review Committee
PSIP	Public Sector Investment Program
SAP	Structural Adjustment Program
SDR	Special Drawing Rights
SEM	Single European Market
USAID	United States Agency for International Development

DOMINICA MEDIUM TERM ECONOMIC STRATEGY PAPER

1994-1996

TABLE OF CONTENTS

	Page No.
I <u>INTRODUCTION</u>	1
II <u>CURRENT ECONOMIC SITUATION</u>	1
A Sources of Economic Growth	1
B Recent Economic Policies and Performance	2
C Global Economy	4
D Constraints to Development	4
III <u>MEDIUM-TERM ECONOMIC PROSPECTS AND STRATEGY</u>	6
A Medium-Term Economic Prospects and Financing Requirements	6
(a) Base Case Scenario	7
(b) Alternative Scenario	10
B Medium-Term Goals and Objectives	12
IV <u>MEDIUM TERM POLICY AGENDA</u>	13
A Savings and Investment	13
B Public Finances	14
C Incentive Framework	17
D Economic Diversification	21
(a) Agriculture	21
(b) Manufacturing	27
(c) Tourism	28
(d) Other Services	29
E Physical Infrastructure	29
F Public Utilities	30
G Labor Market	31
H Social Services & Human Resource Development	32
I Environment	35
J Public Sector Investment Program and Financing Plan	36
K Public Sector Management	39
V <u>CONCLUSION</u>	40
VI <u>MEDIUM-TERM POLICY SUMMARY</u>	

ANNEX A Public Sector Investment Program data, 1994-97

ANNEX B Statistical Appendix

E

DOMINICA: MEDIUM-TERM ECONOMIC STRATEGY, 1994-96

I. INTRODUCTION

1 Dominica, along with other banana producing Eastern Caribbean countries, is faced with a difficult period of rapid economic change. This change is characterized by impending disruption in banana production and exports in the short to medium-term as a consequence of the eventual phasing out of the EEC's (now European Union) preferential banana arrangements, and increased external competition. Dominica's vulnerable position will be further aggravated by reductions in concessional aid flows.

2 The purpose of this Medium-Term Economic Strategy Paper (MTESP) is to identify policies which will stabilize the economy and promote growth in an increasingly uncertain external environment and which will enable a smooth transition for the economy. This MTESP reviews Dominica's recent economic developments and medium-term prospects and details the policy agenda set forth by the Government of the Commonwealth of Dominica (GOCD) for 1994-96. Consistent with the Government's development strategy, as enunciated in the Budget Speech for the 1993-94 period, and the sectoral plans prepared by the Government, the MTESP concentrates on ways to enhance economic growth while concomitantly preparing for the economic transition through higher productivity, increased participation in economic activity by the private sector, as well as organizational and policy reform.

3 The Government's objectives as set forth in the MTESP are to (i) broaden the base for economic growth, particularly in tourism, agro-processing, export services and non-traditional agriculture, (ii) strengthen public finances to increase savings which are critically needed as counterpart financing for investments, (iii) ensure that the standard of living does not deteriorate but improves through human resource development, (iv) increase productivity and domestic savings through better economic management, and (v) protect the natural environment for the welfare of Dominica's citizens and in support of the eco-tourism thrust. To achieve these objectives, the MTESP emphasizes fiscal adjustment, new investment and a tight wage policy, improvements in the incentive framework, labor market and social infrastructure issues, economic diversification, modernization of public administration and strengthening of institutions. In addition, a separate document, a National Environmental Action Plan (NEAP), has been prepared dealing with environmental issues, policies, and programs. The findings of the NEAP have been integrated into the MTESP.

II. CURRENT ECONOMIC SITUATION

A. Sources of Economic Growth

4 Following independence in 1978, Dominica's real GDP growth averaged about 4% per year during 1978-92. Growth was positive in all years, except in 1979 and 1989, when hurricanes devastated the country. The increase in the physical capital stock was the major factor of production contributing to growth during the 1978-92 period. Private investment in

tourism, supported by public investment in supporting infrastructure, were important components of investment since the mid-eighties. During 1978-92, concessionary funds, bilateral grants and banana receipts accounted for about 30% of GDP. There was no significant change in the labor force or in the land area harvested during this period. Therefore, land and labor were minor contributors to economic growth.

5 The overwhelming importance of investment in sustaining long-term growth highlights the need to increase domestic savings to finance further investment. The Government is cognizant that domestic savings, which averaged about 11% of GDP during 1978-92, have to be increased to more than 15% of GDP during 1994-2000 so as to ensure future growth. At the same time, the Government is also committed to raising the efficiency of investment.

6 During 1978-92, the economy underwent a major structural transformation as manifested by differences in sectoral growth rates. During this period, manufacturing growth was about 5% per year, while tourism and the related construction and services grew by about 4% per year. Banana production growth averaged about 2% per year. The economy is, thus, gradually being transformed from essentially a banana-producing one to an increasingly services driven economy.¹

B. Recent Economic Policies and Performance

7 During the late 1970s and early 1980s, Dominica went through a period of economic stagnation. At that time, the economy was suffering from high unemployment (over 15% of the labor force), low public sector savings (averaging 0.6% of GDP during 1982-85), and major external imbalances (a current account deficit of the balance of payments of 21% of GDP in 1985), while international reserves fell to the equivalent of less than one month of imports.

8 Beginning in 1987, Dominica adopted a Structural Adjustment Program (SAP) supported by the World Bank, IMF, CDB, and USAID. The SAP emphasized (i) raising the rate of economic growth to 4% per year in real terms, (ii) increasing public sector savings to 2-3% of GDP per year, and (iii) reducing the current account deficit of the balance of payments to 17% of GDP. These objectives were to be achieved through the adoption of appropriate fiscal policies, public enterprise reform, stricter control over debt, and measures to improve competitiveness.

9 Complementing the SAP, the Government (i) conducted a competitiveness review which emphasized the need for wage restraint, reduced import licensing requirements from about 200 to 65 items, introduced a non-discriminatory consumption tax on domestically produced goods and imports, and consolidated functions of the Industrial Development

¹ The share of agriculture in GDP declined from about 35% in 1978 to 25% by 1992, while during the same period that of manufacturing increased from 5% to 7%, that of tourism from 2% to 7% and that of other related services sector from 58% to 61%.

Corporation and the Tourist Board, (ii) prepared eight (8) sector papers², (iii) committed itself to improving the procedures for wage negotiations in the public sector by conducting an Organization and Management (O&M) exercise designed to raise efficiency in the civil service, examine manpower requirements, and limit wage bill increases during the period of the SAP, (iv) agreed to maintain the minimum wage at the 1980 level, and (v) undertook a tax reform programme. The Civil Service Act governing procedures for wage negotiations in the public sector was approved by Parliament on November 28, 1991.

10 The SAP was successful in addressing some of the country's major economic problems and in establishing certain conditions for rapid growth. During 1986-88, real GDP growth averaged about 7% per year. This successful economic performance, arising from improved economic management, was supported by increases in banana production in the aftermath of favorable exchange rate movements of the EC dollar vis-a-vis the Pound Sterling. Public sector savings averaged about 5% of GDP during this period and the external balances also improved. However, since Hurricane Hugo in September 1989, real GDP growth has slowed down to about 2.7% per year during 1989-92. In addition, public sector wages were increased by an average of 7% in December 1990, which weakened the fiscal situation. The fiscal situation continued to weaken during 1990-93 leading to a projected Central Government deficit of 1% of GDP in FY94. The statutory minimum wage was raised by 50% in November 1989, a level consistent with prevailing market conditions.

11 The financial performance of statutory boards and public enterprises strengthened during the period of the SAP. Tariffs and User fees were increased to economic levels and expenditure control measures were introduced. As a result, consolidated public sector savings increased. However, the financial position of the Dominica Banana Marketing Corporation (DBMC) has deteriorated since 1990 and is now a major cause for concern.

12 Dominica's external balance is largely determined by the level of exports of bananas, toilet and laundry soaps, migrant remittances, transfer payments and capital inflows. Unlike other OECS countries, tourism development is still at an incipient stage. Imports of goods declined during 1990-92 as a consequence of reduced public investment and banana exports during the same period. As a result, the deficit in the current account of the balance of payments, which had reached 23% of GDP in 1989, narrowed to 13% of GDP in 1993. The deficit was covered by receipts of official concessional financing and private capital, including the drawing down of foreign assets by commercial banks.

13 At the end of 1993, Dominica's total external debt outstanding and disbursed amounted to US\$96 million (48% of GDP) compared to US\$52 million (46% of GDP) at the end of 1986. This increase mainly reflected disbursements of investment loans in power generation, housing, and road improvements. In 1993, total debt service as a ratio of exports of goods, services, and net private transfers, and of Central Government revenues, was 6% and 12%, respectively. This ratio has been decreasing gradually over time as the country has been contracting external debt on highly concessional terms and receiving grant financing from bilateral and multilateral donors. However, the domestic debt stock and its

² Health, Community Development and Social Affairs, Education, Sports, Tourism, Agriculture, Trade and Industry, Services

servicing is a cause of concern. Total debt service, on domestic and external debt, stood at about 10% of government's current revenues by the end of 1993.

14 During 1989-90, the unemployment rate fell to 11% from 15% in 1985 partly in response to post hurricane out migration. In 1992, it increased to 14% partly as a consequence of the economic slowdown in neighboring countries, where Dominican nationals migrate for employment opportunities.

15 Inflation, as measured by the Consumer Price Index (CPI), averaged about 3% per year during 1986-90. The wage increases of 1990, however, and recent increases in rents, bus fares, physicians fees, and utilities helped increase inflation to an average of 6.5% per year during 1991-92. Inflation in 1993 was 1.6% according to the Central Statistical Office (CSO), a figure below that of most industrialized countries.

C. Global Economy

16 Favorable banana prices, combined with external aid and tourism flows from the North American and European countries, had been the impetus of growth for Dominica and the other OECS countries during the late 1980s. Concessional aid and grants disbursements to Dominica averaged about US\$40 per capita during 1990-92, compared to US\$85 during 1986-90 and US\$110 during 1980-85. Net private transfers from abroad constituted about 8% of GDP during the late 1980s. The flow of foreign investment into Dominica averaged about US\$6 million per year in the 1980s, which was considerably lower in comparison with the other OECS countries.

17 In recent years, the numerous and rapid changes in the external environment are likely to have a significant impact on the OECS countries. The recently negotiated Uruguay Round of GATT and the formation of the Single European Market (SEM) in 1993 have set in motion changes in the preferential market arrangements for bananas.³ The new EEC trade regime for bananas became effective July 1, 1993. Banana export prices and volumes have become uncertain for the Windward Islands as a result of increased competition from Central and Latin American producers. The depreciation of the Pound Sterling vis-a-vis the US dollar since September 1992, the realignment of major European currencies, and the formation of NAFTA (North American Free Trade Agreement between the United States, Canada, and Mexico) are other causes for concern. These changes will increase competition in all economic activities, including bananas, fruits, vegetables, floriculture, small manufacturing, data processing, and long-stay tourism.

³ Under the Lomé Convention, sixty-six African, Caribbean, and Pacific countries have preferential arrangements in several primary commodities with several European countries.

Table 1 SELECTED ECONOMIC INDICATORS, 1985-93

	1985-88	1989 ^{a/}	1990	1991-92	1993 Est
	—average growth rates—				
<u>National Accounts</u>					
Real Gross Domestic Product ^{a/}	5.8	-1.1	6.5	2.2	0.9
Agriculture	6.9	-14.4	9.3	2.4	-1.7
Industry	5.7	6.0	3.8	0.2	6.0
Services	5.5	4.0	3.8	3.5	5.0
Exports of GNFS	14.0	-21.2	27.1	1.9 ^{d/}	-
Imports of GNFS	6.0	23.5	9.2	2.2 ^{d/}	-
Consumer Price Index	3.1	6.3	3.7	6.5	1.9
	—shares of GDP—				
<u>Savings-Investment</u>					
Domestic Savings	13.3	0.4	7.3	15.5	-
Gross Fixed Investment	24.9	29.0	29.1	36.1	-
Public Sector Savings ^{a/}	7.7	5.3	2.7	2.3	-
External Current Account Balance	-10.7	-28.6	-21.6	-15.2	-12.9
Reserves as Months of Imports	6.8	5.7	6.4	4.8	-
REER Index (1980=100) ^{f/}	76.1	88.5	90.1	83.3	-
Terms of Trade Index (1985=100) ^{h/}	109.0	105.3	104.0	101.9	-95.4
<u>Creditworthiness Indicators</u>					
External Debt ^{b/} /GDP	47.8	47.7	50.1	49.9	48.0
Debt Service/GDP	4.4	3.8	3.2	3.4	3.2
Debt Service/Exports ^{a/}	8.1	6.8	4.8	4.8	4.9
Total Debt Service/Current Revenues	14.2	12.9	11.1	10.4	10.1

^{a/} At constant factor cost

^{b/} Total external debt outstanding and disbursed, including IMF

^{c/} Exports of goods, services and net private transfers

^{d/} 1991 only

^{e/} Fiscal year July-June

^{f/} A decrease in the REER (real effective exchange rate) implies that the country has become less competitive in the world markets

^{g/} Hurricane Hugo in September 1989 caused significant economic damage

^{h/} An increase in the index implies that the terms of trade have been favorable to the country

Source Central Statistical Office, GOCD, World Bank staff estimates

D. Constraints to Development

18 A combination of structural features, relatively weak institutional capacity, and dependence on preferential markets play a substantive role in the economic development of Dominica. In the recent past, vulnerability to hurricanes has been a factor in economic setbacks. Lack of white sand beaches coupled with its rugged terrain and lush vegetation has

oriented Dominica's tourism strategy to emphasize nature tourism. However, physical access and associated facilities at the main nature tourism sites are limited. In addition, external transportation options are limited in the absence of adequate airport facilities. The uncertainties surrounding the operations of the major airline LIAT are also a cause for concern. The small size of the domestic market means that economic growth must come largely from external trade.

19 With the correct policies in place, these are not of themselves a disadvantage because the implementation of an export-oriented development strategy has been conducive to rapid growth in many developing countries. Private investment, domestic and foreign, is essential for this strategy to materialize. However, institutional arrangements for facilitating private investment need improvement and components of the current trade regime also constrain private sector expansion. Power shortages, and inadequate water delivery and sewage disposal facilities are major factors impeding economic expansion. In addition, weak implementation capacity and scarce human capital for expansion in manufacturing and services are important factors. Limited skills and institutions, both public and private, continue to characterize the economy. A small population base combined with the outflow of manpower to perceived 'greener pastures' has required the Government and many private firms to rely on a few key individuals.

III. MEDIUM-TERM ECONOMIC PROSPECTS AND STRATEGY

A. Medium-Term Economic Prospects and Financing Requirements

20 Effective July 1, 1993, the new EEC trade regime for bananas came into effect. Under this regime, Dominica will continue to have duty-free access to the EEC market for its exports of 71,000 tonnes of bananas. However, as a result of competition from Latin American banana producers, prices have been unstable and the possibility exists that banana export prices will fall by about 20% during 1994. In view of this, the base case scenario forecasts a relatively bleak outlook for the economy.

21 Government recognizes that Dominica's growth prospects are highly dependent on (i) the prices of bananas in the context of the new EEC trade regime for bananas which already became effective, (ii) implementation of the economic policy agenda and the degree of success of economic diversification efforts, including the establishment of market systems for non-banana agriculture, and (iii) economic performance in Dominica's major overseas markets.⁴ In addition, the EEC is to provide some financing for related banana and agricultural diversification projects during 1994-96, with the understanding that Dominica and other

⁴ Projections for real growth in the G-7 countries (i.e., Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) show a moderate slowing down in the 1990s, from 3.3% per year on average in 1985-92 to 2.5% during the rest of 1990s. Inflation, in U.S. dollars, is projected to average 3.2% per year and the U.S. dollar is projected to depreciate gradually in nominal terms. None of these trends would pose a serious constraint to Dominica's growth. Other potentially more serious constraints which could result from non-economic factors such as adverse weather conditions, which of course cannot be predicted and are thus not included in the projections.

Windward Islands should achieve progress in economic diversification by 1996. In view of these factors, two scenarios are presented below

Table 2 BASE CASE -- ACTUAL AND PROJECTED MACROECONOMIC INDICATORS, 1992-2000 ^{a/}

	Preliminary	Projected	
	1992	1993-96	1997-2000
	-----real growth rates-----		
Gross Domestic Product	2.1	0.4	-1.5
Gross Domestic Income	1.1	0.6	-2.0
Consumption	-8.1	-0.8	-5.3
Public	-11.9	-0.5	-2.0
Private	17.2	-0.2	-6.3
Gross Fixed Investment	-18.2	-4.5	-5.2
Exports of GNFS	5.1	2.0	2.5
Imports of GNFS	-0.1	-0.5	-1.4
	-----shares of GDP-----		
Domestic Savings	9.0	8.1	7.4
National Savings	15.5	9.6	9.3
Consumption	91.0	91.2	92.6
Gross Fixed Investment	32.5	27.8	24.5
Exports of GNFS	54.7	46.4	53.2
Imports of GNFS	73.8	69.7	70.0
Terms of Trade Index (1991=100) ^{b/}	96.2	71.8	67.6

^{a/} Projects based on constant 1991 prices

^{b/} A decrease in the index implies that the terms of trade have been unfavorable to the country

Source: Statistical Appendix

(a) Base Case Scenario

22 The base case scenario considers (i) the recent banana developments, and (ii) the current policies and programs of the Government, including the recent wage increase to public employees. Under the new EEC regime, Dominica will continue to have duty-free access to its banana exports until the year 2002. Given the possibility of the banana export price falling by 20% in 1994 however, banana output is projected to decrease by about 30% in line with the estimated supply-price elasticity of recent years. Export earnings could potentially be reduced by US\$9 million per year, which could then have a multiplier effect of about 5% of GDP. The cumulative effect could be up to 10% of GDP during 1994-96. In addition, if the fiscal balances deteriorate as a result of unsustainable wage increases and negligible improvements take place in productivity and in the Incentive Framework, international competitiveness will decline. A fiscal deficit of about 2% of GDP per year is projected during 1994-2000. Similarly, if policy reforms fail to materialize, private sector investment would not come forward to the degree necessary to achieve the growth rates

derived in these projections. As a result, the economic outlook for Dominica would be bleak.

23 Under such a scenario, economic growth is projected to slow down significantly during 1994-96 and become negative during 1997-2000. The standard of living would decrease as per capita consumption growth would become negative. With domestic and foreign investment projected to be at 1993 levels throughout the decade, the socio-economic environment would not be conducive to private sector expansion. The current account deficit of the balance of payments is projected to increase from US\$34 million in 1992 to US\$41 million in 1996, and then to decrease to US\$25 million by the year 2000. Debt service as a proportion of exports of goods and services would rise from about 7% in 1992 to about 10% in the year 2000. Under this scenario, imports would be less as the public sector investment program would be smaller and as the economy tapers into recession. Living standards would be adversely affected even more than projected, because of the increasing unemployment and also because the country would not be able to sustain long-term current account deficits of this magnitude. Dominica's CARICOM partners would also be affected by these developments.

24 The Government is committed to countering the adverse impact of the above scenario by adopting the medium-term policy Agenda, (detailed in Section IV) the timely implementation of which is expected to place the economy of Dominica on an alternative growth path. The alternative scenario is detailed below.

Table 3 BASE CASE -- ACTUAL AND PROJECTED BALANCE OF PAYMENTS, 1992-2000
(US\$ million)

	<u>Preliminary</u>	<u>Projected</u>	
	1992	1993-96	1997-2000
Resource Balance	-38 3	-48 8	-38 0
Exports of GNFS	101 7	97 1	121 0
Imports of GNFS	140 0	145 8	158 9
Net Factor Income	-8 7	-7 1	-10 2
Interest on Public Debt	2 1	2 6	4 2
Private Transfers	13 0	13 5	14 4
<u>Current Account Balance</u>	<u>-34 0</u>	<u>-42 4</u>	<u>-33 9</u>
Capital Account			
Net Direct Foreign Investment	13 0	10 9	7 9
Official Grants	5 4	5 0	4 8
Public Capital	6 3	22 1	21 3
Disbursements	11 4	27 4	28 3
Amortization	-5 1	-5 3	7 0
<u>Changes in Reserves</u> (increase -)	-5 1	-5 3	-7 0
Memorandum Items^{a/}			
Total Debt (US\$million)	105 5	153 1	244 9
Total Debt/GDP	55 6	72 8	107 7
Debt Service (US\$million)	7 6	9 5	12 6
Debt Service/GDP	4 0	4 5	5 6
Debt Service/Exports ^{b/}	6 5	8 2	9 1
Debt Service/Current Revenue	12 5	15 5	19 9
Interest/GDP	1 4	1 7	2 1

^{a/} IBRD DRS data

^{b/} Exports of goods, services and net private transfers

Source Statistical Appendix

Table 4 ALTERNATIVE CASE – ACTUAL AND PROJECTED MACROECONOMIC INDICATORS, 1992-2000 ^{a/}

	Preliminary	Projected	
	1992	1993-96	1997-2000
-----real growth rates-----			
Gross Domestic Product	2.1	2.5	3.8
Gross Domestic Income	1.1	2.9	3.9
Consumption	-8.1	2.0	3.0
Public	-11.9	0.8	0.4
Private	17.2	2.5	3.5
Gross Fixed Investment	-18.2	2.7	3.7
Exports of GNFS	5.1	4.6	6.0
Imports of GNFS	-0.1	1.8	3.3
---shares of GDP---			
Government Current Surplus	1.3	2.5	4.0
Domestic Savings	9.0	10.4	16.3
National Savings	15.5	13.5	18.7
Consumption	91.0	89.6	83.7
Public	22.0	21.4	19.4
Private	69.0	68.2	64.3
Gross Fixed Investment	32.5	30.4	31.9
Exports of GNFS	54.7	50.7	54.8
Imports of GNFS	73.8	70.2	70.1
Terms of Trade Index (1991=100) ^{b/}	96.2	82.7	79.3

^{a/} Projects based on constant 1991 prices

^{b/} A decrease in the index implies that the terms of trade are unfavorable to the country

Source Statistical Appendix

(b) Alternative Scenario

25 The alternative scenario takes into account the 20% drop in banana prices in 1994 as Dominica continues to have access to the EEC market for its exports of 71,000 tonnes of high quality bananas. In response to external developments, and consistent with this medium-term strategy, Government implements in a comprehensive manner, the economic reform agenda outlined in Section IV. In the circumstances and barring any other unforeseen external event, real GDP is projected to grow at about 2.5% per year during 1994-96 as a result of growth in non-traditional agriculture (6%), manufacturing (5%), and tourism and other service sectors (10%).

26 On the basis of the timely and effective implementation of the above mentioned policies, investment is projected to remain at about 30-32% of GDP during 1994-2000. This ratio reflects some increase in public infrastructure projects and significantly increased

private investment, mainly in agro-processing, manufacturing, tourism, and other services. An appropriate economic policy environment nurtured by a revitalized Policy Review Committee coupled with a re-energized "one-stop-shop" NDC and effective regional integration arrangements, would allow for a nearly doubling of the foreign investment between 1994 and 2000. Domestic savings are projected to increase from 9% of GDP in 1992 to 20% by the end of the decade as a result of increased domestic resource mobilization efforts. Central Government's revenue enhancing measures and increased productivity throughout the economy, coupled with wage restraint in the Civil Service, are projected to yield current surpluses of about 3-4% of GDP during the rest of 1990s.

27 Real exports of goods and non-factor services (GNFS) are projected to grow at about 5-6% per year on average during 1994-2000, as soap manufacturing (2.5%), non-banana agriculture (4%), tourism and other services (7%) continue to increase. As real GDP grows at a sustainable 3-4% per year, real import growth is projected to be between 2% and 3% per year on average during 1994-2000. As a result of these developments, the current account deficit of the balance of payments is projected to fall from 18% of GDP (US\$34 million) in 1992, to about US\$37 million (16% of GDP) by 1996, and to US\$28 million (or 8% of GDP) by the year 2000. To cover this deficit, the Government projects that Dominica will continue to attract all of its financing requirements in the form of grants and highly concessionary assistance from bilateral and multilateral sources. The increasingly uncertain external environment would require external assistance on concessional terms for Dominica to rapidly adapt to the changing world. Reserves, equivalent to about 2-3 months of imports, are projected to be gradually built up during 1994-2000.

28 The ongoing and new public sector investment program is concentrated on large infrastructure projects geared to support tourism expansion, economic diversification and environmental sustainability. Therefore, the ratio of total external debt to GDP is projected to move from 56% of GDP in 1992 to about 63% of GDP during 1993-96, and to 61% of GDP during 1997-2000. Debt service levels are projected to remain manageable during 1994-2000, amounting to less than 7% of exports of goods, services, and net private transfers, and less than 13% of Central Government current revenues.

Table 5 ALTERNATIVE CASE - ACTUAL AND PROJECTED BALANCE OF PAYMENTS, 1992-2000
(US\$ million)

	Preliminary	Projected	
	1992	1993-96	1997-2000
Resource Balance	-38.3	-42.1	-42.5
Exports of GNFS	101.7	110.3	154.3
Imports of GNFS	140.0	152.3	196.9
Net Factor Income	-8.7	-6.9	-7.8
Interest on Public Debt	2.1	2.4	3.4
Private Transfers	13.0	13.5	14.4
<u>Current Account Balance</u>	<u>-34.0</u>	<u>-35.5</u>	<u>-35.9</u>
<u>Capital Account</u>			
Net Direct Foreign Investment	13.0	16.5	24.3
Official Grants	5.4	5.0	4.8
Public Capital	6.3	15.3	13.9
Disbursements	11.4	20.6	20.7
Amortization	-5.1	-5.3	-6.8
<u>Changes in Reserves</u> (increase -)	-5.1	-5.3	-6.8
<u>Memorandum Items^{a/}</u>			
Total Debt (US\$million)	105.5	138.0	198.7
Total Debt/GDP	55.6	63.3	61.2
Debt Service (US\$million)	7.6	9.3	11.7
Debt Service/GDP	4.0	4.3	4.2
Debt Service/Exports ^{b/}	6.5	7.3	6.8
Debt Service/Current Revenue	12.5	13.1	12.1
Interest/GDP	1.4	1.5	1.5

^{a/} IBRD DRS data

^{b/} Exports of goods, services and net private transfers

Source: Statistical Appendix

B. Medium-Term Goals and Objectives

29. Dominica's economic problems are centered around the challenges facing the banana industry as a result of increased competition from lower cost producers of bananas in Central and Latin America, increased competition for foreign investment and market share arising from the NAFTA Agreement, the need to have in place an adequate incentive framework and implementation capacity which will allow potential sources of growth to materialize and the economy to diversify into other export-oriented activities, and the need to stabilize the economy and strengthen fiscal balances. Government has set a GDP target growth rate of 3-4% per year. In order to achieve this, Government is committed to adopting these broad policy goals and objectives in the short to medium-term.

- (i) Strengthen public finances in order to increase savings which are critically needed as counterpart financing for investments
- (ii) Ensure that the standard of living does not deteriorate, but indeed improves through human resource development
- (iii) Increase productivity and domestic savings through better management of the economy
- (iv) Facilitate public and private sector investment
- (v) Broaden the base of the economy to enhance value-added linkages between sectors
- (vi) Protect the natural environment for the welfare of its citizens and in support of the country's eco-tourism thrust
- (vii) Contribute to strengthened and effective OECS and CARICOM Integration Arrangements

30 Achievement of these objectives will require a development strategy based on fiscal discipline and external balance, enhanced entrepreneurship, competitiveness especially in the foreign exchange generating sectors, efficiency in resource allocation and use, and a PSIP of adequate size and composition to eliminate/minimize constraints and implement priority policies and programs. To this end, the Government is committed to addressing the country's key challenges, namely fiscal adjustment, new investment and tight wage policy, an optimal incentives framework, a properly functioning labor market, social infrastructure issues, environmental protection, economic diversification, and strengthened institutional capacity. The medium-term policy agenda prioritizes Actions and their timing and sequencing. These are summarized in the Section VI titled Medium-term Policy Summary.

IV. MEDIUM-TERM POLICY AGENDA

A. Savings and Investment

31 The Government realizes that to achieve real GDP growth of 3-4% per year during the rest of the 1990s, productivity, foreign exchange earnings and investment has to increase. Further, the efficiency of investment as evidenced, say, by the capital output-ratio, must increase. Consistent with the recommendations of a private sector report⁵, Government estimated infrastructure requirements needed to support private investment at about 16% of GDP during 1994-96. Therefore, Government, in the PSIP, has assigned high priority to (i) completing the ongoing physical infrastructure projects amounting to about EC\$ million (11% of GDP), (ii) securing funding for the Tropical Forestry Action Programme (TFAP) estimated at US\$12,456,220, and (iii) new projects to enhance transportation and marketing

⁵ Dominica Association of Industry and Commerce (DAIC) report titled "Stimulating the Economy -- Prospects and Strategies for Growth" (May 1993) was submitted to the Government

of exportables, increase electricity capacity, improve physical access to touristic sights for tourism expansion, and to upgrade skills and labour productivity. This quantum and composition of public investment would complement private investment of about 15% of GDP.

32 To finance this level of investment consistent with its growth objectives, the Government is committed to introduce the necessary measures to allow over the medium-term, for increased private and public savings in relation to GDP. Dominica has recently repealed all direct taxes on savings and eliminated levies on bank deposits and on interest income. The FY93/94 Budget aims to increase public sector savings to about 3% of GDP during 1994-96 mainly by reducing import duty concessions and exemptions, continuing to improve tax collections through administrative improvements, increasing user charges for public services, extending the sales tax to utility services and reducing the size of the civil service.

B. Public Finances

33 Dominica's public finances strengthened considerably under the SAP, but were adversely affected by the 1985 and 1990 wage awards and by revenue decreases and expenditure increases relative to GDP following Hurricane Hugo in 1989. Thus, the public sector's⁶ current account surplus decreased from 5% in FY89/90 to 1.5% in FY90/91. The public sector benefitted from net inflows of external grants and concessional loans equivalent to 10% of GDP in FY89/90 and 9% in FY90/91, which helped finance its capital expenditures.

34 In FY90/91, Central Government current expenditures increased to 28% of GDP as the retroactive civil service pay increase became effective. As a result of the pay increase, Dominica currently has the second highest civil service pay in the OECS, amounting to EC\$29,200 per employee per year on average. This must be seen against the background that countries like St. Kitts-Nevis, Grenada, and Antigua & Barbuda have no personal income tax. Wages and salaries accounted for about 51% of current revenues during 1992. In order to improve the fiscal situation, the Government introduced a number of measures in the FY92/93 Budget. The Government increased electricity, postal and port tariffs, authorized the DBMC to charge for banana boxes given to farmers, eliminated duty exemptions to DOMLEC, and improved tax administration. In addition, a number of vacant positions in the civil service have been frozen until an ongoing manpower review is completed.

35 Wage negotiations with the civil service unions were completed in 1993. Government agreed to wage increases in FY91/92 of 1%, 2% in FY92/93, and a job regrading/manpower

⁶ The public sector is comprised of the Central Government and of five non-financial public enterprises -- the Dominica Banana Marketing Corporation (DBMC), the Dominica Export and Import Agency (DEXIA), the Dominica Water and Sewerage Authority (DOWASCO), the Dominica Port Authority (DPA), and the Dominica Broadcasting Corporation (DBC). The Dominica Electricity Services Corporation (DOMLEC) is 50% publicly-owned and 50% private. The Government offered to increase private ownership to 60% but the private subscription was not forthcoming.

planning package to be implemented in fiscal years 1994-96. The award involved adjustments in compensation, including allowances, to policemen, teachers and nurses. The Government's fiscal position could be altered significantly if wage awards during 1994-96 are higher than 1% per year with no commensurate decline in the size of the Civil Service. Every 1% increase in public sector wages increases public expenditures by EC\$0.75 million. Government realizes the critical need for expenditure restraint particularly at this time when the economic prospects are clouded. Accordingly, Government welcomed the cooperation of the civil service unions in agreeing to small increases in wages.

36 Government's objective of stimulating economic growth requires that public savings be raised so as to ensure an adequate level of public investment. Its fiscal policy should generate additional counterpart funds for the PSIP, lower inflation, and promote international competitiveness. At the same time, fiscal policy should not crowd-out the private sector in the domestic money market or in undertaking economic activities.

Table 6 PUBLIC SECTOR FINANCES, FY86/87-92/93
(percent of GDP)

	FY86/87	FY87/88	FY88/89	FY89/90	FY90/91	FY91/92	FY92/93 Est.	FY93/94 Proj.
Consolidated Public Sector								
Current Revenues	35.7	35.0	35.3	32.7	33.4	33.7	32.1	-
Current Expenditures	28.1	27.2	27.0	27.4	30.7	30.5	30.8	-
Current Balance	7.6	7.8	8.3	5.3	2.7	3.2	1.3	-
Capital Revenues	0.5	1.2	1.8	0.4	0.6	0.8	0.7	-
Capital Expenditures	11.2	13.5	17.8	24.8	24.5	12.0	15.3	-
Overall Balance								
Before Net External Financing	-3.1	-4.5	-7.7	-19.0	-21.2	-8.0	-13.3	-
After Net External Financing	2.9	3.2	-2.0	-12.6	-16.7	-4.9	-7.8	=
Domestic Financing	-5.1	-5.3	-0.7	8.4	11.3	1.5	0.0	-
Central Government								
Current Revenues	31.1	30.5	29.2	28.9	27.4	28.1	26.9	26.9
Current Expenditures	27.3	25.0	25.0	28.2	27.4	28.5	26.4	27.6
Wages and Salaries	15.4	14.8	14.2	16.7	15.4	15.4	14.8	15.0
Current Balance	3.8	5.6	4.2	0.7	0.1	1.5	0.5	-0.7
Capital Revenues	1.4	1.7	0.1	0.3	0.6	0.5	0.7	0.7
Capital Expenditures	12.8	14.0	18.6	16.4	10.6	6.2	5.7	9.1

Source: Ministry of Finance, GOCD

Note: The negative financial position of the DBMC has adversely affected public sector finances.

37 In this connection, Government recognizes that further improvements in fiscal management are needed in the short term. To this end, Government intends to use fiscal adjustment measures to generate a public sector current account surplus of about 3-4% of GDP on a sustained basis and target some of these resources to human resource development and protection of the most vulnerable groups. This is to be achieved by maintaining a tight expenditure policy, in particular, wage restraint, broadening the tax and tariff base, and

further strengthening the tax, customs, and other public administration Government understands that this will require the following policies

- (i) Eliminate concessions (import duty and consumption tax) to other public enterprises as outlined in the June 1993 Budget Speech, such as DOWASCO, and Statutory Boards, and to those private entities which have an ability to pay, such as the Cable and Wireless This is intended to broaden the tariff base concurrently with the downward revision of the CET The first phase of the CET, as agreed with CARICOM Member States, of 5-35%, was implemented effective September 1, 1993, the remaining phases of the revised CET, 5-20%, will be implemented during 1994-98 as agreed
- (ii) Review cadastral and property assessments in urban areas to broaden the tax base as envisioned by Government
- (iii) Reduce DBMC's operating deficits through lower operating costs and improved management
- (iv) Privatize garbage collection and disposal in Roseau
- (v) Contract out public services such as road repairs, janitorial services, school building maintenance, and selected hospital services such as laundry and cafeteria
- (vi) Maintain public sector employment at its current level and, in the context of implementation of the ARP during 1994-96, increase productivity and use attrition to achieve a more efficient allocation of public sector positions Implementation of the ARP will be guided by the Report of the Policy Makers' Retreat, August 1990.
- (vii) Reduce the stock of domestic debt by selling public fixed assets, including land, to repay government obligations

38 In the case of DSS, the Government is concerned about the buildup of public assets in its portfolio and is committed to (i) a phased diversification programme for DSS investments with a reduced share of government assets in its portfolio, and (ii) revise the regulations barring the institution from investing abroad by the year 1995, thus permitting DSS to diversify its portfolio in order to minimize the risk of losses DSS does not have the management capability in-house to handle overseas investments but could acquire such capability over time Moreover, given that DSS would have to obtain foreign exchange to invest abroad, the advice of the ECCB would be obtained before undertaking any investments The Government is cognizant that to reduce borrowing from the DSS, it has to increase public savings Otherwise, future capital expenditures will be affected

C. Incentive Framework

39 The local economy like those of other OECS countries, is small, open, fragile, and dependent, and as a result, is directly affected by the dramatic shifts taking place in the direction and composition of world trade and finance. This is exemplified by the crisis facing the local banana industry as Europe establishes a Single Market and as the new GATT regime and NAFTA take effect. The first step in shaping a response is to define a common and pragmatic view on the nature of the crisis, taking into account input from the major social partners, including the private sector. The next step is to agree on available options and to formulate a plan for mobilizing the needed resources and strengthening consensus, geared to stabilizing employment and incomes and stimulating international competitiveness (particularly in the traded goods sectors) and economic growth. The Government recognizes the importance of an appropriate macroeconomic policy framework to attract private foreign investment and to achieve sustainable economic growth. Such a framework takes into account the trade, exchange, and monetary arrangements to enhance the country's international competitiveness, consistent with Dominica's membership in the CARICOM, the OECS, and the ECCB. Additionally, Government recognizes the domestic private sector as a major actor in the process of stimulating the economy and accordingly makes the choice for cooperation and partnership in pursuit of mutual objectives.

40 The Tax Regime, in combination with the fiscal incentives offered, is generally considered favorable to private sector development. Even though tax revenues have decreased as a percentage of GDP, they have consistently increased in real terms. Recent tax relief measures include a reduction in the corporation tax rate from 35% to 30%, tax exemption for interest income and for distributed profits ploughed back in the form of bonus shares, reductions of the hotel occupancy tax rate from 10% to 5%, elimination of the 10% tax on hotel, bar and restaurant sales and the introduction of a 3% sales tax on these services, introduction of a 10% investment tax credit, and revision of the capital allowance to simplify the method of calculating depreciation in order to shorten the period over which assets can be written off, and to broaden the classification of assets eligible. The Government is keen to undertake a tax harmonization study, in collaboration with other OECS countries and with possible technical assistance from the OECS Secretariat or ECCB in 1994-95, which will further address the tax regime.

41 The Government offers various fiscal incentives to promote private sector investment.⁷ The Government intends to review its fiscal incentives scheme in 1994-95 in light of a recent study on the local services sector and using external technical assistance on the Informatics industry. This would inform a strategy for Dominica to become a tax haven for new export-oriented manufacturing and service firms, including data processing, and

⁷ Tax holidays are granted for 10-15 years, depending on the local value added. Enclave industries generally are entitled to a 15-year tax holiday. Companies which qualify for tax holidays are allowed to import duty-free all equipment and raw materials used for production purposes. Enclave industries and other industries with foreign investment are allowed to repatriate a high proportion of their earnings. To avoid double taxation of income, Dominica has entered into Exchange of Information Agreements with the U S A and is considering similar arrangements with Canada and the United Kingdom. All new large businesses established in recent years have made use of this incentive package. Many state that they would not have become established in Dominica otherwise.

business and financial services. The above mentioned tax harmonization study would assist in this regard.

42 The private sector reports that until recently it took six to eight months on average, for applications of large firms to be approved by the National Development Corporation (NDC), the Government's "one-stop shop". Processing of applications of small businesses took even longer. The NDC itself acknowledges in its brochure that a prospective business person must contact all relevant ministries, and submit 18 appropriate documents to various ministries and agencies, including the Registrar of Companies.

43 With new, aggressive management at the NDC, this situation is expected to improve. However, the efforts of current NDC management must be supported by trained staff, a suitable organizational structure, relevant sector policies, a bigger budget, and appropriate ministerial oversight. Any decision on the effectiveness of the NDC must be informed by a critical assessment of its past difficulties, given its vital role in the economy at this time coupled with its mandate as contained in the NDC Act. During 1994-95, Government intends to reduce the administrative requirements of documentation and ministerial authorization required from investors and reduce the processing time to four weeks. In addition, the NDC will be more proactive in promoting domestic private investment opportunities abroad, as well as in the preparation of project profiles for use in attracting potential investors.

44 Any problems dealing with the regulatory framework and business environment are dealt with by an Advisory Body comprising private sector and high level government representatives chaired by the Honourable Prime Minister. The Policy Review Committee (PRC) has contributed greatly to improved relations with the private sector. However, recently, its effectiveness has been called into question. In response, a comprehensive review of the PRC was undertaken with input from the DAIC and the Trade Unions, among others. Government has since approved new Terms of Reference for the PRC with specific objectives. A major task of the revitalized PRC during its first year of operations is the preparation of a National Indicative Plan which would inter alia, draw upon the eight (8) Sector Papers already prepared by Government.

45 The Export-Import Act empowers the public agency, Dominica Export-Import Agency (DEXIA) to assist with export marketing of primary agricultural produce the costs of which are covered by the profits from its import monopoly on sugar and rice. The Government is committed to (i) ensuring efficiency in its import operations, (ii) not to use the provisions of the Act to administer trade in any other commodities except with the authority of parliament and removing such a provision from the books in the medium-term, and (iii) redefining the role of DEXIA as set out in paragraph 68 below.

46 The Trade Regime is being liberalized and a more transparent import tariff system is to be introduced by 1997. After revising downwards the CET from 0-70% to 0-45% in June 1991, the Government recently agreed with other CARICOM Member States to a revised CET of 5-20% in a phased manner. The Government implemented the first phase of the revision effective September 1, 1993. Analysis indicates that for a six months period in 1992, duty exemptions, including CARICOM origin imports, Government imports, and imports by enterprises enjoying fiscal incentives, amounted to about 64% of potential

revenue In this context, the June 1993 Budget was explicit in eliminating exemptions to DOMLEC, DOWASCO, Cable and Wireless, and Statutory Boards except for capital goods required for new investment or expansion Moreover, consistent with a revitalized NDC, Government will more closely monitor the performance of enterprises granted fiscal incentives for effectiveness

47 In the medium-term, surcharges on imports, excluding consumption taxes and the customs service charge, will be phased out in the context of the proposed harmonized tax regime The intention is that the revised CET, implemented with the concurrent elimination of exemptions and in the context of the medium-term policy agenda, would yield revenue gains Moreover, the ECCB is analyzing the potential monetary impact of the CET so that any corrective action can be taken in advance

48 The Government will also give immediate attention to three aspects of the trade regime (i) the negative list, (ii) the Oil and Fats Agreement (OFA), (iii) price controls, and (iv) the proposed OECS Single Market and economy The latter has already been approved by the OECS Authority albeit its implementation requires joint action by the Governments concerned

49 The negative list of imports subject to the prior granting of an import license was reduced from 200 items in 1987 to about 40 items by June 1992 The Government is reviewing the negative list of imports to further reduce, during 1994-95, items which are not restricted for security and anti-smuggling reasons and for which reciprocal trade arrangements no longer exist

50 The OFA regulates the trade of and stipulates floor prices for copra and other oils and fats products in CARICOM Because copra, a key oils and fats commodity produced by some six hundred farmers, is used as a raw material, in the form of coconut oil, in the manufacture of soap (approximately 20%), soap prices, particularly in the export markets are sensitive to copra prices Currently, operation of the OFA renders Dominica's important soap exports less competitive in extra-regional markets For instance, Dominica Coconuts Products Ltd (DCP) reports that sales to the U S market have sometimes been made at margins which were unremunerative because of the high costs of copra inputs under the OFA Recently, copra prices paid to farmers by DCP have declined While this may have helped DCP it has resulted in increased losses for coconut farmers, many of whom are already in difficulty with bananas Government where similar situations exist, will request CARICOM to review the OFA taking into account the plight of the farmers and DCP, among other concerns

51 Currently, there are eight categories of goods that are subject to administered prices based on a pre-determined mark-up on landed cost -- construction materials, petroleum and petroleum-based products, milk, baby food, flour, chicken, codfish, and fish Regarding construction materials, only the price of cement is effectively controlled Prices of petroleum and petroleum-based products, which previously had been adjusted every two weeks, were fixed after the Gulf War in 1991 The rationale for the remaining controls has been the need to protect consumers given the oligopolistic nature of the small Dominican market Measured by the market response, the success of this policy has been mixed The Government's intervention in cement has reduced profit margins without endangering supply

Fish is occasionally in short supply or sold at high, 'black market' prices. The Government plans a reduction in the list of price controlled items and encourages the formation of a Consumer Advisory Service by the NGO community, which is favored by the unions, to improve efficiency of resource use and reduce pressures for wage increases. Meanwhile, over the past two years, Government has increased the number of fish landing sites around the country and thereby increased employment opportunities for fishermen and marginal farmers. Further investment in fisheries infrastructure is to be undertaken shortly with Japanese assistance. These investments should result in significantly increased supply of fish thereby eliminating shortages and 'black market' fish prices.

52 Although several regulations affecting the labor market exist they are not, for the most part, a constraint on private sector performance. For example, the statutory minimum wage was raised by 50% in November 1990 to EC\$17 per day. The great majority of firms, however, were already paying wages in excess of this wage by November 1990. A more important issue which continuously arises particularly in the agricultural sector, is the unavailability of labor and/or the negative attitude to work. The work permit system for aliens, as currently operated by Government, is costly, time consuming, and biased towards service sectors. Processing time, including advertising job openings in Dominica takes about 12 weeks, and high skilled jobs (e.g., foreign accountants) are given permits, but agricultural labour are not. Government is committed to speeding up the process of granting work permits. In addition, freeing up skilled labor mobility among CARICOM countries will be dealt with as agreed by CARICOM Heads of Government. The shortage of agricultural/farm labor will be dealt with under the EAL program discussed in paragraph 65 below.

53 When the public sector's fiscal position weakened during 1989-91, the Government resorted to domestic borrowing to finance its budget. This domestic financing partially contributed to a tightening of credit. Additionally, credit to the private sector, particularly small farmers, traders, and fishermen is constrained by prevailing recessionary conditions in the economy along with the problem of collateral security, which in many instances is tied to inadequate land titling. Traditionally, land holdings are informally apportioned among heirs, the result being that each co-owner holds only a fractional interest in the land. Such land tenure insecurity and inadequacy of legal titling often induces farmers to use the land for short-term gain without adequate soil protection measures. A 1990 study⁸ estimates that 34% of farmers own their farms, 31% occupy family lands, 24% rent and 11% are squatters.

54 The commercial banks and AID-Bank, do not have sufficient loan officers trained in development banking to service small businesses. The Government will assist interested banks in identifying external institutions that could provide such training. The NDF and the network of credit unions service a segment of the private sector. Currently, the NDF and its sub-regional counterpart, ECODEF are engaged in a comprehensive review of the prospects for small business, drawing upon existing studies where available, and their own experience including under the USAID financed SEAP project which was originally launched with the CAIC. The intention being to propose a strategy and make recommendations for Action by the public and private sectors at the OECS and national levels. Government has been very supportive of the work of the NDF and looks forward to the outcome of the review on the

⁸ Dominica Agricultural Assessment by Fred Mann, 1990

basis of which it can formulate and implement further assistance measures. In this, special attention will continue to be paid to Hucksters and/or the Dominica Hucksters Association, who comprise a major portion of the local small business sector.

55 Dominica's international competitive position in the 1980s, as reflected by changes in the real effective exchange rate, has been dominated by movements of the US dollar vis-a-vis the currencies of Dominica's main trading partners. The real effective exchange rate depreciated significantly during 1985-89. During 1990-92, the real effective exchange rate appreciated by over 10% mainly because of depreciation of the Jamaican dollar, and relatively higher domestic inflation in 1991-92. The Government is cognizant that under a fixed exchange rate system, fiscal policy, including public sector wage policy, has to be such that wage increases are commensurate with productivity increases in order to keep inflation low and to maintain/enhance the country's international competitiveness. Thus, Government is committed to focussing its economic policies to enhance productivity and domestic competition to dampen price increases.

D. Economic Diversification

56 The Government realizes the urgent need to have in place an enabling economic environment which will stimulate private investment and make use of Dominica's comparative advantages. Its development strategy is therefore focussed on private sector activity or entrepreneurship as an engine of economic growth. Towards this end, Government is keen to provide private sector-supportive infrastructure and enhance the economic and social climate conducive to private investment, production and profitability. The development strategy is geared towards private production of high quality bananas for export, preferably under a new contract with Geest or other international Marketing Firm; creating niche markets for selected agro-products, attracting firms dealing with informatics; fisheries to meet the domestic demand for protein, and servicing special segments of the nature tourism market. Government is keen on fostering private foreign and domestic investment in these sectors by revising the regulatory and incentive framework, encouraging private trading companies in exports, particularly of non-traditional agriculture products, collaborating with the other OECS governments in developing and implementing a regional economic development strategy, and coordinating, with established regional institutions, policies and programs to enhance production, quality control, and information services in order to improve export marketing. The following sections detail Government's policy agenda in each of these areas.

(a) Agriculture

57 In 1992, agriculture, including forestry, livestock, and fisheries, contributed about 26% of GDP, 62% of total exports earnings, and more than 26% of employment. The sector is characterized by (i) over-reliance on a single crop, bananas, in turn motivated by the existence of preferential trading arrangements which traditionally provided a protected market at higher than world market banana prices, and STABEX price support under the Lome Convention; (ii), distortions in the allocation of land, labor, and investment resources by permitting the production of bananas on marginal lands, causing a steady erosion of

efficiency in production, and deterring diversification into a broader spectrum of agricultural activities, (iii) large numbers of small farmers on fragmented holdings, creating inefficiencies in agricultural support services, (iv) input subsidies and tax exemptions for farmers, (v) high agricultural wages, concomitant with labor shortages, (vi) absence of comparable marketing arrangements, to bananas, for other crops, and (vii) a cobweb of more than 20 agencies with overlapping functions, burdened with preparing numerous studies and attending meetings, all impacting upon agricultural policy and performance

58 Bananas accounted for 7% of GDP in 1992, 95% of agricultural exports, 61% of all exports, employment of about 8000 banana growers, and about 18% of public sector current revenues. About 55% of all agricultural workers are directly employed in banana production and many more in the service and marketing sub-sectors of that industry. As such, the economic, social and political life of the country is dominated by the banana business.

59 While it appears, at first glance, that Caribbean banana growers benefitted from a price approximately 31% higher than that received by Latin American growers, careful examination of the cost structure reveals that the differential is negligible after deductions for the management and operating costs of the DBMC, the Growers Association, and the development levy paid to Government are taken out of farmers' returns. Significant reductions in these, domestic transport and other handling costs, would make it easier for the Caribbean producer to become competitive on the world market. That aside, small farm size, limited flat land and rugged terrain vis a vis dollar banana producers, are such that it would continue to be difficult for Dominican farmers to compete.

60 Following the formation of the Single European Market (SEM) in 1993, the EEC revised the conditions for entry of bananas into Europe. Under the terms of the agreement, GATT's tariffication principle was introduced beginning July 1, 1993.⁹ The implications of the changes in the marketing regulations are serious. The depreciation of the Pound Sterling against the US dollar in the fall of 1992, and the realignment of the OECD currencies since the last quarter of that year have already affected bananas' contribution to GDP in US dollar terms. Although an additional 3,000 tonnes of bananas were exported during 1992, the contribution of bananas to GDP declined by about 2% in US dollar terms, as a result of Sterling's depreciation. With regard to the future, even in the best-case scenario of a "banana squeeze," banana prices could fall by about 20% in 1994.

61 Based on the supply-price elasticity of recent years, it is estimated that a 20% fall in banana prices could reduce export output by as much as 30% per year with implications for consumption and tax revenues, among others. Should this occur, Dominica's economy will be seriously affected, reducing export earnings by up to EC\$25 million, (US\$9 million), per year with implications for consumption and tax revenues, among others. The cumulative

⁹ The effect of the new EEC banana policy is to turn what might have been a "banana shock" into a "banana squeeze" for the OECS countries. The squeeze will result because the tariff on non-quota dollar bananas will be progressively reduced over time, generating in all, probably a fall in the market price of bananas in the EEC, and hence a fall in the profitability of banana exports for the Windward Islands. In May 1993, a GATT ruling supported the claim of several Latin American countries that the EEC banana policy amounted to discrimination against their banana producers. If this ruling is confirmed also for the new banana regime, it will almost certainly result in a speeding up of the squeeze on Windward Island producers.

effect could be up to 10% of GDP during 1994-96. A concomitant fall in income from the banana levy, could potentially reduce public sector savings to about 1% of GDP with serious repercussions on public investment. In FY93/94, low banana prices are expected to lead to a decline of about EC\$5 million in the development levy. In addition, DBMC's losses are estimated to be around EC\$15 million in FY94 alone.

62 Under the new EEC regime, Dominica is assured duty free entry for 71,000 tonnes of bananas into Europe. At the lower prevailing market prices, an estimated 6000 small inefficient farmers will be forced to seek alternative crops and/or sources of income. In this scenario, about 13,000 agricultural workers will be adversely affected. However, it is believed that the remaining 2000 medium-sized farmers can produce the 71,000 tonnes per year under a restructured DBMC and Windward islands banana industry. Arrangements are underway in conjunction with banana growers in other Windward Islands and marketers Geest to re-organize production and marketing in order to reduce costs, ensure consistent fruit quality and increase revenues. The Government will design additional safety nets for rural households with EEC financing to facilitate transition of the small farmers.

63 Efforts at diversifying agriculture have been ongoing for decades, with limited success. This is mainly because of the relative attractiveness of bananas vis a vis other crops in terms of preferential prices, guaranteed markets, weekly payments, crop insurance, and an extension service devoted exclusively to bananas. In comparison, other crops are high risk ventures with no reliable market outlet(s) or price support mechanism(s) in place, notwithstanding the existence of DEXIA. In the circumstances, small farmers with limited capital, most of whom have only a primary school education, could not excel at production and marketing functions simultaneously.

64 A recent study¹⁰ suggests that a number of tree crops, (e.g., coconuts, grapefruits, oranges, and mangos), offer some export potential, but none of the crops can replace bananas in terms of prices and support system(s), and few provide the year-round income, which is an attractive feature of bananas. Livestock and fishing have become potential sources of income for small producers and Government is receiving Japanese assistance to facilitate rapid expansion of fisheries. Also, there are some possible alternatives for displaced farmers to consider and from which they can earn foreign exchange. These include floriculture, (e.g. anthuriums, ginger-lilies, and heliconias), and aquaculture, (e.g. freshwater prawns), for export to regional and extra-regional markets. These activities are already beginning to flourish in Dominica, and the EEC is providing grant funds to support such diversification. However, a suitable airport with night landing and 'all-weather' access capable of accommodating long-haul jet aircraft is essential for success. Further justification for such an airport is linked to the prospects for Tourism (see section (c) below) and would help offset the adverse impact inherent in the pending/possible collapse of LIAT from bankruptcy.

65 Farm Labor To overcome the shortage of farm/agricultural labor, Government recently established the Entrepreneurial Approach to Labor (EAL) program on the recommendation of the Public Sector Task Force, a public/private sector advisory body.

¹⁰ Peter Oldham, *Cost of Production of Major Tree Crops in Dominica*, Ministry of Agriculture, Roseau, 1991.

chaired by the Honorable Prime Minister. The EAL program is aimed at making farm labor more attractive as an occupation and as a business. Under the EAL, a pilot program is to be established lasting 18 months and consisting of 25 teams of workers. Each team would be headed by an entrepreneur and consist of about 5 persons each capable of working on a farm. Interested farmers would contract with the entrepreneur for labor services. The EAL is costed at \$323,600 with funding being sought from the EEC or the Republic of China on Taiwan.

66 Agricultural Extension Currently, the DBMC and the MOA operate separate extension services to farmers. For some time now, unification of the two services have been under discussion and review. The focus was inspired by the need to eliminate overlapping of functions, ineffective utilization of personnel, lower overall costs, and confusion of farmers arising from having to deal with two separate extension services on one farm. During 1993, Government appointed a committee to examine the matter and to make recommendations. Their report titled "Proposal for the Unification of the Extension Services of the MOA and the DBMC" (September 1993) have been accepted by the Government. A major objective of unification is to promote efficiency in extension, improve farm management, and enhance the effectiveness of technology transfer. Implementation will form part of the Government's overall Manpower Planning exercise to take effect beginning FY94/95.

67 Agro-processing Private agro-processing firms who produce snack foods, soaps, detergents, shampoos, spring water, pepper-sauce, jams and other fruit-based products, continue to expand their output, and ECSEDA has been partially successful in finding market outlets. The Government believes that the future of the agricultural sector lies in part, on encouraging the expansion of such firms, and assisting them to penetrate export markets for their products on a sustained basis. The recent reactivation of the Citrus Processing Plant is a case in point. Also, increased pork production in 1994-96 requires a Pork Processing Plant which is to be secured through French assistance.

68 Because agriculture is Dominica's major economic activity, Government is reconsidering its macroeconomic/sector strategy and policy in the short to medium-term in response to overall development prospects. The priorities, under the MTESP, are as follows:

- (i) Optimize banana's contribution to GDP and foreign exchange earnings by producing and exporting top quality bananas, equivalent to its quota to the EEC market of 71,000 tonnes annually. In this regard, production and export incentives are to be directed at the more efficient medium-sized farmers only. Inefficient farmers, say those producing less than 12 tonnes per acre, will be encouraged to seek alternative crops or sources of income.
- (ii) Restructure the DBMC to reduce operating deficits, promote efficiency, expand output and farm productivity through improved management, achieve appropriate control of administrative costs, price services and inputs to recover costs, introduce privatization where appropriate, reduce wastage of fruit, maximize use of shipping space, and arrange

with creditors to refinance 'old' debts while staying current on any new debt

- (iii) **Redefine DEXIA's mandate in marketing of agricultural produce in the context of a Trade Sector Plan This plan would take into account, inter alia**
 - a the restructured DBMC,
 - b rationalization of overlapping functions in servicing the Dominican farmer by agencies such as AID Bank, SEDPA, DHA, ADCU, CATCO, etc ,
 - c a pricing policy for fresh versus processed agricultural produce for target crops,
 - d establishment of a self-financing mechanism operated by the AID Bank and ADCU to provide minimum prices to farmers for selected crops in temporarily depressed markets,
 - e the introduction of contract farming and futures pricing;
 - f strengthening the authority of the Ministry of Agriculture over DEXIA's operations in view of the fact that DEXIA's mandate is to provide a marketing service to farmers.
- (iv) **Focus on the production of grapefruit, floriculture, aquaculture, or a few other potential export commodities Encourage private trading companies or at least one such company to establish an agency with authority and competence to contract primary production, processing, packaging for export, collaborate regionally to market processed grapefruit juice in the medium to long-term**
- (v) **Continue to encourage private sector investment in cold-storage and refrigeration at major Ports, this is to be accompanied by reliable air-freight to regional and extra-regional destinations**
- (vi) **Expedite the processing of work permit applications and facilitate labor mobility within CARICOM countries in the medium-term**
- (vii) **Strengthen the linkages, particularly in investment, marketing and employment opportunities, between tourism, agriculture and agro-processing**
- (viii) **Implement the EAL program to overcome the shortage of agricultural labor and boost labor productivity on the farm**

- (ix) Conclude and implement a new contract with Geest, or other Marketing Agent, to handle exports of bananas to Europe
- (x) Improve the efficiency of public agricultural support services by getting Ministry of Agriculture technical personnel to spend more time in the field helping farmers
- (xi) Implement unification of extension services of the Ministry of Agriculture and DBMC to promote efficiency in extension, strengthen farm management and enhance the effectiveness of technology transfer.
- (xii) Undertake an agricultural census and land use/soil capability survey so that informed decisions can be made in planning crop diversification programs, and so that processors and marketing agencies can obtain reliable information on the availability of various crops
- (xiii) Design additional safety nets for rural households, using financial support from the EEC, to facilitate alternative income earning opportunities for vulnerable groups affected by the economic transition

69 Fisheries Government will accelerate efforts towards the development of a fisheries sub-sector capable of supplying 2500 tons annually to satisfy the demand by nationals and stay-over visitors Government is committed to the establishment of a fishing fleet consisting of canoes, transition craft and vessels with large off-shore fishing capabilities This will be done through

- improvements in landing sites,
- training of fishermen or other persons with a demonstrated aptitude or interest in fishing,
- adequate boat and engine repair facilities (to be undertaken by the private sector),
- eliminating price controls on fish,
- access to soft loan financing at the AID Bank for fishermen,
- aquaculture farms by the private sector managed with the assistance of external technical assistance

(b) Manufacturing

70 Manufacturing currently accounts for about 7% of GDP and 34% of merchandise exports. Production of soap products, accounting for about 63% of manufacturing exports, constitutes the country's main industry. Other firms produce garments, gloves, carton boxes, wooden products, and cosmetics. New manufacturing enterprises established include a computer related firm, Computer Graphics, and a plastics factory, West Indies Plastics Limited.

71 In recent years, the country has been more successful in establishing firms geared towards the domestic market. Among firms serving the domestic market, small businesses (less than 10 employees) have made an important contribution to employment. Development of small businesses is being promoted by the National Development Foundation (NDF), a private sector supported agency whose development plans were outlined in paragraph 54 above.

72 Among the elements of the investment incentive package offered by Dominica is the provision of pre-fabricated factory shells for rent. As of January 1993, there were 16 shells with a total capacity of 148,505 square feet under management of the government-owned AID Bank, of which 13 shells (110,705 square feet) were occupied and three booked. Customers have complained of high rents and inadequate design, which are in keeping with the guidelines set by the CDB. Export based manufacturing sometimes report being constrained by the high costs of competing extra-regional inputs as a consequence of the protection provided by the CARICOM trade regime for regional inputs.

73 Government's manufacturing sector strategy is to maximize employment, disposable income, technology transfer, skills upgrading and indigenous manufacturing capability. As regards the latter, the NDC will provide subsidized Technical Assistance to target firms for factory layout, quality control, market research and product development. Further, Government will seek to attract entrepreneurs, both local and foreign, into light manufacturing and new technology-using processes. Government recognizes the obstacles in the sector and envisages help in the context of in the Incentive Framework (see Section C above) and the following policy measures in 1994:

- (i) Withdraw the 10% withholding tax on royalties that currently apply to contract manufacturers.
- (ii) Provide long-term leases to factory space which can be used as collateral for credit.
- (iii) Collaborate with the private sector in initiating apprenticeship programs.
- (iv) Encourage the AID Bank to adopt a transparent policy on refinancing for the private sector.
- (v) Launching the proposed Venture Capital Fund at EC\$30 million over a 5 year period, as a 'window' at the AID Bank.

(c) Tourism

74 Government's strategy is to emphasize nature/eco-tourism and maximize net value added with intersectoral linkages while preserving the island's natural heritage of mountainous terrain, rain forests, and unspoiled beauty. The Government is keen to encourage the establishment of small hotels of around 50 rooms each, to cater to this niche tourism market. While the targeted group is stayover tourists, because of the higher per capita spending, cruise ship tourism is also encouraged. The tourism sector is small (about 7% of GDP)¹¹, but has recently become one of the more dynamic sectors in the economy generating 500-600 jobs directly and indirectly. During 1990-92, stayover tourist arrivals averaged around 55,000 per year. Tourism expenditure accounted for about US\$25 million in 1992 and aggregate tourism receipts now represent about 20% of export earnings. Beginning 1992, there was a surge in cruise ship visitors from 64,956 passengers and 130 calls in 1991 to 86,924 passengers and 147 calls. This compares to 40 calls in 1990 with 7000 passengers.

75 Several small and medium-sized tourism businesses have sprung up in recent years. A new domestic airline, Nature Island Express, employing 21 people, established a feeder service to and from St Maarten but has since closed for reorganization. Six new guest houses and hotels have opened, and total rooms availability has increased to about 700. Other new businesses geared towards tourism include transport services, travel agencies, restaurants, bakeries, and laundries.

76 Government support of tourism in the main takes the form of fiscal incentives for new establishments, enabling/improving physical access to touristic sights, subsidies for the regional carrier LIAT, public awareness of tourism among the local population, and international promotion. The thrust of tourism promotion is the European market, judged to be more attractive to the nature-tourism offered by Dominica. This is being undertaken jointly with other Caribbean tourism partners. The increased emphasis on tourism will mean that excellent emergency medical care should be available. Government intends to address this latter in collaboration with the private sector.

77 The CARICOM Governments, owners of LIAT have decided that the Airline is to be privatized and negotiations with prospective investors are underway. Most arrivals by air into Dominica do so via LIAT. This is partly attributed to the limited airport facilities available on the island coupled with the absence of any major international carrier such as American Airlines Eagle. Government views with concern the current financial difficulties of LIAT and the protracted delays in concluding privatization arrangements. Government efforts to rectify the local situation could be assisted by Technical Assistance to study the available options more carefully and to prepare a strategy.

78 Government considers tourism a suitable, high-yielding sector and hope for increased arrivals and earnings to at least partially offset the impending drop in incomes from the change in preferential arrangements for bananas. To this end, it intends to attract private foreign investment in the construction of a few larger hotels, using the Economic Citizenship

¹¹ Draft Tourism Sector Plan (1991), TPR Associates

Policy, where appropriate. In this regard, potential investors have lamented the absence of an all-weather airport on the island capable of accommodating long-haul jet aircraft, since they generally consider this essential to the viability of any large hotel (say above 200 rooms). Government recognizes that such an approach requires substantial investments in upgrading existing airport and health facilities, and in power, water and sewerage systems, as well as in the resolution of conflicts in natural resource management, and improved labor skills. Meanwhile, Cabinet will review the current Tourism Sector Strategy and rank Actions for implementation. Accelerated depreciation allowance as a fiscal incentive will be considered in the hotel sector. Further, in tourism promotion, Government will continue to support and complement the private sector's initiatives.

(d) Other Services

79 The off-shore Ross University Medical School in the north of the island with an estimated 500 students contributes to the health services sector and foreign exchange earnings via tourism. The local housing stock has also expanded to meet the demand for student accommodation. The telematic technologies consisting of telecommunications, data processing, phone answering accounts, and book publishing is the other targeted sub-sector, albeit the sub-sector is very small at this time (1% of GDP). Government is eager to encourage the telematic technologies as well as business, financial, and insurance services. To this end, Government is committed to creating the Incentive Framework discussed in Section C to attract/encourage such service firms. A new telecom tariff structure is to be negotiated to attract the informatics firms using external technical assistance. Informatic firms would generate employment for young women (among others) who currently record the highest unemployment rate.

E. Physical Infrastructure

80 In general, the supporting physical infrastructure in Dominica is in good condition and well maintained, given the island's difficult topography. There are, however, concerns over the safety, capacity and viability of the two airfields, Melville-Hall and Canefield. The country is serviced by small aircraft. Dominica's air freight costs are reported to exceed those of its neighbors by at least two percentage points rendering the destination less competitive in a range of areas. In addition, it is the norm for aircraft passengers to Dominica, originating outside the region, not to arrive in the State with their luggage. While this phenomena may be tolerated by returning nationals, it is not acceptable, indeed resented by tourists, to the point of ruining their vacations. Generally, the luggage would arrive after a few days, untampered, albeit for short stay visitors, they may already have left the country.

81 The major development constraints in physical infrastructure are the difficulty in accessing Dominica by air, maintenance cost of public buildings and feeder roads, limited physical access to touristic sights, replacement of the Bath Estate Bridge along with selected road widening in the Roseau area to enhance traffic flow and safety of pedestrians. The telephone system is excellent. The network of main roads is in reasonably good shape except for a few locations where re-surfacing is required. However, there are four (4) locations in

the country where the main road network terminates abruptly in a cul-de-sac instead of being connected to the road network nearby. The total distance involved was estimated by the Ministry of Communications, Works and Housing at nine (9) miles and is distributed as follows

- (i) Delaford to Gillet road motorable on a dry day by four-wheel drive vehicle
- (ii) Petite Savanne to Delices,] In each case, a foot path exists
- (iii) Rosalie to Petite Soufriere,]
- (iv) Tete Morne to Soufriere]

82 In the main, investing in these roads would contribute to accessibility of touristic sights, reduce the cost of internal cargo movements, cut down on frivolous driving and the associated wear-and-tear on motor vehicles, lower the cost of providing Government services in rural areas. Congestion in downtown Roseau, however, is a major problem. Government is currently undertaking a traffic and parking study with technical assistance from UNDP to address the situation.

F. Public Utilities

83 The Port Facilities at Woodbridge Bay, Roseau, have recently been upgraded to include berthing capabilities for cruise ships. In December 1992, port charges were increased by 50%. Shipping costs, including port charges, are slightly higher than in other OECS countries. The private sector has identified port charges as one of their concerns. The main problem facing the port is high tariffs resulting from past and future debt servicing coupled with relatively high cost dock labor arising from the inefficient use of unionized workers. Meanwhile, the private sector has responded by constructing at least two private wharves and also by making greater use of the wharf at Portsmouth in the north of the island. Government is cognizant of the situation and of the need for competitiveness at the Port. It intends to monitor existing tariff levels while increasing port efficiency, including regularizing the use of dock labor.

84 Electric power is generated, transmitted and distributed by DOMLEC. With the present generating capacity, it is impossible to undertake maintenance and delivery of service concurrently. Therefore, power outages and voltage drops are common. Most large businesses have back-up generators. In addition, power access to a few small inland communities has yet to be provided albeit returns may be insufficient to amortize per capita cost. A World Bank financed power project added about 4.8 mw of new capacity, bringing total installed capacity to 14.8 mw. However, current effective capacity is estimated at 9.6 mw against demand of 8.6 mw. In addition, improvements and expansion to the existing transmission and distribution system have been undertaken since 1988, including reducing the systems losses. The project is essentially completed and the power situation has improved significantly as a result, particularly in terms of power outages and voltage drops. Further investments, however, are needed to meet anticipated growth in aggregate demand. In this regard, preliminary exploratory work is being undertaken in Geo-Thermal energy with a view to making investments. In addition, DOMLEC is examining its tariff schedule to promote cost recovery and the wise use of energy by consumers. DOMLEC, after assessing

demand, is agreeable to undertake new investments to expand capacity and improve access and quality of service

85 Currently, about 90% of the population have access to water, which is supplied by DOWASCO. However, due to lack of storage, about 30% of customers have inadequate water delivery. About 30% of customers have metered water rates which have recently been increased from EC\$15-20 per month per household to EC\$25-35 per month on average. Compared to neighboring islands, this is considered reasonable for the quality of service provided by DOWASCO. Some of the water systems are antiquated. Therefore, to improve access and reliability of service, DOWASCO is metering all units to improve its cash flow and is undertaking new investments. About 60% of families are not connected to sewage disposal facilities. Roseau, the largest urban center, has a 75 year old sewerage system which is in disrepair and without a treatment facility. Refuse collection and landfills are wholly inadequate. These are causes of environmental degradation and thus, adversely impact upon tourism and social welfare. Action to be undertaken on the Environment are dealt with in the NEAP and outlined in Section I.

86 DOWASCO, and other utilities such as DOMLEC and MARPIN Television are expected to fully recover costs of operation by charging differential fees, as appropriate, for commercial and residential users. This will be permitted by Government providing that the case for tariff increases as determined by the Public Utilities Commission, is substantiated by data.

G. Labor Market

87 The labor market issues relate to relatively high wages for agricultural labor, skills mismatch, low productivity, negative worker attitude, and absenteeism. Daily wage rates for unskilled workers average EC\$30-35 (US\$1.85 per hour) reaching a high of EC\$50-60 for the semi-skilled task of packing bananas in cartons for export. Labor skilled in machinery and tools fabrication and maintenance is difficult to find. The problem of negative work attitudes is impacting adversely on public and private sector productivity. Some attribute the problem to weaknesses in management and in the family structure, coupled with the culture of rising expectations in the population. Often, labor is hired by the private sector based on attitude rather than skills, because it is found to be easier to train workers than to change work attitudes. Unemployment is estimated to have increased to 14% of the labor force in 1992. As of 1992¹², about 4,000 persons in the labor force were officially not working, but available for employment. About 65% of the unemployed workers had been looking for a job for over a year. Young females (15-19 years) recorded the highest unemployment rate. Most of the unemployed (81%) had only primary school education. Out-migration is alleged to be high among skilled and unskilled persons seeking 'greener pastures'. However, the measurement of migration data needs improvements for an accurate assessment of magnitude. There continues to be demand for farm labor as well as for skilled personnel, particularly at supervisory and managerial levels, in all sectors. The supply and productivity of farm labor, along with negative worker attitudes are to be addressed under the EAL program.

¹² ILO, Yearbook of Labour Statistics, 1992

88 Government is also concerned about the adverse impact of the impending disruptions of the banana trade on the labor market. Phasing out of the preferential arrangements for bananas could result in lower incomes for about 6,000 marginal farmers and a large number of casual agricultural workers. It is therefore essential for economic diversification measures to take hold supplemented by the proposed safety net being designed with EEC financing. To address the worker attitude and absenteeism problems, the Government, under the umbrella of the Policy Review Committee, which includes the private sector, will initiate programs to motivate workers. Youth skills program, technical-vocational training, and related programs will be strengthened. Government also intends to maintain a current Labor Market Information System, expedite the issuance of work permits to bona fide applicants and to implement expeditiously, CARICOM Heads of Government decision on the free movement of skills in the region.

H. Social Services and Human Resource Development

89 Education. Accelerating human resource development is an imperative if the country is to have the desired manpower base to support transition of the economy and successfully promote competitiveness. While Government spending on education was about 15% of the recurrent budget during the 1980s, comparing favorably with other OECS countries, Dominica had the lowest coverage of OECS countries regarding enrollment of 12-15 year old (68%, compared to an average of 80% for all OECS countries combined) in 1991. Government's medium-term strategy is to improve the quality of life, increase labor productivity and competitiveness, particularly in the foreign exchange earning sectors, and facilitate economic diversification in non-traditional agriculture, manufacturing and services, including Tourism. In particular, increasing the student teacher ratio to at least 30 to 1 in most schools on average by 1996. Higher priority will be given to organization and management concerns of the sector/ministry as well as to increasing the ratio of expenditures on supplies and equipment in education budgets. The primary and secondary school curricula will be revised and made more uniform throughout the system. More classroom places will be made available at the secondary school level, giving priority to expanding existing high performing schools. The Teacher Training College, Nursing School, former Sixth Form College and Technical Vocational Skills Training will be integrated at the tertiary level into the Clifton Dupigny Community College (CDCC), technical and vocational training will be strengthened, apprenticeship opportunities will be formalized with the private sector or NGOs, teacher quality will be up-graded, and the labour market information system will be kept updated. Consideration will be given to the re-introduction of hostels at selected secondary schools and the CDCC in order to accommodate students from rural areas.

90 Under the proposed Regional Basic Education Project to be financed by the World Bank, access to and quality of primary and secondary education will be addressed by Government. The project is based on an Education Reform Strategy Paper endorsed by all OECS Governments. Dominica's share of the project is estimated at US\$7 million.

91 Health. Government sees health care as a fundamental human right affecting the quality of life of citizens. Towards this end, primary health care, and increasingly, secondary health care are the main vehicles for delivery of services in the country. Decentralization of services at the district level, including technical expertise, management

capacity, and budget management, has considerably improved access and quality of health services to all people. The last ten (10) years have seen the number of health centres around the island increase to fifty-one (51) many of which have been funded under the USAID/BNTF with the remainder by the French Government and local funds. Currently, efforts are directed at improving physical facilities at the Princess Margaret Hospital (PMH). Towards that end, the 'Master Plan' for physical improvements at the PMH prepared in 1987 serves as a guide. Estimated cost of a phased implementation is EC\$35 million, with at least 60% of those funds yet to be committed. Under the Plan, additional investments are needed for improving physical structures and ensuring acceptable quantities of medical equipment and supplies at major clinics/health centres, as well as the PMH. Also, staffing within the hospital services is being examined with a view to strengthening management and expertise at the PMH.

92 Government intends to continue subsidizing health services but at a gradually reduced rate. Government is now reviewing a report on options for cost recovery with a view to commencing implementation in FY1994-95. Currently, persons who are evaluated as being able to pay, are asked to pay a fee for the services obtained at the PMH. Additionally, the Dominica Social Security makes a financial contribution to the PMH each year. Revenue from these two sources only account for approximately 25% of the annual operating cost of the PMH. As the facilities at the PMH are upgraded, persons will be expected to contribute a greater percentage of the cost of services received.

93 To enhance the recent buoyancy in tourism, the availability of additional emergency care will be addressed through the private sector. Currently, in an emergency, medical services are provided to tourists at a set price. Recognizing the possibility of having to deliver care to tourists as an on-going service, a small district hospital was recently constructed in the second town of Portsmouth using local funds. The facility is also designed to serve residents from Portsmouth and environs.

94 Housing Organized credit facilities for home mortgage for lower and middle-income families is limited. Most persons must obtain credit from commercial banks at relatively high rates of interest for a maximum 20 year duration, and with generally 20% deposit. For public servants, there is a facility administered by the Housing and Loans Board of the Personnel Services Division. Under that facility, public servants can obtain a maximum of five (5) times their annual salary at a 9% interest rate. Besides a number of private housing schemes, Government has provided 'Sites and Services' on State lands at three locations for sale as house lots and has experimented with the construction of some apartments and low cost housing units for sale to residents. In addition, Government has granted tax concessions to encourage mobilization of savings and credit for home mortgages. However, the recent downturn in the economy has reduced liquidity in financial institutions so that funds available for investment in housing have virtually dried up while the demand for mortgage credit continues to increase. A line of credit for mortgage financing is urgently required.

95 Government has established a revolving fund to finance the provision of 'Sites and Services' on lots in the urban areas for sale mainly to middle-income families. During 1994-96, EC\$38 million will be spent for the purpose and which will also include a number of low-income houses for displaced families from the areas affected. Additional funding is

required for low cost housing in rural areas to stem urban drift and encourage labour to remain in farming areas

96 There is an emerging problem of squatters and homelessness in Dominica. Government will review the legislation on squatters and work with NGOs, such as Community Hostels Incorporated and others, to address the problem of squatters as well as the homeless. Government also intends to request Technical Assistance to better target policy options in Housing and thereby meet the shelter needs of the nation.

97 Poverty Though Dominica cannot be said to experience destitution, many are suspected of living below subsistence levels. There is little data on poverty and thus measuring poverty incidence is difficult. Using indicators such as the mortality rate, GDP per capita and measures of human resource development, Government reports that the country has made progress in health, nutrition, and education over time, and that Dominica compares favorably with other OECS countries. However, an examination of Government's records show that there has been an increase in applications for public assistance as well as assistance from the Education Trust Fund. This may indicate an increase in poverty. Government has addressed the issue of poverty through the equitable distribution of public services such as health care, education, potable water, electricity, etc. However, with a loss in income by a large number of banana farmers, special measures will be needed to alleviate poverty among rural households. Assistance will be required for Basic Needs to help redress the socio-economic impact on households in the worse affected communities.

98 With Technical Assistance from UNFPA, a report is being prepared by an NGO/Government committee for use at the UN Conference on Population and Development scheduled for September 1994 in Egypt. The report is expected to inform national policy and programs on population and development and the role they play in determining economic growth and sustainable development. Poverty alleviation is one objective of these policies and programs. An Action Plan for Children, funded by UNICEF, is nearing completion and Government looks forward to following up on its recommendations. The UN has declared 1994 as the Year of the Family and Government has appointed a Committee to spearhead activities aimed at strengthening the family structure as a key unit in national development. In addition, the CDB, with funding from CIDA is to undertake a poverty assessment during 1994 aimed at, inter alia, identifying the most vulnerable groups in the country and making suggestions for improvement.

99 Government is committed to targeted intervention to stimulate sustainable income-generating activities and to protect the most vulnerable groups. The social safety net as evidenced by limited low-income housing and social programs (funded by bilateral donors and often managed by NGOs) cater to community development, youth employment, and vulnerable groups of women and children. Social safety net issues will be addressed under the earlier mentioned EEC study. To assist the most vulnerable groups through cash transfers, provision of school lunches, and assistance for school books and uniforms, Government allocates outlays of about EC\$10 million or 2% of GDP. Single motherhood, estimated at about 55% of live births, have been increasing in recent years and children in extremely difficult circumstances (CEDC) are manifest in juvenile delinquency.

100 Social programs aimed at improving work attitudes, adult education, non-formal youth skills, assisting unemployed and single women with children in difficult circumstances, are undertaken by different ministries. Also, statistics on the economy and vital social data are contained in the files of various ministries and the Central Statistics Office (CSO). Government is committed to restructuring and strengthening the Ministry of Community Development and Social Affairs so that it can undertake a more facilitative role in social programming, working in collaboration with NGOs, to produce quantifiable results. Towards that end, the role of the churches should not be under-estimated since they have accumulated much experience and expertise in this regard. For example, the Catholic Church, through the Social Centre, has been catering to the needs of poor families since the early 1950s distributing food, clothing and small household items to an estimated 2000 individuals per year, including the Carib territory where 'indigenous Dominicans' live.

101 The appointment of a Sociologist in the Ministry of Finance and Economic Development will give added impetus to the effort at harmonizing social planning with economic planning. The CSO is to be strengthened in the context of the reorganization of the Ministry of Finance and Economic Development Unit in FY1994-95.

I. Environment

102 Dominica is the Caribbean's premier nature island and its forests are the finest in the region. As such, environmental problems are not yet overwhelming. Three growing concerns have the Government's attention, however, namely (i) solid waste disposal, (ii) land use, including deforestation, and (iii) degradation of the coastal zone. In Dominica, the economic forces which underlie environmental degradation, apart from sectoral output growth, are externalities from export agriculture, and to a lesser extent, manufacturing, rising expectations and changes in lifestyles, relative poverty, and rationalization in the use of common property resources. These environmental issues, Government's environmental strategy, and proposed action plan are detailed in a separate government document titled the National Environmental Action Plan (NEAP). A summary of the main concerns and Government's planned actions in the short to medium-term follows.

103 Solid Waste Disposal Roseau, the capital city, and its environs, generate the largest proportion of solid waste in the country. The management of solid waste is a serious problem because less than 50% of the households in Dominica are being serviced by satisfactory methods of garbage collection and disposal. Industrial pollution is a not a major concern currently because the industrial base of Dominica is very small. However, soap and edible oil manufacturing, chemical dyes from printing material from box manufacturing, rum processing, and other agro-processing are generating industrial waste at the rate of 2,000 tons per year. This waste is discharged into streams and rivers, and eventually ends up in the ocean. Government will set standards for disposal of industrial waste by 1995-96. The current economic policy regime is characterized by public garbage collection with no cost recovery for this service even from those with ability to pay, such as hotels, and the lack of enforcement of polluter penalties.

104 Land Use and Deforestation About 52,000 hectares, or 66% of the total land surface, is "rain forest" which includes natural forest, woodland, and bush. Management of

Dominica's forestry resources is a critical environmental issue. Over the past decade, agricultural expansion and timber harvesting have accelerated the removal of vegetation on both private and public lands. Construction of farm and feeder roads and cultivation of bananas on steeply sloping lands have exacerbated erosion and soil loss. The economic consequences of deforestation on steep slopes include decreasing agricultural productivity because of soil erosion and vulnerability to wind damage, as well as impairment of Dominica's eco-tourism potential. This expansion of the agricultural frontier has affected areas which should have been kept under natural vegetation to prevent soil erosion or should have remained for water catchment purposes. Deforestation during the decade of the 1980s is estimated at about 2000 acres of land.

105 Degradation of the Coastal Zone The link between coastal zone management (CZM) and economic growth and development issues involve tourism, industrialization, and urbanization, all of which necessitates a comprehensive CZM program. Sand mining legally requires a permit under 1966 legislation. Lack of surveillance and monitoring of this activity and the fact that the Department of Public Works engages in sand mining for use as an aggregate for public construction is aggravating beach sand erosion. In addition, inadequate waste disposal facilities have resulted in littering of coastal areas. Much of the sewage/excreta and solid waste generated by households and businesses in Dominica is disposed of, untreated. Raw sewage disposal into fresh water and marine areas is a threat to human health by exposing people to water-borne diseases. These are indicative of the need for new investment complimented by appropriate pricing policies and regulations.

106 Other Environmental Problems Water pollution arising from the misuse of fertilizers and agro-chemicals is an emerging problem. Similarly, while there have been no outbreaks of disease as a result of poor sanitary conditions, there is no room for complacency. Public laboratory facilities will be strengthened and centralized in order to recommend standards and to monitor the situation on an ongoing basis.

107 Environmental Policy Agenda for 1994-96 Government intends to take action to reduce environmental degradation. Planned initiatives by Government, as discussed in the NEAP, are summarized in tabular form in Section VI (b) and captioned 'Summary of Environmental Actions'.

J. Public Sector Investment Program (PSIP) and Financing Plan

108 During 1985-92, infrastructure projects dominated capital expenditures (60% of PSIP funds). This was indicative of efforts to repair damage caused by hurricanes in 1979 and the early 1980's, as well as to put in place the requisite infrastructure for economic and social development. During the period, Government found it necessary to undertake some key projects with local funding, among them were Port Expansion at Woodbridge Bay and construction of the Cabrits Cruise Ship Berth.

109 The PSIP for FYs 93/94 - 96/97, a (4) three-year horizon, is EC\$183 million (US\$68 million) or 11% of GDP per year. As shown in Table 7(a), the eight largest projects amount to EC\$168.3 million or 95% of total PSIP funds. The largest single project, namely Expansion of Hydroelectricity, is essentially completed. The Roseau Sea Wall project is also

completed Physical infrastructure constitute the largest share of the PSIP of which investments in Water and Sewerage comprise the largest single component at EC\$35.9 million. Table 7(b) provides information on the PSIP by sector. Government is aware of the need to secure funding for a Repairs and Maintenance Programme for physical infrastructure, notably schools and police stations. Current recessionary conditions in the economy make it difficult for such a programme to be funded from Government resources.

Table 7a LARGEST EIGHT INVESTMENT PROJECTS, FY93-FY97
(EC\$ million)

Project	Financed by	Amount
Expansion of Hydro E R phase III	Multi-donor	59.0
Pound/Bath Estate Development	Government	29.2
Sea Defenses	CDB	21.3
Roseau Sea Wall/Bay Front Development	Government	16.5
Water Sector Project	CIDA	12.3
Self-help Project	BDD	11.5
Roseau Water & Sewerage	CIDA/CDB	10.0
Land Development & Settlement	Government	8.5
TOTAL		168.3

Source: Economic Development Unit, GOCD

Table 7b PSIP BY SECTOR, FY93/94-96/97

SECTOR	TOTAL
Administration	7.6
Agriculture	9.3
Community Services	2.9
Education	2.9
Fisheries	16.4
Forestry	2.8
Health	9.8
Housing	19.9
Industry/Manufacturing	0.2
Livestock	-
Power	2.5
Public Safety	26.2
Tourism	5.2
Transportation	14.6
Water/Sewerage	35.9
Other	8.8
TOTAL	183.3

110 **Financing Requirements.** Financing requirements for the PSIP for the 1993-94 to 1996/97 period are estimated at US\$74 million (see Table 9). Scheduled amortizations are projected at about US\$6 million. Domestic finance is projected to provide about US\$28

million (or 38% of financing requirements) Externally financed disbursements for ongoing projects would provide US\$27 million in grants and concessional funds A financing gap of about US\$20 million would remain, of which US\$13 million represents financing for new projects for which donors have been identified and US\$7 million represents unidentified financing for new projects for which donors are still to be identified

Table 8 THE STRUCTURE OF THE CORE PSIP, 1994-97
(in percent)

	Total	Economic	Social	Infra- structure	Other Public
Total	100.0	15.6	45.9	28.3	10.2
Ongoing Capital Projects	61.2	4.0	28.5	23.4	5.3
New Projects	16.7	3.8	8.0	3.3	1.6
Ongoing Technical Assistance	8.2	1.4	5.9	0.3	0.9
New Technical Assistance	7.4	5.4	1.4	0.5	0.1
Maintenance & Operations	6.5	1.4	2.1	0.8	2.2

Source Economic Development Unit, GOCD

Table 9 PUBLIC SECTOR FINANCING REQUIREMENTS, 1994-97
(EC\$ million)

	FY94	FY95	FY96	FY97	Total EC\$	Total US\$
<u>Financing</u>	<u>80.1</u>	<u>56.7</u>	<u>33.1</u>	<u>30.6</u>	<u>200.6</u>	<u>74.3</u>
<u>Requirements</u>	76.5	52.8	28.5	25.4	183.3	67.9
Core Investments	3.6	3.9	4.6	5.2	17.3	6.4
Amortization						
<u>Sources</u>	<u>64.6</u>	<u>42.5</u>	<u>21.3</u>	<u>18.2</u>	<u>146.6</u>	<u>54.3</u>
Domestic Finance	30.3	22.7	12.3	9.4	74.7	27.7
Ongoing External	34.3	19.8	9.0	8.8	71.9	26.6
<u>Financing Gap</u>	<u>15.4</u>	<u>14.1</u>	<u>11.8</u>	<u>12.3</u>	<u>53.8</u>	<u>19.9</u>
Identified External	11.5	10.3	7.2	5.6	34.8	12.9
Unidentified External	3.9	3.8	4.6	6.7	19.0	7.0

Source Economic Development Unit, GOCD

111 Institutional Framework. The existing PSIP management process require that all projects be submitted for funding through the EDU, with feasibility studies undertaken for large projects. To enforce this established procedure, Government is strengthening the EDU's role in donor coordination, while the Ministry of Finance has been instructed to include projects in the Budget only after financing is confirmed/approved by the EDU. Further, the EDU and the Ministry of Finance are to be integrated shortly into a single unit with resulting improved efficiency in overall Ministry administration.

112 In addition, Government will (i) seek technical assistance from multilateral agencies to strengthen EDU in project development and macroeconomic management, (ii) provide training for project officers of the line ministries NDC and NGOs in project identification, preparation, and implementation, and (iii) ensure coordination between the EDU, Ministry of Finance, and line ministries in the PSIP management process by adhering to established procedures.

Public Sector Investment Programme, 1994-97

113 The PSIP is being revised in light of the Medium-Term Policy Agenda and in response to the difficult external economic environment outlined in the MTESP. This is being done as part of the preparations for the Hon. Minister for Finance and Development's annual Budget Address to Parliament scheduled for June 1994. These preparations are expected to be completed before the end of May 1994. Idea Projects identified in the exercise total EC\$478 million, as indicated in the Annex A. Still outstanding, is the list of projects identified for funding by the EEC under Lomé IV. Also, the TFAP was recently costed at US\$12.5 million with details included in Annex A following the list of Idea Projects.

114 The largest single project (which is not included in the core PSIP) is the International Jet Airport which is estimated at EC\$325 million. Government is hopeful that the earth-moving component of the project, estimated at 52% of total cost, can be undertaken/provided by a friendly Donor as a grant. Technical feasibility work on this project has already been completed with the assistance of the Government of the United Kingdom.

115 What remains to be done is to prioritize these Idea Projects in consultation with officials from line Ministries, the NDC, the Social Partners including the Private Sector, friendly Donors, and key regional institutions such as the ECCB and CDB.

K. Public Sector Management

116 Government is cognizant that successful transition to a diversified and competitive economy is dependent upon the institutional capacity to analyze, formulate, and implement speedily the necessary reforms. Several areas of the Civil Service must become more client-driven with emphasis on providing value for money. Reaching that threshold will require sustained direction complemented by 'carrot and stick' measures. The continued implementation of the ARP will be guided by the Report of the Policy Makers' Retreat, August 1990.

117 The ongoing Administrative Reform Programme (ARP) is regrading jobs, identifying redundant posts/functions and areas that need strengthening, ensuring the adequacy of compensation to essential civil servants, and introducing new technologies to increase output and productivity, among other actions. Government is therefore, committed to

- (i) Strengthen implementation of the ARP during 1994-96
- (ii) The improvement of tax and customs administration with external technical assistance
- (iii) Restructure the ministries where appropriate in order to promote efficiency and accountability using the completed sector papers and other relevant reports, as a guide
- (iv) Ensure that services to the most vulnerable groups in the country are delivered effectively, including proper coordination with relevant NGOs
- (v) Using the revitalized Policy Review Committee for consensus building among the social partners, and to promote complementary cooperation between the public sector bureaucracy and private enterprise
- (vi) Strengthened and effective OECS and CARICOM Integration Arrangements

118 Under the ARP, thirty-six (36) posts are to be deleted during FY1994-95 resulting in a savings of about EC\$1 million. During the next two (2) years, additional deletions will take place yielding further savings. The abolition of posts by natural attrition, arising from the restructuring of Ministries and Departments, will also occur.

V. CONCLUSION

119 In designing the macroeconomic framework and sectoral policies for the period 1994-96, Government has been mindful of the rapidly changing external economic environment coupled with the experiences of several small island economies in meeting the challenge of adapting to external markets while stabilizing disposable incomes and achieving growth. The alternative path as per Section III A(b), captioned Alternative Scenario, has been chosen cognizant of the fact that economic stimulation by domestic and external borrowing of deficit financing, will result in inflation and balance of payments difficulties.

120 Government is convinced that the banana industry needs to be restructured so that output, productivity, fruit quality, and management of the sector can be improved. Further, that economic diversification particularly into non-banana agriculture, agro-processing, light manufacturing, tourism and other services is required to broaden the economic base and strengthen self-reliance. Private sector expansion through liberalized trade and promotion of foreign investment complemented by supportive physical infrastructure investment can result in charting a new course conducive to improved living standards for the people of Dominica. Towards that end, the support and cooperation of our Friends in the Donor Community and in the Region is welcomed.

VI. MEDIUM-TERM POLICY SUMMARY

- **Medium-term Policy Agenda Matrix**
- **Summary of Environmental Actions**

MEDIUM-TERM POLICY AGENDA MATRIX

POLICY AREAS AND ISSUES	OBJECTIVES	ACTION PLANS	TIMING
<p>PUBLIC FINANCES</p> <p>Strengthen public finances and fiscal management (Para 33-38)</p>	<p>Achieve current surplus in the consolidated public sector accounts of 3% of GDP on a consistent basis through</p> <ul style="list-style-type: none"> • expenditure control measures • privatization of public services • significant reduction of DBMC's deficit • broadening of tax and tariff base 	<p>-Do not increase public sector employment above its current level and, in the context of implementation of the manpower plan, use job regrading, re-organisation of ministries and attrition to achieve more efficient allocation of public sector positions and higher productivity</p> <p>-Privatize garbage collection, contract out public services such as road repairs, school building maintenance, janitorial services and selected hospital services such as laundry and cafeteria</p> <p>-Reduce DBMC's operating costs, increase cost recovery for services and inputs, upgrade management, re-finance old' debt while staying current on any new debt</p> <p>-Implement remaining phases of the revised CET, concurrently, eliminate concessions on import duty and consumption tax to public enterprises, statutory boards, and private entities with the capacity to pay such as Cable and Wireless (after negotiations)</p> <p>-Extend the sales tax to utilities</p> <p>Review cadastral and property assessments in urban areas to broaden tax base</p>	<p>1994-96</p> <p>1995-96</p> <p>1994 and beyond</p> <p>1994-98</p> <p>1995 - 96</p> <p>1995 and beyond</p>

POLICY AREAS AND ISSUES	OBJECTIVES	ACTION PLANS	TIMING
<p>INCENTIVES FRAMEWORK</p> <p>Private Sector Development Para 39 - 55)</p>	<ul style="list-style-type: none"> strengthening of tax and customs administration 	<ul style="list-style-type: none"> -Participate in OECS tax harmonization study to strengthen tax and customs administration -Government is committed to a phased diversification programme for DSS investments with a reduced share of government assets in its portfolio, reduce the stock of domestic debt by selling public fixed assets including land, to repay Government's obligations, revise the regulations regarding DSS portfolio management in consultation with ECCB such that the institution can invest abroad 	<p>1994-95</p> <p>1994-96</p> <p>1994 and beyond</p> <p>1995</p>
	<ul style="list-style-type: none"> Optimize incentives regime 	<ul style="list-style-type: none"> -Review fiscal incentives scheme in light of recent study on the local services sector and implement changes -Participate in OECS tax harmonization study and implement recommendations where appropriate Use exercise to inform possibility of Dominica becoming a Tax Haven -Adopt strategy to attract Service Firms, including Informatics, using external technical assistance 	<p>1994-95</p> <p>1995</p> <p>1994-96</p>
	<ul style="list-style-type: none"> Eliminate barriers to private sector expansion and viability 	<ul style="list-style-type: none"> -Reduce documentation requirements from prospective investors -Re-organize NDC for effectiveness and impact and for investment application to be decided on within four weeks -Re-organize DEXIA for effectiveness and impact 	<p>1994</p> <p>1994</p> <p>1994 and beyond</p>

POLICY AREAS AND ISSUES	OBJECTIVES	ACTION PLANS	TIMING
<p>ECONOMIC DIVERSIFICATION</p> <p>Broaden the base of economic growth (para 56-79)</p> <p>Agriculture</p>		<p>-Review the negative list of imports and include only those items restricted for security and anti-smuggling reasons, and for which reciprocal trade arrangements exist</p>	<p>1994-95</p>
	<ul style="list-style-type: none"> • Stimulate small business development 	<p>-Review the Oil and Fats Agreement (OFA) with other relevant CARICOM countries taking into account the plight of coconut farmers and DCP</p>	<p>1994-95</p>
	<ul style="list-style-type: none"> • Complimentary public/private sector cooperation and consensus building among social partners 	<p>-Reduce price controlled items</p> <p>-Provide external training to AID Bank loan officers in development banking, interested commercial banks could also participate</p>	<p>1994</p> <p>1994-95</p>
	<ul style="list-style-type: none"> • An enabling economic environment to stimulate private investment and profitability and to make sue of Dominica s comparative advantages 	<p>-Review and implement, where appropriate, recommendation on small business development from NDF/ECODEF findings</p>	<p>1994-96</p>
	<ul style="list-style-type: none"> • Optimize bananas contribution to GDP and foreign exchange earnings 	<p>-Launch and operationalize the Policy Review Committee</p>	<p>1994</p>
		<p>Provide private sector supportive infrastructure</p>	<p>1994 and beyond</p>
		<p>Unification of extension of services in the DBMC and MOA</p>	<p>1994-96</p>
		<p>Export top quality bananas to the EEC market as per quota of 71000 tonnes annually</p> <p>-Banana production incentives to be provided to the more efficient medium-sized farmers, say those producing at least 12 tonnes per acre</p>	<p>1994 and beyond</p> <p>1994-96</p>

POLICY AREAS AND ISSUES	OBJECTIVES	ACTION PLANS	TIMING
Manufacturing	<ul style="list-style-type: none"> Rationalize program(s) for stimulating Non-banana Agriculture 	-Restructure the DBMC	1994
		-Refinance "old" DBMC debt and stay current on any new debt	
		-Redefine DEXIA's mandate in marketing agricultural produce in the context of a Trade Sector Plan and implement measures as appropriate	1994-95
		-Reactivate citrus processing plant	1994-95
	<ul style="list-style-type: none"> Maximize employment, disposable income, technology transfer, skills upgrading and indigenous manufacturing capability 	-Establish pork processing plant	1994-95
		-Expand fishing capacity and attract persons to become fishermen in order to satisfy demand for fish by nationals and visitors	1994-96
		NDC to provide Technical Assistance to target firms in factory layout, quality control, market research and product development	1994-95
Tourism	<ul style="list-style-type: none"> Emphasize eco-tourism and maximize new value added with intersectoral linkages 	-Withdraw the 10% withholding tax on royalties that currently apply to contract manufacturers	1995
		-Provide long-term leases for factory space which can be used as collateral for credit	1994-96
		-Collaborate with the private sector in initiating apprenticeship programs	1995
Tourism		-Cabinet to review Tourism Sector Strategy and rank/approve Actions for implementation	1994
		Attract foreign investment in tourism using the Economic Citizenship Policy, as appropriate	1994-96

POLICY AREAS AND ISSUES	OBJECTIVES	ACTION PLANS	TIMING
<p>Other Services</p> <p>PHYSICAL INFRASTRUCTURE</p> <p>Maintain existing infrastructure, also ensure that infrastructure considerations not a constraint to economic growth</p> <p>(Para 80-82)</p> <p>PUBLIC UTILITIES</p> <p>Ensure adequacy of services rendered and of public access thereto by major Utilities namely DOMLEC, DOWASCO, Cable and Wireless, MARPIN Television and Port Authority</p> <p>(Para 83-88)</p>	<ul style="list-style-type: none"> • Encourage Informatics industry and export-oriented manufacturing and service firms, including data processing • Ensure that private sector supportive infrastructure in transport, power, water and sewerage is adequate • Enhance traffic flow and safety of pedestrians in Roseau • Keep public buildings in good physical condition • Enhance reliability, efficiency and quality of service • Expand potable water distribution network and sewerage disposal capacity • Promote efficiency and competitiveness at the main Port at Woodbridge Bay 	<ul style="list-style-type: none"> -Review recent report on the local Services Sector and use external Technical Assistance to market Dominica -Secure funding to upgrade/construct nine (9) miles of feeder road to connect four key locations in the country to the main road network -Secure funding to replace the Bath Estate bridge and undertake selective road widening in Roseau -Implement recommendations of UNDP financed traffic and parking study as may be appropriate -Approve and implement a plan for the maintenance of public buildings, particularly schools and police stations -Eliminate concessions on import duty and consumption tax on Public Utilities (after negotiations) -Increase tariffs to ensure full cost recovery -Initiate and complete study on sewerage treatment and deep sea dumping of sewage -Undertake new investments and meter all new and existing unit -Regularize the use of dock labour 	<p>1994-95</p> <p>1994-96</p> <p>1994-96</p> <p>1994-95</p> <p>1994-96</p> <p>1994-96</p> <p>1994-95</p> <p>1994-95</p> <p>1994 and beyond</p> <p>1994-96</p>

POLICY AREAS AND ISSUES	OBJECTIVES	ACTION PLANS	TIMING
<p>LABOUR MARKET</p> <p>Improve functioning of the labour market (Para 87-88)</p>	<ul style="list-style-type: none"> • Expand generating capacity to satisfy aggregate demand and to reduce frequency of voltage drops and power outages • Maximise employment by removing labour supply constraints, increasing productivity and upgrading worker skills and attitudes to work 	<p>-Monitor tariff levels at local and regional ports for competitiveness and take appropriate action(s)</p> <p>Review tariff levels in line with cost recovery</p> <p>-Implement the EAL programme</p> <p>-Expedite free movement of skilled CARICOM nationals with other Heads of Government</p> <p>-Outstanding labour market issues such as absenteeism and negative work attitudes to be dealt with under the auspices of the PRC</p> <p>-Update labour Market Information System and keep it current</p>	<p>1994 and beyond</p> <p>1995</p> <p>1994-96</p> <p>1994-95</p> <p>1994-96</p> <p>1994-96</p>
<p>SOCIAL SERVICES</p> <p>Ensure that the standard of living does not deteriorate but improves (Para 89-100)</p> <p>Education</p>	<ul style="list-style-type: none"> • Accelerate Human Resource Development to support transition of the economy and to successfully promote competitiveness 	<p>-Give priority to organization and management concerns of the sector/ministry</p> <p>-Teacher Training College, Nursing School, Sixth Form College and Technical Vocational Skills Training to be integrated at the tertiary level</p>	<p>1994-96</p> <p>1994-95</p>

POLICY AREAS AND ISSUES	OBJECTIVES	ACTION PLANS	TIMING
Health	<ul style="list-style-type: none"> • Access to medical care by citizens to remain a fundamental human right 	<ul style="list-style-type: none"> -Complete preparations and commence implementation of Regional Basic Education Project 	1994-95
Housing	<ul style="list-style-type: none"> • Public financing of medical care to be supplemented by cost recovery 	<ul style="list-style-type: none"> -Continue implementation of Master Plan for PMH -Approve and implement option(s) for cost recovery 	1994-96
Housing	<ul style="list-style-type: none"> • Enhance housing affordability for middle and lower income households 	<ul style="list-style-type: none"> -Secure funding to finance Revolving Fund for the provision of 'Sites and Services' on house lots for sale in urban areas and to assist displaced families with housing -Review the legislation on squatters and collaborate with NGOs to address problems of squatters and the homeless 	1994-95
Poverty	<ul style="list-style-type: none"> • Protect vulnerable groups and undertake targeted intervention to stimulate sustainable income generating activities 	<ul style="list-style-type: none"> -Continue to facilitate the private sector in meeting housing demand and explore ways and means of lowering construction costs as well as the associated costs of physical infrastructure 	1994-95
Poverty	<ul style="list-style-type: none"> • Protect vulnerable groups and undertake targeted intervention to stimulate sustainable income generating activities 	<ul style="list-style-type: none"> Study on social safety net to be undertaken with EEC financing 	1994-95
Poverty	<ul style="list-style-type: none"> • Protect vulnerable groups and undertake targeted intervention to stimulate sustainable income generating activities 	<ul style="list-style-type: none"> Report on Population and Development with UNFPA funding 	1994-95
Poverty	<ul style="list-style-type: none"> • Protect vulnerable groups and undertake targeted intervention to stimulate sustainable income generating activities 	<ul style="list-style-type: none"> Poverty assessment study with CDB financing 	1994-95
Poverty	<ul style="list-style-type: none"> • Protect vulnerable groups and undertake targeted intervention to stimulate sustainable income generating activities 	<ul style="list-style-type: none"> Action Plan for children with UNICEF financing 	1994-95
Poverty	<ul style="list-style-type: none"> • Strengthen social planning and monitor impact of results 	<ul style="list-style-type: none"> -The Ministry of CD&SA to collaborate with the churches and relevant NGOs with a view to strengthening their poverty alleviation programs 	1994-96

POLICY AREAS AND ISSUES	OBJECTIVES	ACTION PLANS	TIMING
	<ul style="list-style-type: none"> • Strengthened and effective OECS and CARICOM Integration Arrangements • Ensure that services to the most vulnerable groups in the country are delivered effectively • Promote consensus among the Social Partners and Complementary cooperation between the Public Sector Bureaucracy and private enterprise 	<p>-Thirty-six (36) posts are to be deleted resulting in a savings of about EC\$1 million. Further deletions will take place over the next two (2) years including natural attrition.</p> <p>-Implement measures for effective decision-making in collaboration with the other member States.</p> <p>-The Ministry of Community Development and Social Affairs (CD&SA) to play a more facilitative role with relevant NGOs.</p> <p>-Operationalize the Policy Review Committee (PRC).</p>	<p>1994-95</p> <p>1994-96</p> <p>1994-96</p> <p>1994</p>

B SUMMARY OF ENVIRONMENTAL ACTIONS

ENVIRONMENTAL ISSUE	YEAR ONE	YEAR TWO	YEAR THREE
Solid Waste Management	<p>Undertake proper management of existing landfill/dump</p> <p>Begin design and construction of new sanitary landfill</p> <p>Review charges for waste collection and management</p>	<p>expand waste collection services to whole island</p> <p>complete construction of new sanitary landfill</p> <p>Privatize waste collection in Roseau</p> <p>Install new port waste reception facilities</p> <p>Undertake closure of existing landfill and commence use of new sanitary landfill</p>	<p>Participate fully in OECS Waste Management Project</p>
Land-Use Management	<p>Review policies on cost recovery and incentives as applied in the use of agricultural inputs, and set implementation schedule(s) for any changes beginning in Year two</p> <p>Begin preparation of a national land-use plan</p>	<p>Designate conservation areas in high priority watersheds</p>	<p>Create an integrated land information system</p> <p>Adopt national land use plan</p>
Coastal Zone Management	<p>Improve consultation and coordination among ministries/agencies, including use of environmental impact assessments</p>	<p>Establish a comprehensive coastal zone management program, focusing on public awareness, the incentive framework, technical assistance, cost sharing and cooperation in protecting coastal resources and not rely solely on regulatory controls</p>	
Water Pollution	<p>Review policies on cost recovery and incentives as applied in the use of agricultural inputs, and set implementation schedule(s) for any changes beginning in Year two</p> <p>Improve recordkeeping by Pesticide Control Board and DBMC</p>	<p>Identify and set requirements for industrial sources of water pollution, enforce compliance through appropriate penalties</p> <p>regular monitoring agrochemical residues in soil, water and food</p>	<p>Complete the water supply and sewerage system for Roseau</p> <p>Improve sewage disposal at Portsmouth and in villages</p>

ENVIRONMENTAL ISSUE	YEAR ONE	YEAR TWO	YEAR THREE
<p>Forestry and Protected Terrestrial Areas</p> <p>Natural Hazards</p> <p>Environmental Policy and Legal Instruments</p>	<p>Introduce improved agro-forestry techniques</p> <p>Establish user fees for national parks and selected touristic sights</p> <p>Secure funding for Dominica's Tropical Forestry Action Programme (TFAP)</p> <p>Commence implementation of ten-year plan for Morne Trois Pitons National Park</p> <p>Prepare management plan for protection and use of Indian River</p> <p>Create plan to mobilize resources in emergency</p> <p>Develop National Environmental Policy Statement</p> <p>Adopt legislation requiring EIAs for development projects</p>	<p>Limit agrochemical run-off through improved pricing policies to be phased in over a two (2) year period</p> <p>Complete plan to protect individual water catchments minimizing financial liability of Government</p> <p>Review pricing policies for timber/fuelwood</p> <p>Review pricing possibilities for water from protected catchment areas and set implementation schedule(s)</p> <p>Commence implementation of TFAP</p> <p>Establish national program for preservation of natural and cultural attractions</p> <p>Increase community participation in forestry/wildlife/parks activities</p> <p>Revise Public Health Act to establish water quality criteria, standards for industrial effluent, and waste management controls</p> <p>Promulgate implementing regulations for existing legislation</p> <p>Adopt legislation establishing a coastal zone management program</p>	<p>Implement water quality monitoring program to safeguard fresh water and marine resources</p> <p>Prepare and implement ten-year management plans for forest reserves</p> <p>Implement management plans for Morne Diablotin and Caribi National Parks</p> <p>Encourage community interaction with District Emergency Committees</p> <p>Adopt legislation to ensure protection of cultural and historical resources</p>

IDEA PROJECTS

<u>DONOR</u>	<u>PROJECT TITLE</u>	<u>FINANCING</u>	<u>ESTIM COST</u>
BDD	Butler House	GRANT	1,400,000
	De lares Mette Savanne Road	GRANT	4,300,000
	Heads of Mission built Scheme	GRANT	9,000
	Lafayette Police station & Madstrates Crp	GRANT	1,000,000
	Purchase of Camp and Equipment	GRANT	10,530
	Relocation of Citrus Plant	GRANT	
	Restoration-Baracoon Bldg Roseau B/ front	GRANT	1,400,000
	River Control Works	GRANT	5,500,000
	Roseau Road, Drain & Sidewalk Works	GRANT	
		Total	
BDD(FBN)	Dexia data Collection	LOAN	
		Total	
BDD(FTBN)	Dexia Inland Transportation Project	GRANT	
		Total:	
CDB	Construction of Sea Defenses	LOAN	23,490,000
	Dominica Water & Sanitation Project	LOAN	24,200,000
	Hydrographic Surveys	GRANT	51,136
	Integrated Tourism and Agriculture Project	LOAN	233,920
	Roadway Resealing-(15 miles)	GRANT	2,450,800
	Total:		50,425,856
CDB(FBN)	Rehab -Agric Feeder Roads	LOAN	
	Rehab -Roseau Valley roads	LOAN	
	Tech Asst -Rd Mtrc Man.Sys.	LOAN	
	Total:		
CFD	Dominica Water & Sanitation Project	LOAN	9,200,000
		Total:	9,200,000
CIDA(FBN)	Itass: Vocational School	GRANT	631,565
		Total:	631,565
CIDA(SPIF)FBN	Agro-Forestry Extension	GRANT	600,000
	Cabrits Tourism Reception	GRANT	978,000
FTBN Funds to be negotiated		FTBN Funds being negotiated	

IDEA PROJECTS

<u>DONOR</u>	<u>PROJECT TITLE</u>	<u>FINANCING</u>	<u>ESTIM COST</u>
CIDA:SPJF FBN	Development		
	MOFO Small Business Complex & C T U	GRANT	300 000
	Small Farm Equipment Pool	GRANT	484 440
		Total	2,362,440
FAC	Geothermal Development - Exploration Phase	LOAN	12 500,000
		Total	12,500,000
FAO(FBN)	Tech Asst (Design Internal Consumption Pattern Survey)	GRANT	
	Tropical Forestry Action Program Implementation	GRANT	50 000
		Total:	50,000
FRN	Construction	GRANT	7,500,000
	Maternity, Paediatrics, Neonatal Complex-PMH		
	International Airport	GRANT	325,000,000
		Total:	332,500,000
FTBN	Agric Diversification Projects (LONE IV)	GRANT	4,300,000
	Business Dev Plan-Path	GRANT	
	Cadastral Survey and Land Registration	GRANT	634,000
	Co-ord for Population Policy Implementation	GRANT	27,000
	Coconut Unit	GRANT	72,158
	Belaford/Guillote/Savanne Paille Road	GRANT	2,000,000
	Dev of Motton Haven Tourist site	GRANT	100,000
	Development of Pork Industry	GRANT	0
	MEIA Direct Trading	GRANT	500,000
	Divisions of Agric. Building	GRANT	2,000,000
	Dominica Overseas Mission (Trade Offices)	GRANT	
	Export Diversification (Credit Guarantee Scheme)	GRANT	1,394,227
	Forestry Office Bldg	GRANT	450,000
	Furniture- Junior Secondary program	GRANT	125,000
	Integrated Tourism and Agriculture Project	GRANT	43,520
Mini Zoo Project	GRANT	54,000	
Monitoring & Evaluation	GRANT	200,000	

FTBN:Funds to be negotiated

FRN:Funds being negotiated

IDEA PROJECTS

<u>DONOR</u>	<u>PROJECT TITLE</u>	<u>FINANCING</u>	<u>ESTIM COST</u>
FTBN	Strengthening National Pedigree Breeding Programme	GRANT	725 30'
	North American Market Study	GRANT	58,896
	Pavement for contents-Arawak Cinema	GRANT	100 000
	Popular Hydroponics for the Production of Vegetables	GRANT	54 000
	Pottery Development	GRANT	272,695
	Product Development	GRANT	78,000
	Public Awareness and Training	GRANT	108 000
	Public Conveniences-Tourism sites	GRANT	1,019 806
	Purchase of Tractor/Mower	GRANT	50 000
	Purchase of Vehicle	GRANT	47 000
	Re-training of Dominica Teachers College	GRANT	46,000
	Rehab of Citrus Industry	GRANT	3,800,000
	Relocation of Central Livestock farm	GRANT	860,000
	Relocation of Water Mains- Deep Water Harbour	GRANT	200,000
	Revolving Fund for Women's Bureau	GRANT	45,000
	Rosalie/Petite Soufriere Road	GRANT	2,200,000
	Screen Printing Paix Bouche	GRANT	0
	Small Business & Handicraft Development	GRANT	162,083
	Sports facility- Windsor Park	GRANT	7,650,000
	Spring water Dev Study	GRANT	
Superintendent's Otrs.	GRANT	200,000	
Upgrading Cricket grounds-Botanic Gardens	GRANT	2,500,000	
Volcanic Hazard Mapping Project	GRANT	602,000	
	Total:		32,277,686
FTBN(CIDA)	Dev of Model Carib Village	GRANT	810,420
		Total:	810,420
GOCB	Purchase of Vehicle	LOCAL	99,000
	Relocation of Water Mains-Canefield Airport	LOCAL	240,000
	Subvention to LIAT	LOCAL	1,896,000
		Totals:	2,235,000
JAPAN	Coastal Fisheries Development	GRANT	13,500,000
		Totals:	13,500,000
DAS	Cadastral Survey and Land	GRANT	2,585,000
FTBN Funds to be negotiated		FTBN: Funds being negotiated	

IDEA PROJECTS

<u>DONOR</u>	<u>PROJECT TITLE</u>	<u>FINANCING</u>	<u>ESTIM COST</u>
OAS	Registration Director no & Assess Core Curriculum	GRANT	261,720
	Monte Trois Pitons National Park Small Business Development in Rural Areas	GRANT GRANT	202,500 84,793
	Training of Junior Sec students on Computer Literacy	GRANT	159,334
	Total:		3,303,747
OAS(FBN)	Assessment of Social & Economic Needs in Carib territory	GRANT	54,000
	Better Quality Basic Education through better school plant	GRANT	33,075
	Carib Monument	GRANT	62,230
	Computer Literacy for Junior Sec Students	GRANT	60,816
	Development of Youth Through Sports	GRANT	253,800
	Documentation of Folk Songs	GRANT	63,450
	Improv. of Quality of Agric. Science in 3 schools	GRANT	65,280
	Musical Instruments and Training	GRANT	54,000
	North American Market Study	GRANT	145,520
	OECS Drama Festival	GRANT	68,445
	Research and Documentation of Heritage Dances	GRANT	69,930
	Science equipment for Sec. schools and Community College	GRANT	53,963
	Science fair and camp	GRANT	44,172
	Tourism and the Environment-Cabrits National Park	GRANT	82,890
Total:		1,113,571	
PAHO	Rodent Control	GRANT	109,800
	Total:		109,800
PAHO(FBN)	Improvement-Refuse collection & storage	GRANT	839,644
	Total:		839,644
UNDP(FBN)	Popular Hydroponics for the Production of Vegetables	GRANT	90,000
	Total:		90,000
UNESCO	Teacher Resource Center	GRANT	215,000
FTBN:Funds to be negotiated		FBN:Funds being negotiated	

IDEA PROJECTS

<u>DONOR</u>	<u>PROJECT TITLE</u>	<u>FINANCING</u>	<u>ESTIM COST</u>
		Total	215,000
UNFPA	Co-ord for Population Policy Implementation	GRANT	140,440
		Total	140,440
UN CEF/CENI/FBN	National Obesity Survey Project	GRANT	354,800
		Total	354,800
UNKNOWN	Computerisation of Lands & Surveys	GRANT	85,000
		Total	85,000
USAID	Co-operatives Development	GRANT	1,621,510
	Equipment for Health Clinics	GRANT	67,750
	Multi-purpose Mechanic Group	GRANT	28,283
	Needle Work Project	GRANT	44,901
		Total	1,762,444
USAID(FBN)	Equipment-Disaster Preparedness	GRANT	24,067
	Purchase of Equipment - Prison	GRANT	55,798
		Total	79,865
USAID/CDB	Paix Bouche School Toilet Construction	GRANT	85,000
		Total	85,000
Total			478,094,808

Prioritisation of Projects

The project which must be given the highest priority is the "Strengthening and Upgrading of the Forestry and Wildlife Division" (Project Document 5 01) This project must start as soon as possible if the Division is to carry out the additional responsibilities expected of it. The ranking of the other projects is as follows:

<u>Project profile</u>		<u>Rank</u>
<u>Number</u>	<u>Title</u>	
5 01	Strengthening and Upgrading the Forestry and Wildlife Division	1
1.05	Preparation of Management Plans	2
1.07	Agroforestry Development	3
1 04	Watershed Rehabilitation and Management	4
4.01	Upgrading and Management of Parks, Recreation Areas and Other Wetlands	5
1.01	Construction of Nursery	6
1.02	Establishment of Industrial Plantations	7
4.03	Development of an Environmental Information Base for Dominica	8
5.02	Legislation for Natural Resources Management	9
2.02	Establishment of Handicraft and Cure Workshop	10
1.08	Petite Savanne - Point Mulatre Feeder Road	11
2.01	Logging Roads for CFI	12
1.06	Wildlife Farming	13
4.02	Protection of Mangroves and Other Wetlands	14
3.01	Feasibility Study on Biomass Production for Fuelwood and Charcoal	15
1.03	Multipurpose Tree Planting Project	16

Summary of Projects (TFAP)

Project No	Priority Area and Title of Project	Duration in Years	Cost in US\$		Total (US\$)
			Donor	Gov't	
I FORESTRY IN LAND USE					
1 01	Construction in New Nursery	1	80,000	29,000	109,000
1 02	Establishment of Industrial Plant	4	881,000	87,000	968,000
1 03	Multipurpose Tree Planting Project	5	186,500	231,600	418,100
1.04	Watershed Rehabilitation and Management	5	1,442,000	251,000	1,693,000
1 05	Preparation of Management Plans	2	198,000	56,000	254,000
1 06	Wildlife Farming	5	889,000	74,000	963,000
1.07	Agroforestry Development	5	202,600	179,020	381,620
1.08	Petite Savanne - Point Mulatre Feeder Road	5	833,000	120,000	953,000
8	SUB-TOTAL (I)		4,712,100	1,027,620	5,739,720
II. FOREST BASED INDUSTRIAL DEVELOPMENT					
2.01	Logging Roads for Cottage Forest Industries	2	491,000	44,000	535,000
2.02	Establishment of Handicraft and Furniture Workshop	2	684,000	70,000	754,000
2	SUB-TOTAL (II)		1,175,000	114,000	1,289,000
III. FUELWOOD AND ENERGY					
3.01	Feasibility study on Biomass Production for fuelwood and charcoal	1/2	66,000	Nil	66,000
1	SUBTOTAL (III)		66,000	Nil	66,000

Summary of Projects (cont'd)

Project No	Priority Area and Title of Project	Duration in years	Cost in US\$		Total US\$
			Donor	Gov t	
IV CONSERVATION OF FOREST ECOSYSTEMS					
4 01	Upgrading and Management of Parks, Recreation Areas and Other Attractions	4	2,596,700	676,800	3,273,500
4 02	Protection of Mangroves and Other Wetlands	4	230,000	93,000	323,000
4.03	Development of an Environmental Information Base for Dominica	5	271,000	Nil	271,000
3	SUB-TOTAL (IV)		3,097,700	769,800	3,867,500
V. INSTITUTIONS					
5 01	Strengthening and Upgrading the Forestry and Wildlife Division	5	1,437,000	103,000	1,540,000
5.02	Legislation for Natural Resources Management	1/6	20,000	Nil	20,000
2	SUB-TOTAL (V)		1,457,000	103,000	1,560,000
ALL PROJECTS	TOTAL		10,441,800	2,014,420	12,456,220

The sixteen projects proposed in the National Forestry Action Plan involve a total expenditure of US\$12,456,220 over a five-year period. Of this total, US\$10,441,800 (84%) is to be obtained from donor agencies while the remaining US\$2,014,420 (16%) is to be funded by the Government of Dominica. Detailed project costs are provided in the project profiles.

602

ANNEX B

STATISTICAL APPENDIX

COMMONWEALTH OF DOMINICA
GROSS DOMESTIC PRODUCT BY ECONOMIC ACTIVITY
AT FACTOR COST (IN CURRENT PRICES)
(\$EC MILS)

	1990	1991	1992	1993
Agriculture	92 49	96 91	98 45	91 54
Crops	77 66	81 05	81 18	73 45
Livestock	6 27	6 65	6 82	6 86
Forestry	2 78	2 85	3 21	3 27
Fishing	5 78	6 36	7 24	7 96
Mining & Quarrying	3 08	3 03	3 31	3 44
Manufacturing	26 43	30 71	35 55	37 53
Electricity & Water	11 18	11 49	17 19	18 05
Construction	28 16	31 09	32 51	34 35
Wholesale & Retail Trade	41 07	44 36	48 11	50 59
Hotels & Restaurants	7 63	8 82	10 05	12.56
Transport	36 18	40 20	45 17	47 89
Road Transport	19 94	21 00	24 12	25 33
Sea Transport	12 80	15 41	17 02	18 04
Air Transport	3 44	3 79	4 03	4 52
Communications	23 66	28 39	31 66	33 64
Banks & Insurance	41 65	47 21	48 63	49 77
Real Estate & Housing	13 51	14 74	16 4	16 68
Government Services	69 01	80 64	80 07	82.47
Other Services	3 90	4 21	4 39	4 61
Less Imputed Service Charge	28 11	34 44	34 79	35 59
TOTAL	369 84	407 36	436 70	447 53
GROWTH RATE	9 56	10 14	7 20	2.48

SOURCE. Dominica Central Statistical Office / OECS/EAS
[1993\1994 Data Provisional]
February 1994

Table -1: DOMINICAN REPUBLIC - BASE CASE - ACTUAL AND PROJECTED KEY MACROECONOMIC INDICATORS, 1991-2001

	Actual	Prel	Est.	Projections							
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
GDP Growth Rate	..	2.1	2.0	0.5	0.0	-1.0	1.5	-1.5	-1.5	-1.5	-1.5
GMP Growth Rate	..	2.1	3.1	0.6	-0.0	-1.1	-1.6	-2.2	-2.1	-2.0	1.8
GMP/Capita Growth Rate	..	1.1	2.1	-0.4	-1.0	-2.1	2.6	-3.2	-3.0	-2.9	2.8
Total DOD _{1/} (in US\$)	94.4	105.4	118.0	138.1	165.5	190.6	214.1	236.4	255.9	273.0	284.1
DOD/XGS _{2/}	84.5	90.3	105.5	123.8	143.3	157.1	167.0	175.9	181.1	183.5	180.6
DOD/GDP	52.0	55.6	59.1	66.5	77.8	87.8	96.8	105.1	111.8	117.1	119.9
Debt Service (in US\$)	5.1	7.6	8.7	9.1	9.7	10.4	11.0	12.0	13.1	14.4	16.3
Debt Service/XGS _{2/}	4.6	6.5	7.8	8.2	8.4	8.6	8.6	8.9	9.3	9.7	10.3
Debt Service/GDP	2.8	4.0	4.4	4.4	4.6	4.8	5.0	5.3	5.7	6.2	6.9
Debt Service/Current Revenue	8.3	12.5	14.1	15.1	15.7	17.1	17.8	19.0	20.5	22.1	24.5
Interest/XGS _{2/}	1.8	2.3	2.9	3.0	3.0	3.2	3.4	3.5	3.6	3.5	3.5
Interest/GDP	1.1	1.4	1.6	1.6	1.6	1.8	2.0	2.1	2.2	2.3	2.3
Gross Investment/GDP _{3/}	40.6	32.5	30.3	28.0	27.0	26.0	25.0	25.0	24.0	24.0	24.0
Domestic Savings/GDP _{3/}	18.1	12.3	5.7	3.1	2.7	3.5	4.7	6.7	8.1	10.2	12.6
National Savings/GDP _{3/}	20.6	14.5	8.8	6.3	5.9	6.5	7.5	8.8	9.6	11.2	13.4
Government Revenue/GDP	33.7	32.1	31.0	29.0	29.0	28.0	28.0	28.0	28.0	28.0	28.0
Government Expenditure/GDP	30.5	30.8	31.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Deficit (-) or Surplus (+)/GDP	3.2	1.3	0.0	-1.0	-1.0	-2.0	-2.0	-2.0	-2.0	-2.0	2.0
Export Growth Rate (G&NFS)	..	5.0	0.9	2.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Exports/GDP (G&NFS)	53.1	53.6	47.3	45.1	45.7	47.4	49.5	51.9	54.4	57.0	59.5
Import Growth Rate (G&NFS)	..	-0.2	0.7	-0.8	-0.5	-1.4	-1.8	-1.1	-1.6	-1.2	1.2
Imports/GDP (G&NFS)	75.6	73.8	71.3	69.0	69.3	69.3	69.4	69.9	70.1	70.6	70.7
Current Account (US\$)	-36.2	-34.1	-41.7	-43.1	-43.5	-41.1	-37.8	-35.8	-32.5	-29.5	-24.8
Current Account/GDP	-19.9	-17.9	-20.9	-20.8	-20.4	-18.9	-17.1	-15.9	-14.2	-12.6	10.5
Terms of Trade Index	100.0	96.2	79.9	72.1	68.1	67.0	66.7	67.2	67.9	68.5	69.4

1/ Total debt outstanding and disbursed includes IMF debt.

2/ Exports of goods, services and private transfers.

3/ Projections are in constant prices.

Table -2: DOMINICA: BASE - ACTUAL AND PROJECTED BALANCE OF PAYMENTS, 1991-2001
(US\$ million)

	Actual	Prel.	Est.	Projections							
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A. Exports of Goods & NFS	96.4	101.7	94.4	93.6	97.3	103.0	109.5	116.8	124.6	132.9	141.0
1. Merchandise (FOB)	53.6	58.1	46.8	41.9	40.4	41.1	43.0	45.7	48.9	52.6	56.6
2. Non-Factor Services	42.8	43.6	47.5	51.7	56.9	61.9	66.6	71.1	75.7	80.2	84.4
B. Imports of Goods & NFS	137.1	140.1	142.2	143.3	147.3	150.5	153.4	157.3	160.5	164.6	167.7
1. Merchandise (CIF)	101.0	102.5	103.4	103.8	106.8	109.1	111.3	114.4	116.7	120.1	122.4
2. Non-factor Services	36.1	37.6	38.9	39.5	40.5	41.4	42.1	42.9	43.7	44.5	45.3
C. Resource Balance	-40.7	-38.3	-47.9	-49.7	-50.1	-47.5	-43.9	-40.5	-35.8	-31.8	-26.6
D. Net Factor Income	-8.2	-8.7	-7.0	-6.9	-7.1	-7.5	-8.0	-9.6	-11.0	-12.3	-13.2
1. Factor Receipts	2.5	2.0	4.3	4.5	4.5	4.5	4.6	3.3	2.3	1.3	1.3
2. Factor Payments	10.7	10.7	11.3	11.4	11.6	12.1	12.5	12.9	13.3	13.6	14.5
(Interest payments - mt)	1.7	2.1	2.2	2.4	2.6	3.1	3.6	4.0	4.4	4.7	4.9
E. Net Current Transfers	12.7	13.0	13.1	13.4	13.7	13.9	14.1	14.3	14.4	14.6	15.0
F. Current Account Balance	-36.2	-34.1	-41.7	-43.1	-43.5	-41.1	-37.8	-35.8	-32.5	-29.5	-24.8
G. Long-Term Capital Inflow	33.9	31.5	30.3	36.8	43.6	41.3	37.9	35.9	32.5	29.5	24.8
1. Direct Investment	10.7	13.0	12.0	11.0	10.5	10.0	9.0	8.0	7.5	7.0	7.0
2. Official Capital Grants	8.5	5.4	5.0	5.0	5.0	5.0	4.8	4.8	4.8	4.8	4.8
3. Net LT Loans (ORS data)	7.9	7.2	13.3	20.8	28.1	26.3	24.1	23.1	20.2	17.7	13.0
a. Disbursements	10.1	11.4	18.1	25.9	33.5	32.0	30.0	29.6	27.5	26.1	23.1
b. Repayments	2.2	4.2	4.8	5.1	5.4	5.7	5.9	6.5	7.3	8.4	10.0
4. Other LT Inflow (net)	6.8	5.9	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.0	0.0	-0.0
H. Total Other Items (net)	7.7	7.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1. Net Short Term Capital	3.1	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Capital Flows N.E.I.	5.9	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Errors and Omissions	-1.3	-2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I. Overall Balance	5.4	5.2	-11.4	-6.3	0.2	0.1	0.1	0.1	0.1	0.1	-0.0
J. Changes in Net Reserves	-5.4	-3.2	11.4	6.3	-0.2	-0.2	-0.1	-0.2	-0.1	-0.2	0.2
1. Net Credit from the IMF	-0.9	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	0.8
2. Other Reserve Changes	-4.5	-4.5	12.1	7.0	0.6	0.6	0.7	0.6	0.7	0.6	0.6
(- indicates increase)											
Shares of GDP (Current US\$):											
1. Resource Balance	-22.4	-20.2	-24.0	-23.9	-23.5	-21.9	-19.8	-18.0	-15.7	-13.6	-11.2
2. Total Interest Payments	1.1	1.4	1.6	1.6	1.6	1.8	2.0	2.1	2.2	2.3	2.3
3. Current Account Balance	-19.9	-17.9	-20.9	-20.8	-20.4	-18.9	-17.1	-15.9	-14.2	-12.6	-10.5
4. LT Capital Inflow	18.7	16.6	15.2	17.7	20.5	19.0	17.1	16.0	14.2	12.7	10.5
Memorandum Items:											
GDP (Biln. of Current US\$)	181.4	189.8	199.6	207.6	212.7	217.3	221.2	225.0	228.9	233.1	237.0
Foreign Exchange Reserves:											
1. Gross Reserves incl. Gold	19.0	24.2	12.8	6.4	6.6	6.8	6.9	7.1	7.2	7.4	7.6
2. Gross Res. in Months of Imports	1.5	1.9	1.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5

Table -3: DOMINICA: ALTERNATIVE CASE - ACTUAL AND PROJECTED KEY MACROECONOMIC INDICATORS, 1991-2001

	Actual	Prel.	Est.	Projections							
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
GDP Growth Rate	..	2.1	2.0	2.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0
GMP Growth Rate	..	2.1	3.1	2.2	3.1	3.1	3.1	4.1	4.1	4.2	4.0
GMP/Capita Growth Rate	..	1.1	2.1	1.2	2.1	2.1	2.1	3.1	3.1	3.1	2.9
Total DOD 1/ (in US\$)	94.4	105.4	113.3	129.1	146.0	163.6	180.5	194.3	208.0	216.1	213.3
DOD/XGS 2/	84.5	90.3	95.9	104.6	111.4	116.5	119.2	118.2	115.8	109.3	98.0
DOD/GDP	52.0	55.6	56.8	61.3	65.7	69.2	71.7	71.9	71.7	69.3	63.7
Debt Service (in US\$)	5.1	7.6	8.7	9.0	9.5	10.0	10.5	11.3	12.0	12.9	13.9
Debt Service/XGS 2/	4.6	6.5	7.4	7.3	7.3	7.2	6.9	6.9	6.7	6.5	6.4
Debt Service/GDP	2.8	4.0	4.4	4.3	4.3	4.2	4.2	4.2	4.1	4.1	4.2
Debt Service/Current Revenue	8.3	12.5	13.7	13.4	12.8	12.6	12.3	12.2	12.0	11.9	11.9
Interest/XGS 2/	1.8	2.3	2.7	2.6	2.5	2.5	2.5	2.5	2.3	2.2	2.0
Interest/GDP	1.1	1.4	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.3
Gross Investment/GDP 3/	40.6	32.5	30.3	30.0	30.5	31.0	31.5	32.0	32.0	32.0	32.0
Domestic Savings/GDP 3/	18.1	12.3	9.0	9.7	10.7	12.1	13.8	15.3	17.1	19.1	21.6
National Savings/GDP 3/	20.6	14.5	12.1	12.9	13.9	15.0	16.5	17.8	19.4	21.3	23.5
Government Revenue/GDP	33.7	32.1	31.9	32.0	33.4	33.7	34.0	34.3	34.6	34.9	35.0
Government Expenditure/GDP	30.5	30.8	31.3	30.0	30.9	30.7	30.0	30.0	30.1	30.4	30.0
Deficit (-) or Surplus (+)/GDP	3.2	1.3	0.6	2.0	2.5	3.0	4.0	4.3	4.5	4.5	5.0
Export Growth Rate (GMFs)	..	5.0	4.6	4.5	4.6	4.8	5.1	5.7	6.3	6.7	6.8
Exports/GDP (GMFs)	53.1	53.6	50.5	50.1	50.8	51.6	52.8	53.8	55.4	57.2	59.1
Import Growth Rate (GMFs)	..	-0.2	0.6	1.4	2.6	2.7	2.8	3.6	3.4	3.4	3.4
Imports/GDP (GMFs)	75.6	73.8	71.2	69.5	69.9	70.0	70.1	70.2	70.1	69.9	69.4
Current Account (US\$)	-36.2	-34.1	-35.3	-34.4	-35.7	-36.6	-36.9	-37.5	-36.1	-33.2	-28.2
Current Account/GDP	-19.9	-17.9	-17.7	-16.3	-16.1	-15.5	-14.7	-13.9	-12.4	-10.6	-8.4
Terms of Trade Index	100.0	96.2	85.2	82.7	80.9	80.0	79.4	79.1	79.1	79.4	80.3

1/ Total debt outstanding and disbursed including IMF debt.

2/ Exports of goods, services and private transfers.

3/ Projections are in constant prices.

Table -4: DOMINICA: ALTERNATIVE CASE - ACTUAL AND PROJECTED BALANCE OF PAYMENTS, 1991-2001
(US\$ million)

	Actual	Prel.	Est.	Projections							
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A. Exports of Goods & NFS	96.4	101.7	100.7	105.5	112.8	122.0	132.8	145.4	160.7	178.5	198.1
1. Merchandise (FOB)	53.6	58.1	53.2	53.7	55.8	58.7	62.2	66.4	71.4	77.2	83.5
2. Non-Factor Services	42.8	43.6	47.5	51.7	57.0	63.2	70.6	79.1	89.3	101.2	114.6
B. Imports of Goods & NFS	137.1	140.1	142.2	146.5	155.3	165.3	176.4	189.5	203.3	218.2	232.6
1. Merchandise (CIF)	101.0	102.5	103.3	106.4	113.3	120.7	129.0	139.2	149.7	161.2	171.9
2. Non-Factor Services	36.1	37.6	38.9	40.0	42.1	44.6	47.3	50.3	53.6	57.0	60.6
C. Resource Balance	-40.7	-38.3	-41.4	-41.0	-42.5	-43.4	-43.6	-44.1	-42.6	-39.8	-34.5
D. Net Factor Income	-8.2	-8.7	-7.0	-6.8	-6.9	-7.2	-7.4	-7.7	-7.9	8.0	-8.7
1. Factor Receipts	2.5	2.0	4.3	4.5	4.5	4.5	4.6	4.6	4.6	4.6	4.6
2. Factor Payments	10.7	10.7	11.3	11.3	11.4	11.7	12.0	12.3	12.5	12.6	13.4
(interest payments - mt)	1.7	2.1	2.2	2.3	2.4	2.7	3.0	3.3	3.6	3.8	3.8
E. Net Current Transfers	12.7	13.0	13.1	13.4	13.7	13.9	14.1	14.3	14.4	14.6	15.0
F. Current Account Balance	-36.2	-34.1	-35.3	-34.4	-35.7	-36.6	-36.9	-37.5	-36.1	-33.2	-28.2
G. Long-Term Capital Inflow	33.9	31.5	27.7	37.5	39.6	42.5	43.5	43.4	44.4	40.5	33.9
1. Direct Investment	10.7	13.0	14.0	16.0	17.0	19.0	21.0	24.0	25.0	27.0	30.0
2. Official Capital Grants	8.5	5.4	5.0	5.0	5.0	5.0	4.8	4.8	4.8	4.8	4.8
3. Net LT Loans (DAS data)	7.9	7.2	8.7	16.5	17.6	18.5	17.7	14.6	14.6	8.7	-0.9
a. Disbursements	10.1	11.4	13.5	21.6	23.0	24.2	23.6	21.1	21.5	16.5	7.9
b. Repayments	2.2	4.2	4.8	5.1	5.4	5.7	5.9	6.5	7.0	7.8	8.8
4. Other LT Inflows (net)	6.8	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.0
H. Total Other Items (net)	7.7	7.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1. Net Short Term Capital	3.1	5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Capital Flows N.E.I.	5.9	4.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Errors and Omissions	-1.3	-2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I. Overall Balance	5.4	5.2	-7.6	3.1	3.9	5.9	6.6	5.9	8.3	7.3	5.7
J. Changes in Net Reserves	-5.4	-5.2	7.6	-3.1	-3.9	-5.9	-6.6	5.9	-8.3	7.4	5.8
1. Net Credit from the IMF	-0.9	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	0.8	-0.8	0.8	0.8
2. Other Reserve Changes	-4.5	-4.5	8.3	-2.4	-3.1	-5.1	-5.8	5.1	-7.5	-6.6	-5.0
Shares of GDP (Current US\$):											
1. Resource Balance	-22.4	20.2	-20.8	-19.5	-19.1	-18.3	-17.3	-16.3	-14.7	-12.7	-10.3
2. Total Interest Payments	1.1	1.4	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.3
3. Current Account Balance	-19.9	17.9	-17.7	-16.3	-16.1	-15.5	-14.7	-13.9	-12.4	-10.6	-8.4
4. LT Capital Inflow	18.7	16.6	13.9	17.8	17.8	18.0	17.3	16.1	15.3	13.0	10.1
Memorandum Items:											
GDP (Biln. of Current US\$)	181.4	189.8	199.6	210.7	222.3	236.3	251.6	270.1	290.2	312.1	334.9
Foreign Exchange Reserves:											
1. Gross Reserves incl. Gold	19.0	24.2	16.6	19.7	23.6	29.5	36.1	42.0	50.4	57.7	63.5
2. Gross Res. in Months of Imports	1.5	1.9	1.3	1.5	1.7	2.0	2.3	2.5	2.8	3.0	3.1

Table -5: Dominica - Sources of Growth, 1977-92

Equation	1)	(2)	(3)	(4)
Dependent variable. Per capita real GDP growth; period 1977-92				
Explanatory variables:				
Constant (C)	-5.47 (-0.89)	1.80 (0.20)	-9.91 (-0.42)	9.64 (0.88)
Total Investment/GDP (INV(-1))	0.25 (1.49)	0.25 (1.47)	0.32 (1.49)	0.36 (2.30)
Govt. Consumption/GDP (GC)		-0.26 (-1.08)	-0.12 (-0.35)	-0.67 (-2.05)
Exports (gnfs)/GDP (X)			0.11 (0.54)	
Hurricane in 1979 and 1989 (dummy)				-15.03 (-4.08)
R-square	0.43	0.49	0.50	0.70
D.W.	1.90	1.77	1.86	1.76

Note: There was no significant change in labor force and harvested area during 1977-92
 Therefore, these two variables were not used as factors of production in the regressions
 The equations were estimated by the least-squares method and corrected for serial correlation

Source: World Bank staff estimates.