

The contents of this document are preliminary and subject to change.
--

GRAY/08/371

February 1, 2008

**Statement by Mr. von Stenglin and Mr. Haupt on Dominica
(Preliminary)
Executive Board Meeting 08/11
February 4, 2008**

We thank the staff for their concise paper and Mr. Fried and Mrs. Alvarez for their helpful Buff statement. We support the authorities' request for emergency assistance to help them cope with the severe impact of Hurricane Dean. A continuation of their sound policies will be crucial in this endeavor. We have a few additional comments mainly for emphasis.

- 1) Dominica's high public debt-to-GDP ratio and the large debt service obligations falling due towards the end of this decade are a matter of continued concern. We therefore fully support the authorities' intentions to adhere to the primary surplus target of 3 percent of GDP, to maintain the integrity of the new VAT system, and to implement tax reforms in such a way as to protect revenue targets.
- 2) Hurricane Dean and the recent earthquake highlight Dominica's vulnerability to exogenous shocks. This is compounded by the economy's high reliance on sectors, such as agriculture and tourism, that are particularly sensitive to weather-related shocks. The high current account deficit, projected at around 20 percent of GDP in 2012, also illustrates the challenges facing the economy. Against this background, efforts to boost productivity and diversify the economic base through an improved investment climate are key.
- 3) Given the uncertainties surrounding the demand for Fund emergency assistance and the available amounts of subsidy resources going forward, we find merit in the prudent assumption underlying the financial program (Tab. 8) of non-subsidization of ENDA. However, like Mr. Sadun and Mr. Cardoso, we consider that this issue should be dealt with in a consistent manner across all emergency assistance cases.