

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

**FOR
AGENDA**

MASTER FILES
ROOM C-525

0450

SM/93/65

CONTAINS CONFIDENTIAL
INFORMATION

March 25, 1993

To: Members of the Executive Board

From: The Secretary

Subject: Dominica - Staff Report for the 1993 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1993 Article IV consultation with Dominica, which is proposed to be scheduled for discussion on Friday, May 14, 1993.

Mr. Kwar (ext. 37685) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

DOMINICA

Staff Report for the 1993 Article IV Consultation

Prepared by the Staff Representatives for the
1993 Consultation with Dominica

Approved by S. T. Beza and Joaquin Pujol

March 23, 1993

I. Introduction

The 1993 Article IV consultation discussions with Dominica were held in Roseau during the period January 20-February 2, 1993. The mission met with Acting Prime Minister Guye, the Financial Secretary, the Economic Development Coordinator, and other senior officials. ^{1/}

The last Article IV consultation with Dominica, on the annual cycle, was concluded by the Executive Board on February 14, 1992 (EBM/92/18). Executive Directors stressed the need to increase public savings to enable the public sector to carry out investments without recourse to financing from domestic banks. Also, Directors underscored the need to diversify the production and export base. They stressed the important role of foreign private investment and urged the authorities to streamline and simplify regulations governing investment.

Dominica accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement in December 1979 and maintains an exchange system that is free of restrictions on payments and transfers for current international transactions. Dominica shares a common currency (the Eastern Caribbean dollar) and a common central bank with seven neighboring states; the Eastern Caribbean dollar has been pegged to the U.S. dollar at the rate of EC\$2.70 per U.S. dollar since July 1976.

II. Recent Developments and Prospects

Agriculture, agro-processing, and enclave manufacturing are the mainstays of Dominica's economy. Exports of bananas and soap products account for about 75 percent of export earnings. Tourism developed at a slower rate than elsewhere in the region in the 1980s because of the lack of attractive

^{1/} The staff representatives were Messrs. Kwar (Head), Lim, Nyawata, Richardson, and Tchong (all WHD). Ms. Langdon, Assistant to the Executive Director for Dominica, attended the final meetings.

beaches and an international airport. However, this industry has grown rapidly since 1990 with the completion of cruiseship reception facilities, increased promotion, and joint travel arrangements with neighboring islands.

1. Recent developments

The growth of real GDP declined to about 2 percent a year in 1991-92, from more than 5 percent a year in 1986-90, mainly because of slow growth of agriculture and manufacturing and a decline in construction activity (Table 1). Output of bananas increased only marginally from 1990 to 1992 as investment by growers in field maintenance, infrastructure, and transport declined, possibly reflecting uncertainty about the continuation of preferential access to the European market. Manufacturing was affected adversely by weak external demand, although there was some pickup in investment in this sector to improve productivity. The decline of construction activity resulted from the completion of major public investment projects in electricity, a cruiseship reception facility and port expansion, and from restraint by banks on further net lending for home building.

Table 1. Dominica: Output and Price Indicators

	Average 1986-90	1990	1991	Prel. 1992	Projected (With Current Policies)		
					1993	1994	1995
<u>Output</u>							
Real GDP growth (percent)	5.4	6.4	2.2	2.1	3.7	3.4	3.3
Banana production (long tons)	59,259	58,972	56,198	60,500	64,000	66,000	68,000
Manufacturing value added (percent)	5.9	3.0	-8.7	2.7	5.0	5.0	5.0
Construction value added (growth in percent)	8.2	8.0	6.0	-10.0	7.0	5.0	5.0
Total visitor arrivals	45,365	59,143	120,166	154,884	155,900	162,900	170,700
Of which: Stayover tourists	33,252	45,087	46,312	46,597	47,400	49,600	52,000
<u>(Annual change in percent)</u>							
<u>Prices</u>							
CPI	3.7	2.0	6.2	5.3	3.7	2.9	2.9
Terms of trade	-0.5	10.7	--	-5.1	-7.6	-1.1	-1.1
Public sector wages	6.2	7.3	3.8	1.5	1.5	--	--
Private sector wages	5.9	5.7	6.2	5.3	5.3	4.0	4.0

Sources: Ministry of Finance; Central Statistical Office; Labor Commissioner; and Fund staff estimates.

The slower growth of output is reported to have been accompanied by an increase in the rate of unemployment to about 15 percent in 1992, from less than 10 percent in 1989. However, private sector wages rose by more than 5 percent in 1992, only slightly lower than the average increase of about 6 percent a year during 1986-91. These wage developments, together with reported shortages of agricultural labor, suggest that the reported unemployment does not reflect a general lack of demand in the economy.

Consumer prices increased by 5-6 percent a year in 1991-92, compared with an average of nearly 4 percent a year in the previous five years. The pickup in inflation during a period when import price increases averaged about 2 percent was related to supply constraints in the food and housing markets, but also may reflect some measurement deficiencies including the smallness of sample sizes.

The savings of the consolidated public sector averaged more than 7 percent of GDP a year in the four years ended June 1990 ^{1/} but declined to about 3 percent a year in the next two years, mainly because of the increase in current expenditure following a large pay award in December 1990 (Table 2). The overall position of the public sector moved from a surplus of about 1.5 percent of GDP in 1988/89 to deficits that averaged more than 8 percent of GDP a year in the following two years as a result of the decline in public savings and a sizable increase in capital expenditure. The deficit subsequently declined to less than 4 percent of GDP in 1991/92 as public savings recovered somewhat and capital expenditures fell sharply with the completion of the investment projects. About 40 percent of financing needs in the three years 1989/90 to 1991/92 were met from domestic sources, in sharp contrast with net repayment of domestic indebtedness in previous years.

Table 2. Dominica: Summary of Public Finances
(As percent of GDP)

	Average 1986/87-1989/90	1989/90	1990/91	Prel. 1991/92	Projected (With Current Policies)		
					1992/93	1993/94	1994/95
<u>Current account balance</u>	7.4	5.4	2.7	3.3	1.3	0.6	0.7
Capital expenditures	14.6	20.4	17.8	10.8	15.1	11.1	7.2
Capital receipts and external grants	7.3	7.3	6.1	3.8	6.2	4.1	2.3
<u>Overall balance</u>	--	-7.7	-9.0	-3.8	-7.6	-6.4	-4.2
External concessionary financing	4.4	5.5	6.1	3.8	1.5	0.8	1.3
External nonconcessionary financing	-1.8	-1.6	-0.5	-0.7	-0.4	-0.2	-0.2
Domestic financing	-2.6	3.8	3.4	0.7	--	-0.5	-1.4
Unidentified financing	--	--	--	--	6.5	6.3	4.5
<u>Memorandum item</u>							
Wage and salary expenditure	15.2	14.9	17.3	16.2	16.6	16.0	15.2

Sources: Ministry of Finance; Social Security Scheme; Annual Reports of public enterprises; and Fund staff estimates.

^{1/} The fiscal year of the Government and of all but one of the nonfinancial public enterprises is on a July-June basis.

Private sector deposits with commercial banks increased by about 17 percent a year in 1986-91 (Table 3). Banks accumulated substantial external reserves through 1988, but in the following three years domestic credit rose sharply, in part to finance the public sector deficit. In 1992 the growth of deposits slowed to 14 percent because of the weak economy. At the same time, domestic lending decelerated, in part because of the reduced public sector financing requirements, allowing banks to rebuild external assets. Interest rates, which are market determined, declined in 1992 with the higher liquidity in the banking system and because of lower international rates.

Table 3. Dominica: Summary Operations of Commercial Banks

(Change as percent of liabilities to the private sector
at beginning of period)

	1986	1987	1988	1989	1990	1991	1992	Projected (With Current Policies)		
								1993	1994	1995
Net reserve position	27.1	39.5	7.9	-19.0	-13.7	-1.8	1.4	2.9	1.1	2.4
Net domestic assets	-9.5	-26.5	7.3	36.9	33.8	20.0	13.0	7.1	10.8	10.7
Of which:										
Net credit to public sector	-3.5	-25.0	-10.3	12.7	24.0	9.2	-1.9	--	-1.7	-3.4
Credit to private sector	2.5	2.1	29.1	30.7	24.2	11.8	12.7	8.6	13.8	15.4
Liabilities to the private sector	17.6	13.0	15.2	17.9	20.0	18.2	14.3	10.0	11.8	13.2

Sources: Eastern Caribbean Central Bank; and Fund staff estimates.

The external current account deficit (including grants) widened from 9 percent of GDP a year in 1986-90 to 17 percent a year in 1990-91 reflecting lower exports following Hurricane Hugo in September 1989 and increased imports of capital goods associated with the higher public investment (Table 4). The deficit declined to 11 percent of GDP in 1992 because of higher banana export prices and lower capital goods imports that in part reflected the decline of public investment. In the past several years, the current account deficit has been covered by receipts of official concessionary financing and private direct investment and in 1989-91 by a drawdown of foreign assets by commercial banks. Overall balance of payments surpluses averaging nearly 2.5 percent of GDP a year were recorded in 1986-92.

Table 4. Dominica: Summary Balance of Payments

(Percent of GDP)

	Average 1986-90	1990	1991	Prel. 1992	Projected (With Current Policies)		
					1993	1994	1995
Current account balance	-8.6	-18.6	-14.7	-10.7	-13.2	-14.8	-14.9
Of which:							
Exports	36.7	33.4	31.9	32.6	30.7	30.4	30.2
Imports	-61.4	-70.3	-64.2	-60.1	-60.7	-60.4	-60.2
Travel receipts	10.1	12.2	13.6	13.7	14.0	14.7	15.6
Official transfer receipts	7.8	6.7	5.8	3.9	3.8	1.8	1.0
Capital account balance	11.2	21.6	17.0	12.1	9.8	11.0	11.2
Of which:							
Net official borrowing	4.5	5.9	5.4	2.3	1.3	1.2	0.9
Private direct investment	4.9	4.3	6.0	6.2	6.3	7.3	8.3
Commercial banks	-1.6	6.7	1.7	-0.3	0.1	--	-0.8
Overall balance	2.6	3.0	2.4	1.4	-3.4	-3.8	-3.7
Of which:							
Financing gap	--	--	--	--	4.7	5.3	5.1

Sources: Ministry of Finance; Eastern Caribbean Central Bank; and Fund staff estimates.

After declining in 1988, the external debt of the public sector increased in the following three years to about 51 percent of GDP in 1991, mainly because of concessionary borrowing for public investment (Table 5). The ratio of debt to GDP subsequently declined to 49 percent in 1992 as such borrowing was reduced. The debt-service ratio fell from 10.5 percent of exports of goods and nonfactor services in 1989 to 7 percent in 1992, reflecting the higher proportion of concessionary borrowing associated with repayment of obligations to the Fund under arrangements in the early 1980s.

In real effective terms as calculated for Dominica, the Eastern Caribbean dollar depreciated by 26 percent from early 1985 through end-1990 as the U.S. dollar depreciated against other major currencies. In 1991 and 1992 the currency appreciated by 5 percent because of the depreciation of the Jamaica dollar and the pickup in the rate of increase of domestic prices (Chart 1).

Table 5. Dominica: Summary External Public Debt

	1986	1987	1988	1989	1990	1991	Prel. 1992	Projected (With Current Policies)		
								1993	1994	1995
(In millions of U.S. dollars)										
<u>Total external debt at beginning of year</u>	<u>46.6</u>	<u>51.7</u>	<u>62.0</u>	<u>61.7</u>	<u>72.0</u>	<u>85.3</u>	<u>92.3</u>	<u>92.4</u>	<u>94.2</u>	<u>96.0</u>
Drawings	5.2	9.2	6.5	11.4	12.0	12.2	7.0	6.7	6.7	6.7
Amortization	2.6	4.2	4.8	4.0	3.4	3.4	3.5	4.9	4.9	5.5
Valuation adjustments	2.5	5.3	-2.0	2.9	4.7	-1.7	-3.4	--	--	--
Debt outstanding at end-year	51.7	62.0	61.7	72.0	85.3	92.3	92.4	94.2	96.0	97.2
(In percent)										
Memorandum items										
Debt service/exports of goods and nonfactor services	9.2	10.7	10.2	10.5	7.3	7.2	7.3	9.1	8.6	9.0
Debt/GDP at end-year	45.5	49.0	42.2	47.7	50.1	51.0	48.8	46.0	43.4	40.7

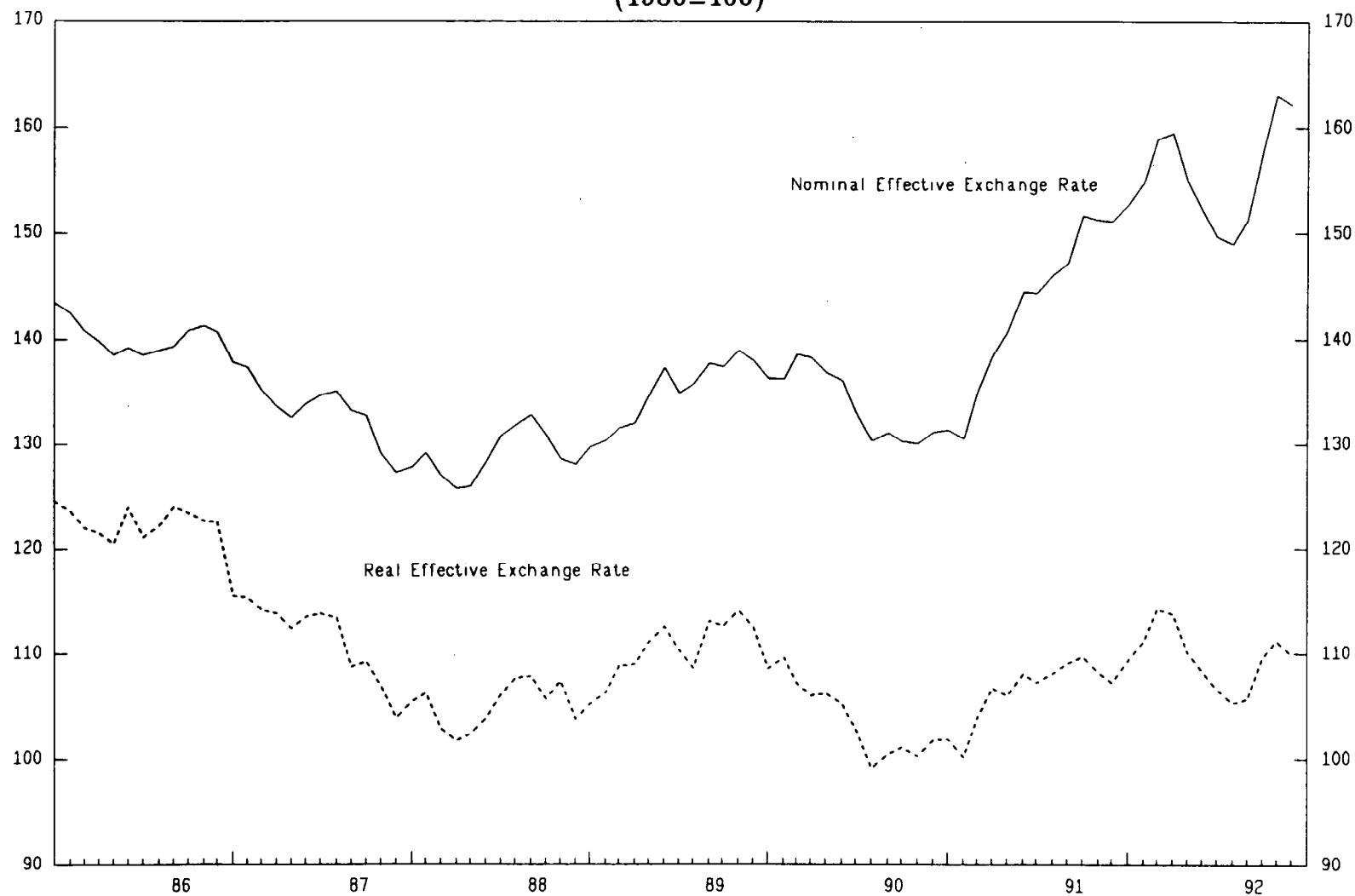
Sources: Ministry of Finance; Eastern Caribbean Central Bank; and Fund staff estimates.

2. Medium-term prospects based on current policies

The authorities are seeking a recovery in real GDP growth to about 3.5-4 percent a year in 1993-95. As regards private sector activity, banana growers are expected to increase investment in field maintenance and production infrastructure because of greater confidence about the retention of preferential access to European markets. ^{1/} This, together with assistance from the Dominica Banana Marketing Corporation (DBMC, the public enterprise that provides technical and marketing services to growers) in replanting older fields, is expected to raise banana output to an average of 66 thousand tons a year in 1993-95 as compared with 58 thousand tons a year in 1991-92. Also, manufacturing activity is expected to strengthen with the recovery of external demand and because of investments undertaken in 1992 to enhance productivity and contain costs. Construction activity is expected to be boosted by new private investments in expanding hotel capacity.

^{1/} On December 17, 1992 European Community Ministers of Agriculture agreed to change the system of access of bananas from various groups of countries to the European market (details are provided in the accompanying staff paper on recent economic developments). The new arrangements would appear to preserve to some extent the preferential position of Caribbean producers to export to the European market, but perhaps at a somewhat lower price. World Bank staff estimate that the unit receipts of Caribbean banana exports could fall by 20 percent in 1993-95.

Chart No 1
Dominica
Nominal & Real Effective Exchange Rates Indices, 1986-92
(1980=100)



Source: IMF, Information Notice System, March 1993.

1/ Real effective exchange rate calculated by using total trade weights of a country's major trading partners and deflated by the consumer price index

While the growth prospects have strengthened, the public finances are expected to come under pressure notwithstanding actions taken in the context of the 1992/93 budget to strengthen revenue performance and contain expenditure growth. These measures included raising various fees and charges, increasing port tariffs, and reducing DBMC costs by implementing a new system of packing and charging growers more fully for services.

The effects of these actions are expected to be offset, in part, by a fall in banana tax receipts because of lower export prices. Also, average import duties will be lowered in 1993 as contemplated under a recent agreement of the Caribbean Common Market. Moreover, it is likely that receipts from official grants will decline as the traditional donors shift development aid to other regions of the world. On the expenditure side, the Government has committed itself to raising various pay grades as part of an administrative reorganization that has been under preparation since 1986. A key assumption in the projections is that the authorities would succeed in limiting general wage increases in the public sector to an average of 1 percent a year in 1991-94. ^{1/}

These developments are estimated to lower public savings to about 1 percent of GDP a year in 1992/93 to 1994/95, and assuming full implementation of planned capital expenditures, overall deficits and financing requirements averaging about 5.5 percent of GDP a year could be envisaged for the next three years (Table 6).

Table 6. Dominica: Summary of Fiscal Prospects

	With Continuation of Current Policies			With Adjustment Proposed by the Authorities		
	1992/93	1993/94	1994/95	1992/93	1993/94	1994/95
Current account balance	1.3	0.6	0.7	3.3	3.1	3.2
Capital receipts and external grants	6.2	4.1	2.3	6.2	4.1	2.3
Capital expenditures	15.1	11.1	7.2	15.1	11.1	7.2
Overall balance	-7.6	-6.4	-4.2	-5.6	-3.9	-1.7
External financing	1.1	0.6	1.1	1.1	0.6	1.1
Domestic financing	--	-0.5	-1.4	--	-0.5	-1.4
Financing yet to be identified	6.5	6.3	4.5	4.5	3.8	2.0

Sources: Ministry of Finance; and Fund staff estimates.

In line with these weaker prospects for the public finances, the external current account deficit would widen from 11 percent of GDP in 1992 to about 14 percent a year in 1993-95. Exports could be expected to fall (in relation to GDP) because of terms of trade losses, and there also would

^{1/} The civil service unions are requesting increases averaging 10 percent a year for the period.

be a drop in external grants. These declines would not be offset by the likely increase in tourism earnings as external demand recovers and domestic accommodation capacity is enlarged. Assuming unchanged gross drawdowns of official external loans, and some increase in private direct investment in tourism projects, annual external financing requirements of about 5 percent of GDP a year would be envisaged for the period 1993-95.

III. Policy Discussions

The discussions focused on the policies needed to assure macroeconomic balance and the country's growth and diversification strategy, taking account of the outlook for the banana market, external aid, and regional developments.

1. Financial policies

The authorities took the position that the achievement and maintenance of real GDP growth of 3.5 to 4 percent a year was necessary to contain unemployment, and would require substantial further investment in infrastructure. This investment may have to be financed increasingly from domestic resources in light of the less-than-promising outlook for the continuation of concessionary external financing at the levels of recent years (averaging more than 10 percent of GDP a year in the six years ended 1991/92) and the need to avoid recourse to external financing on nonconcessionary terms.

The authorities indicated that their key fiscal target is to raise public sector savings to the equivalent of at least 4 percent of GDP a year over the medium term, compared with the 1 percent envisaged on the basis of policies now in place (as noted above). To achieve this, they intend to compensate in full for the revenue loss from the decrease in CARICOM's common external tariffs (estimated at about 0.5 percent of GDP a year). Also they are preparing to withdraw the exemptions from payments of import duties now enjoyed by public utilities, statutory boards, and farmers (with a total budgetary cost of about 1.2 percent of GDP in 1991/92) and to reduce exemptions granted to individuals (estimated to cost 0.5 percent of GDP in 1991/92); in the case of the public utilities, the loss of exemptions would need to be accompanied by increases in their output prices. In addition, the authorities intend to achieve budgetary savings of about 0.5 percent of GDP by reducing expenditures on selected categories of goods and services and by not filling certain vacancies.

The measures outlined by the authorities would raise public sector savings by about 2.5 percent of GDP a year. However, even with full implementation of these measures, public sector savings would still not be sufficient to finance the public investment program, leaving financing requirements of about 3 percent of GDP a year in 1992/93 to 1994/95 (see Table 6).

The authorities emphasized that they would endeavor to avoid recourse to domestic borrowing in 1992/93 given the high interest costs of such borrowing. They indicated that for 1992/93 they had identified certain capital expenditures that would be implemented only in the event that concessionary external financing or domestic savings exceed present expectations. Furthermore, they stated that in the event that negotiations on the wage increase for public sector employees result in a larger settlement than their offer of an average annual increase of 1 percent, capital expenditure plans would be cut back further; it is estimated that every 1 percent increase in wage awards beyond the authorities' offer would lower public savings by about 0.2 percent of GDP. 1/

The mission took the position that capital expenditures could be delayed only in the very short term. Soon, the authorities would need to carry out investment in infrastructure to encourage the private investment required to preserve the competitive position of traditional agriculture and manufacturing and to support the expansion of tourism and nontraditional agriculture.

To achieve the additional savings needed to finance the required public investment, the mission suggested increasing electricity rates and eliminating the remaining exemptions from import duties applied to fuel used in electricity generation; trimming employment in Government; reducing procurement prices paid to banana growers in line with developments in international prices; 2/ and introducing partial cost-recovery in education and health services which are now provided largely free of charge.

2. Growth and diversification

The authorities affirmed that the focus of the development strategy continued to be on broadening the production and export base by investing in infrastructure and fostering private sector activity. The public sector investment program for 1992/93 to 1995/96 has been reviewed by the World Bank staff. The review concluded that beyond 1992/93 the program is not developed adequately and that more emphasis is needed in the areas of repair and maintenance of existing infrastructure.

The December 1992 decision by the European Community to maintain a system of preferential access of bananas to the European market but subject to annual revisions underscores the need both to improve productivity and

1/ Under wage bargaining legislation enacted in December 1991, failure to conclude wage negotiations within a period of three months would result in the matter being referred to an arbitration panel whose decision would be binding.

2/ Procurement prices were reduced by about 11 percent in early 1993. As indicated earlier, export prices for Caribbean bananas marketed in Europe are estimated to decline by 20 percent in 1993-95.

lower costs in banana production while at the same time developing the marketing infrastructure that would increase the export competitiveness of crops other than bananas.

To reduce transportation costs and improve the infrastructure for exports of other crops, the authorities have acted to assure transportation by reserving shipping space on a weekly basis. They also intend to set up facilities to clean, sort, grade, and package agricultural products in order to enhance their appearance and acceptability in regional markets. The mission cautioned about the public sector becoming involved in the direct marketing of products. It also noted the risk of entering into price support arrangements and stressed the importance of ensuring full cost-recovery for the negotiated transport arrangements and the grading and cleaning facilities.

The authorities said that the competitive position of Dominica's soap producer has been enhanced by substantial investments made in reducing transportation costs and in raising factory productivity. To encourage investment in manufacturing and tourism, the authorities have been implementing since 1991 a policy of granting Dominican citizenship to foreign investors who commit more than specified minima for those sectors. The mission noted that foreign investment also could be increased if the approval process for investment applications and land purchases were simplified and concentrated in one agency.

The authorities indicated that four programs were in place to assist the lowest income groups through cash transfers and the provision of school lunches and assistance for school books and uniforms. Outlays for these purposes in 1991/92 amounted to EC\$10 million (nearly 2 percent of GDP). They noted that the bulk of education costs through the secondary school level as well as for basic medical treatment are borne by the Government.

3. Credit policy

Dominica's fixed exchange rate regime and restraints on government borrowing from the common central bank limit the scope for monetary policy. The authorities expressed concern about the limited availability of credit for medium- and long-term purposes, including for investment in housing.

The mission noted that the availability of credit for longer-term purposes reflects prudential preferences by banks and, possibly, the lack of suitable collateral. More credit may become available if the security provided by credit applicants is improved, possibly through more secure registration of titles and by speeding up the legal process of claim recovery.

4. Data issues

Dominica's data base is extensive but requires improvement in the areas of national accounts, price indices, labor force and unemployment, capital expenditures, and the finances of local governments. The authorities have

received technical assistance for these purposes from various regional organizations. Of particular urgency are improvements in the national accounts by expenditure category and in the consumer price index.

IV. Staff Appraisal

After experiencing high growth of real GDP in the context of low inflation in 1986-90, Dominica's economic performance weakened in 1991-92. Output growth declined to less than one half its previous average because of stagnation in the banana sector as a consequence of uncertainties about the continuation of preferential export arrangements and weak demand by trading partners. Also, the public finances weakened because of a large public sector wage award and sharply higher investment expenditures.

The expected strengthening of activity abroad and the reduction of uncertainty about banana exports has improved the conditions for growth. However, achievement and maintenance of growth of some 4 percent a year as sought by the authorities depends on the implementation of public investments in infrastructure. At the same time, the public sector's ability to finance its investments without recourse to domestic borrowing has been circumscribed by the decline in public savings and in the availability of external concessionary financing.

The staff estimates that even under favorable assumptions for settling the current public sector wage negotiation, the authorities would need to mobilize additional savings amounting to about 5.5 percent of GDP a year in the period 1992/93 to 1994/95 to enable the public sector to implement the public investments needed while avoiding recourse to domestic bank credit. The authorities have identified measures that would mobilize about one half of the required public savings, and would seek additional foreign financing for the remaining public investments. In the event that additional concessionary foreign resources are not forthcoming, the authorities would defer planned capital expenditures.

Such deferment of capital expenditure plans can be only a temporary expedient and may undermine the ability of Dominica to attain its growth objectives. The staff believes that the authorities should take actions to close the potential resource gap by mobilizing additional public savings of some 3 percent of GDP. It is also important to convince the public sector unions to accept the authorities' current proposal for wage adjustments.

To increase public sector savings, the staff has suggested raising tariffs for public utilities, trimming employment in the civil service, reducing banana procurement prices in line with developments in export prices, and increasing charges for education and health services now provided almost free of charge by the public sector.

Dominica's membership of the Eastern Caribbean Currency Union and the maintenance of a fixed exchange rate regime have served the country well. The pickup of inflation in 1991-92 is expected to abate with moderation of

wage pressures in the public and private sectors, increased productivity in agriculture and manufacturing (in part because of recent investments), and liberalization of import-licensing requirements.

The authorities have taken actions to broaden the economic base and attract additional foreign private investment. These involve public sector participation in marketing and transportation and establishment of quality controls. The staff has cautioned about the importance of ensuring full recovery for the cost of these services so that the public sector does not become engaged in export price support mechanisms.

It is expected that the next Article IV consultation with Dominica take place within 12 months from the completion of the 1993 Article IV consultation.

Dominica - Fund Relations
(As of February 28, 1993)

I. Membership Status: Joined 12/12/78; Article VIII

II. <u>General Resources Account</u> :	<u>SDR Million</u>	<u>% Quota</u>
Quota	6.00	100.0
Fund holdings of currency	6.09	101.4
Reserve position in Fund	0.01	0.2

III. <u>SDR Department</u> :	<u>SDR Million</u>	<u>% Allocation</u>
Net cumulative allocation	0.59	100.0
Holdings	0.01	1.2

IV. <u>Outstanding Purchases and Loans</u> :	<u>SDR Million</u>	<u>% Quota</u>
Extended arrangements	0.09	1.5
SAF arrangements	2.64	44.0

V. Financial Arrangements:

Type	Approval Date	Expira- tion Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
SAF	11/26/86	11/25/89	2.80	2.80
Stand-by	07/18/84	07/17/85	1.40	0.97
Extended	02/06/81	02/05/84	8.55	8.55

VI. Projected Obligations to Fund: (SDR Million; Based on Existing Use of Resources Only):

	Overdue 2/28/93	Forthcoming				
		1993	1994	1995	1996	1997
Principal	--	0.5	0.6	0.6	0.6	0.4
Charges/interest	--	--	--	--	--	--
<u>Total</u>	--	<u>0.5</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.4</u>

VII. Exchange rate arrangement: Since July 1976, the Eastern Caribbean dollar has been pegged to the U.S. dollar at the rate of EC\$2.70 per U.S. dollar (EC\$2.6882/EC\$2.7118).

VIII. Article IV consultations: The last Article IV consultation was concluded by the Executive Board on February 14, 1992 (EBM/92/18); the relevant documents were SM/92/14 and SM/92/21. Dominica has reverted to the standard consultation cycle after having been placed on the bicycle during the temporary change in consultation cycles.

IX. Technical assistance: None since November 1987.

X. Resident representative: None.

Dominica--Basic Data

<u>Area</u>	750 sq. kilometers
Arable land	213 sq. kilometers

Population and related vital statistics

Population in 1991 (thousand)	71.8
Annual growth in population (percent)	
Crude birth rate in 1990	2.0
Population increase net of emigration (1981-91)	--
Density (1991)	
Total (per sq. kilometer)	95.7
Arable land (per sq. kilometer)	337.1
Life expectancy at birth in 1991 (years)	75
Infant mortality rate in 1990 (per thousand)	18.4

Nutrition (1992)

Caloric intake as percent of requirement	87.0
Per capita protein intake (grams per day)	63

Health (1992)

Population per physician	3,121
Population per hospital bed	202

Access to electricity (1992)

Percent of population	97.2
-----------------------	------

Education

Adult literacy rate in 1992 (percent)	94.4
Primary school enrollment in 1991/92 (percent)	70.7

GDP at market prices (millions of U.S. dollars)	184.9
GDP per capita (U.S. dollars)	2,543.0

(In percent of GDP at
current factor cost)

Origin of GDP (1992)

Agriculture and mining	26.3
Manufacturing	5.3
Construction and utilities	11.0
Transport and communications	18.2
Government services	18.8
Other	20.4

Ratio to GDP (1992)

Exports of goods and nonfactor services	56.8
Imports of goods and nonfactor services	73.0
Central government current revenue (FY 1991/92)	28.7
Central government current expenditure (FY 1991/92)	27.2
External public and publicly guaranteed debt, inclusive of use of Fund credit (end of year)	50.0

Annual changes in selected economic

<u>indicators (in percent)</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
Real GDP (at factor cost)	8.0	-1.2	6.4	2.2	2.1
GDP at current market prices	15.3	2.9	11.6	6.1	3.8
GDP deflator	6.6	2.3	7.0	4.7	2.0
Consumer prices (annual averages)	2.2	6.7	2.0	6.2	5.3
Money and quasi-money <u>1/</u>	22.4	16.6	15.8	17.4	18.4
Net domestic assets <u>2/</u>	-10.0	30.0	32.4	24.6	17.2
Credit to the public sector (net) <u>2/</u>	-13.2	-0.6	14.9	19.4	5.6
Credit to the private sector <u>2/</u>	20.2	29.4	30.3	13.4	7.6

	1988	1989	1990	1991	Prel. 1992
Merchandise exports, f.o.b.	18.8	-18.8	21.1	1.2	6.3
Merchandise imports, c.i.f.	31.6	22.6	10.0	-3.1	-2.9
Travel receipts (gross)	37.7	6.4	30.1	18.2	5.2
Central government current revenue ^{3/}	15.2	14.7	0.2	7.3	8.0
Central government current expenditure ^{3/}	8.9	6.8	7.9	22.2	3.1

	1987/88	1988/89	1989/90	1990/91	Prel. 1991/92
(millions of Eastern Caribbean dollars)					
Central government finances ^{3/}					
Domestic revenue	109.6	127.9	123.0	132.8	144.1
Total expenditure	134.8	142.5	186.3	178.9	183.6
Current account balance	13.5	22.8	15.4	0.8	7.2
Foreign grants	26.4	19.5	24.5	23.8	13.8
Overall balance	1.2	4.8	-38.9	-22.3	-25.7
Foreign concessional borrowing (net)	15.9	19.5	26.6	26.5	18.4
Of which: Structural Adjustment Facility	3.1	1.4	0.4	--	-0.3
Change in Government's foreign assets	-0.7	-0.7	-1.9	1.2	-1.8
IMF (net purchases)	-6.8	-7.2	-5.0	-3.1	-1.9
Domestic financing (net)	-9.6	-16.1	19.2	-2.3	11.0
Of which: ECCB	-7.0	6.1	4.2	-0.2	2.4

	1988	1989	1990	1991	Prel. 1992
(In millions of U.S. dollars)					
Balance of payments					
Merchandise exports (f.o.b.)	57.0	46.3	56.1	56.7	60.3
Merchandise imports (c.i.f.)	87.8	107.3	118.1	114.5	111.1
Travel (net)	12.5	12.1	16.0	19.5	20.5
Other services	-5.5	-7.8	-7.8	-9.2	-9.1
Private transfers (net)	10.8	11.7	12.8	12.7	14.3
Official transfers	8.7	9.7	9.9	8.5	5.4
Balance on current account ^{4/}	-4.3	-35.2	-31.2	-26.2	-19.7
Official borrowing (net)	4.0	9.4	9.9	9.7	4.2
Private capital (net) ^{5/}	-0.4	25.7	26.3	20.8	18.2
Overall balance	-0.7	-0.1	5.0	4.2	2.7

^{1/} Refers to commercial banks' liabilities to the private sector in fiscal year ending June.

^{2/} Refers to domestic commercial bank's operations. Changes are in relation to liabilities to the private sector at the beginning of the year.

^{3/} Refers to fiscal years beginning July 1.

^{4/} Including foreign official transfers.

^{5/} Includes errors and omissions.

Dominica: Financial Relations of the World Bank Group with Dominica
As of February 28, 1993

(In millions of U.S. dollars)

	Outstanding as of February 28, 1993			
	Disbursed	Undisbursed	Total	Repayments
Total IDA	9.2	0.6	9.8	--
Road rehabilitation and maintenance project	4.4	--	4.4	--
Power project	2.6	0.6	3.2	--
Structural Adjustment Credit	2.2	-- 3/	2.2	--

	Net Disbursements During Fiscal Year 1/									
	Actual								Proj.	
	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
Net disbursement IDA 2/	1.5	0.3	--	1.4	1.4	1.0	0.7	0.3	0.3	0.3
Road rehabilitation and maintenance project	1.5	0.3	--	--	--	--	--	--	--	--
Power	--	--	--	0.4	0.4	0.8	0.7	0.3	0.3	0.3
Structural Adjustment Credit	--	--	--	1.0	1.0	0.2	--	--	--	--
<u>Memorandum item</u>										
Interest and commitment fees	--	--	--	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Source: World Bank.

1/ World Bank fiscal year beginning July 1.

2/ No repayments were made, or expected, in the period covered in this table.

3/ The third tranche of the Structural Adjustment Credit was cancelled in August 1992 at the Government's request.