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Dominica: Use of Fund Resources—Request for Emergency Assistance—Staff Report; and Press Release on the Executive Board Discussion

In the context of the use of Fund resources—request for emergency assistance, the following documents have been released and are included in this package:

- The staff report for the Use of Fund Resources—Request for Emergency Assistance, prepared by a staff team of the IMF, following discussions that ended on November 29, 2007, with the officials of Dominica on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 17, 2008. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A Press Release summarizing the views of the Executive Board as expressed during its February 4, 2008 discussion of the staff report that completed the request.

The document listed below has been separately released.

Letter of Intent sent to the IMF by the authorities of Dominica*

*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

DOMINICA

Use of Fund Resources—Request for Emergency Assistance

Prepared by the Western Hemisphere Department

Approved by José Fajgenbaum and Matthew Fisher

January 17, 2008

- **The impact on the Dominican economy of the August 2007 hurricane was severe**. Damage to housing and infrastructure, and loss of export earnings is estimated at 20 percent of GDP.

- **The authorities have made a request for a purchase under the Fund's policy on emergency assistance for natural disasters along with a subsidy on the rate of charge of such purchase** (see letter of intent dated January 17, 2008).

- **The last Article IV consultation was concluded by the Executive Board on July 16, 2007**. At that time, Directors commended the authorities for their continued commitment to sound policies which were instrumental in the remarkable recovery of the economy. They supported the government's medium-term fiscal targets, and welcomed the recent surge in budgetary aid, but highlighted the associated policy challenges. Directors supported the authorities' commitment to structural reforms in the financial sector and pension system, but called for implementation of further structural reforms to foster private sector-led growth.

- **Dominica has accepted the obligations of Article VIII, Sections 2, 3, and 4**, and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. The currency is the Eastern Caribbean dollar of the Eastern Caribbean Currency Union, which has been pegged to the U.S. dollar since 1976.

- **Consultation with the authorities was conducted by telephone and e-mail following the authorities' meeting with Deputy Managing Director Portugal during the 2007 Annual Meetings**.

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EXECUTIVE SUMMARY

In August 2007, Dominica was struck by Hurricane Dean, which caused considerable damage to agriculture, infrastructure and property, estimated at about US$60 million (20 percent of GDP). Damage to agriculture was heavy, exacerbating already slowing growth, and loss of export earnings is estimated at about US$9 million (3 percent of GDP).

The reconstruction effort will be addressed primarily through external grants, and the reallocation of public investment. The government expects to spend an additional US$7½ million (2½ percent of GDP) financed by external grants primarily from CARICOM Petroleum Facility.

The government remains committed to a primary surplus target of 3 percent of GDP over the medium term, and will vary the implementation schedule of planned income tax reforms to secure it. They will continue to pursue structural reforms to foster economic growth and reduce poverty.

The authorities have requested a purchase of Emergency Assistance (ENDA) for an amount equivalent to SDR 2.05 million (25 percent of quota) to help cushion the impact on external reserves.

The effects of Hurricane Dean underscore the vulnerability of the economy in the context of very high public debt levels, and there are some risks to the Fund's resources. However, these are mitigated by the authorities' proven and reaffirmed commitment to prudent policies, their medium-term fiscal targets which provide for further reduction in debt levels, and the expectation of continued support from the international community.

I. Background

1. **Dominica was struck by Hurricane Dean during August 16–17, 2007**. Torrential rain resulted in landslides, causing human casualties and severe damage to the island's roads. The agricultural sector particularly bananas took the brunt of the damage, while commercial and residential buildings and other key physical infrastructure were also affected. The important tourism sector however was largely unscathed. The overall damage is estimated at about US$60 million, nearly 20 percent of GDP, including loss of export earnings of some US$9 million, 3 percent of GDP.[1]

2. **The government has moved quickly to provide immediate relief to those affected by the natural disaster, and undertake repair and reconstruction work**. Many donors have responded to help meet these priorities. The CARICOM Petroleum Facility funded by Trinidad and Tobago has already provided an emergency grant of US$7½ million (2½ percent of GDP). Other external donors (including South Korea and the Caribbean Development Bank) have also provided small disaster relief grants. Notwithstanding this generous support, given the size of structural damage, the reconstruction process will require a considerable amount of time and resources, and is likely to be limited by implementation capacity.

3. **A recent earthquake also underscores the vulnerability of the economy to natural disasters**. An earthquake (7.4 on the Richter scale) which shook the Eastern Caribbean on November 29 triggered a payout to Dominica of about US$½ million under the Caribbean Catastrophe Risk Insurance Facility, although damage was minimal.

4. **In the attached letter dated January 17, 2008, the authorities have requested a purchase equivalent to 25 percent of quota (SDR 2.05 million) under the Fund's policy on emergency assistance for natural disaster**. In the letter, the Prime Minister informed the Fund of the effects of the hurricane—including on the balance of payments—and set out the authorities' policy response to the natural disaster, and their macroeconomic priorities for the period ahead. In line with Fund policy on emergency assistance for PRGF-eligible countries, the authorities have requested the provision of subsidies to reduce the rate of charge down to ½ percent per annum on these resources, subject to the availability of subsidy resources. The purchase will help meet the immediate foreign exchange needs stemming from the disaster, thereby maintaining confidence in the external position.

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[1] ECLAC/UNDP, *Commonwealth of Dominica: Socio-Economic Assessment of the Damage and Loss Caused by Hurricane Dean*, December 3, 2007.

II. Economic Performance Prior to The Hurricane

5. **The economy had slowed somewhat before the hurricane following a period of strong growth**. Real output grew by 4 percent in 2006, the strongest in nearly two decades, under a successfully concluded PRGF-supported program (Table 1). Output growth slowed during the first half of 2007 as tourist arrivals stagnated across the region. Inflation was 3½ percent in July reflecting higher energy and imported food prices.

6. **The public finances improved markedly under the PRGF-supported program (2003–06)**. The primary surplus rose to 6¾ percent of GDP in FY 2006/07 compared with -1½ percent of GDP in FY 2002/03 (Table 2). Revenues were boosted by a new VAT and excise duty regime introduced in March 2006. Accordingly the public debt declined to around 100 percent of GDP at the end of the fiscal year.[2] The 2007/08 budget passed in July outlined a multiyear reform of the personal income tax that is consistent with a primary surplus of about 3 percent of GDP. The reform could result in revenue losses of 1 percent of GDP annually over the short term, and possibly rising to about 2 percent of GDP per year over the medium term.

7. **The external current account deficit widened during the first half of the year due to a surge in import of construction material, a higher oil bill, and regionally weak performance in the tourism sector**. Non-oil imports of goods, in particular construction materials, were well above the 2006 levels, while the value of oil imports expanded reflecting higher international oil prices. Export performance has also been weak, owing to the waning banana sector. The external deficit has been almost fully financed by large capital grants and foreign direct investment in recent years (Table 3).

8. **The performance of commercial banks has been solid, but little is known about the loosely regulated credit unions**. Banks are liquid and adequately capitalized, with deposits showing solid growth and credit risks are generally well managed (Tables 4 and 5). Net foreign assets of the banking system rose by EC$110 million to EC$500 million through July 2007 in the face of strong deposit growth and a deceleration in the expansion of private sector credit. The credit union sector in Dominica is larger than in the rest of the ECCU, with total assets of EC$367 million (45 percent of GDP). While creditable efforts have been made to improve oversight of credit unions, their accounts are not routinely inspected by any government agency.

9. **Structural reforms have continued after the expiration of the PRGF arrangement.** With the support of World Bank, the authorities are creating dedicated

[2] The fiscal year runs from July to June.

agencies for the promotion of tourism and investment. Steps have been taken to establish an independent regulatory commission to address the inefficiencies of the energy sector. Land registry services have been strengthened, and foreclosure arrangements are being streamlined.

III. Economic Impact of the Hurricane

10. **Preliminary estimates suggest that GDP growth fell to around 1 percent in 2007**. Damage to agriculture, particularly bananas, was severe, accounting for the bulk of the slowdown, with negative spillovers to other sectors. The economy is nonetheless expected to rebound next year and regain pre-hurricane trend growth of about 3 percent as timely recovery efforts, especially for agriculture and key infrastructure, bear fruit.

11. **The fiscal impact of the hurricane would be largely on the expenditure side**. Revenue performance has been unexpectedly strong, as the surge in imports due in part to reconstruction has kept tax revenue on target. The additional spending needed for the rehabilitation of infrastructure (roads, bridges, and seawalls) and to provide assistance to those who suffered abrupt loss of earnings is estimated at 2½ percent of GDP.[3] This is after expected reallocation of expenditure already in the FY 2007/08 budget.[4]

Dominica: Key Fiscal Indicators, FY 2007/08

In percent of GDP

	2007 Art. IV	FY 2007/08 Budget 1/	ENDA
Revenue and grants	37.7	41.7	43.6
Revenue	31.3	32.5	32.5
Grants	6.5	9.2	11.5
Total expenditure	36.9	40.9	43.2
Capital expenditure	8.9	10.8	13.1
Overall balance	0.8	0.8	0.8
Primary balance	3.0	3.0	3.0

Source: Ministry of Finance and Fund staff estimates and projections.
1/ Adjusted for FY 2006/07 outturn and implementation capacity.

[3] The FY 2007/2008 budget passed after the 2007 Article IV consultations already incorporated higher expenditure financed mainly by external grants from Venezuela (2½ percent of GDP) and China (½ percent of GDP).

[4] The final figure is not yet available as some of the reallocation of expenditure would require the concurrence of the donors.

12. **The balance of payments impact of the hurricane damage will be significant, in both 2007 and 2008.** The external current account deficit will likely widen considerably as agricultural exports plunge and rehabilitation imports surge. Exports are estimated to have declined by 8 percent (y/y) in 2007 and projected to fall by a further 18 percent in 2008. Meanwhile, imports are estimated to have risen by 9 percent in 2007, and are projected to grow by 6 percent in 2008. The deterioration in the current account was accentuated by the closure of a major toothpaste factory in the last quarter of 2007, and rising petroleum and imported food prices. Overall, the current account deficit is expected to widen by almost 4 percent of GDP in 2007 (relative to 2006) to 23 percent of GDP, rising by another 3½ percent of GDP in 2008. Accordingly, the net foreign assets of the banking system (a better measure of the balance of payments impact) are projected to decline by around 8 percent of GDP from the July 2007 level. [5]

Dominica: Key External Sector Indicators

In percent of GDP

		2007 Art. IV		ENDA	
	2006	2007	2008	2007	2008
External current account balance	-19.4	-17.0	-19.2	-23.3	-26.6
Exports	14.2	14.0	11.1	12.6	9.9
Imports	48.9	47.0	46.9	51.5	52.1

Sources: ECCB; and Fund staff estimates and projections.

13. **The banking system appears to be well-positioned to weather the effects of the hurricane** (paragraph 8). However, credit unions with customer bases concentrated in banana-producing areas could see an increase in past due loans.

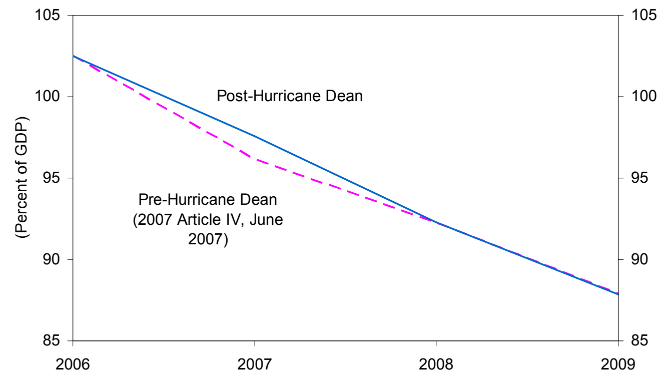
IV. The Policy Response

14. **The authorities are implementing a two-pronged strategy for dealing with the crisis.** First, the immediate priorities to repair critical infrastructure and to provide hurricane relief are being addressed with the assistance from donors. Second, the government, with the help of donor countries and multilateral agencies, will shortly develop a comprehensive home-grown program aimed at reactivating the economy and addressing the large social needs, drawing extensively on the existing Growth and Social Protection Strategy (GSPS) of the government. The government is still considering a PRGF-supported program to help consolidate achievements under the 2003–06 arrangement.

[5] Given the reserve-pooling arrangement in the Eastern Caribbean Currency Union (ECCU), changes in the level of official reserve are not a good measure of the balance of payments impact of the hurricane. The immediate balance of payments needs would not cause a serious depletion in official reserves but would be reflected in changes in the net foreign assets of the banking system.

15. **The authorities have reaffirmed their commitment to pursue prudent fiscal policy**. As detailed in the attached letter, the government intends to maintain the budgeted primary balance surplus of 3 percent of GDP in FY 2007/08 and keep it at that level over the medium term (Table 6). Additional hurricane-related spending would be financed by external grants.[6] As a result of the hurricane, the public debt/GDP ratio will temporarily decline more slowly (vis-à-vis pre-hurricane projections) because of lower GDP growth (Figure 1 and Table 7a). Nevertheless, public debt will continue to decline as: (i) the primary surplus target is maintained; (ii) a large share of reconstruction expenses will be financed through grants; and (iii) the impact of the hurricane on output is expected to be short-lived.

Figure 1. Dominica: Public Debt Trajectories



Source: Fund staff estimates.

16. **The authorities remain committed to the income tax reform announced in the budget, and to continue efforts to complete the debt restructuring.** However, they will keep open the option to vary the implementation schedule for tax reform to protect revenue targets. The government will also closely monitor revenue developments and would strongly resist pressures, arising from inflationary concerns, to dilute the integrity of the newly-introduced VAT. In addition, the government will stay current in all debt-service payments to creditors and will continue to make good-faith efforts toward completing the collaborative debt restructuring agreements with holdouts as proposed by the Government of Dominica in 2004 and deal with related arrears (although the Fund's policy on lending into arrears does not apply to ENDA).

17. **The government will continue to press ahead with structural reforms aimed at fostering economic growth and lowering poverty.** As soon as the immediate priorities have been addressed, the government is determined to refocus its attention to developing a reform agenda, drawing on the existing GSPS. The main priorities for reform will remain (i) maintaining prudent fiscal policies; (ii) enhancing the investment climate for private sector development; (iii) and strengthening oversight of, and resilience in, the financial sector. In particular, the authorities plan to introduce a Financial Services Act early in 2008, establishing a regulatory and supervisory framework for the nonbank financial sector. This

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[6] All cash disbursements received from donors will be channeled through the consolidated fund to ensure adequate accounting and use of these resources.

would improve the monitoring of the activities of the nonbank sector, and help reduce financial sector risks.

V. Access and Capacity To Repay

18. **The authorities have requested a purchase for an amount equivalent to SDR 2.05 million (25 percent of quota) under the Fund's policy of ENDA along with a subsidy on the rate of charge on this purchase**. The purchase—which represents approximately 1 percent of Dominica's 2007 GDP—would help meet the immediate foreign exchange needs stemming from the disaster, thereby avoiding a decline in Dominica's external reserves.

19. **It is expected that Dominica will be able to discharge its obligations with the Fund in a timely manner**. Dominica's public sector and external debt was on a declining trajectory before Hurricane Dean struck the island.[7] This declining debt path was the result of sound fiscal policy—underpinned by a targeted primary balance of 3 percent of GDP; an economic recovery; and the improved terms achieved through the collaborative debt restructuring initiated in 2004. The effects of Hurricane Dean will cause only a temporary departure from the pre-hurricane path (see paragraph 15).

20. **Although Dominica's public and external debt are expected to continue on a declining path, debt-related risks—which were already high—have increased** as a consequence of the hurricane. An important source of vulnerability is the bunching of payments projected for the period 2009 and 2012, which will become more burdensome because of the repurchases for the ENDA falling due in 2011 and 2012 (Figure 1, Tables 7b, 7c, 7d and 8). Nonetheless, staff judges that the risks are mitigated by Dominica's proven commitment to fiscal prudence and the government's target of a 3 percent primary surplus.

VI. Staff Appraisal

21. **The impact of the hurricane on the Dominica economy has been severe.** Staff estimates that the economy slowed in 2007 due primarily to extensive damage to agriculture. While the medium-term outlook remains positive, it will take considerable efforts and resources to put the economy back to the above-trend growth of 3 percent. Investment needs have also increased due to the damage to public infrastructure, further reducing room for maneuver.

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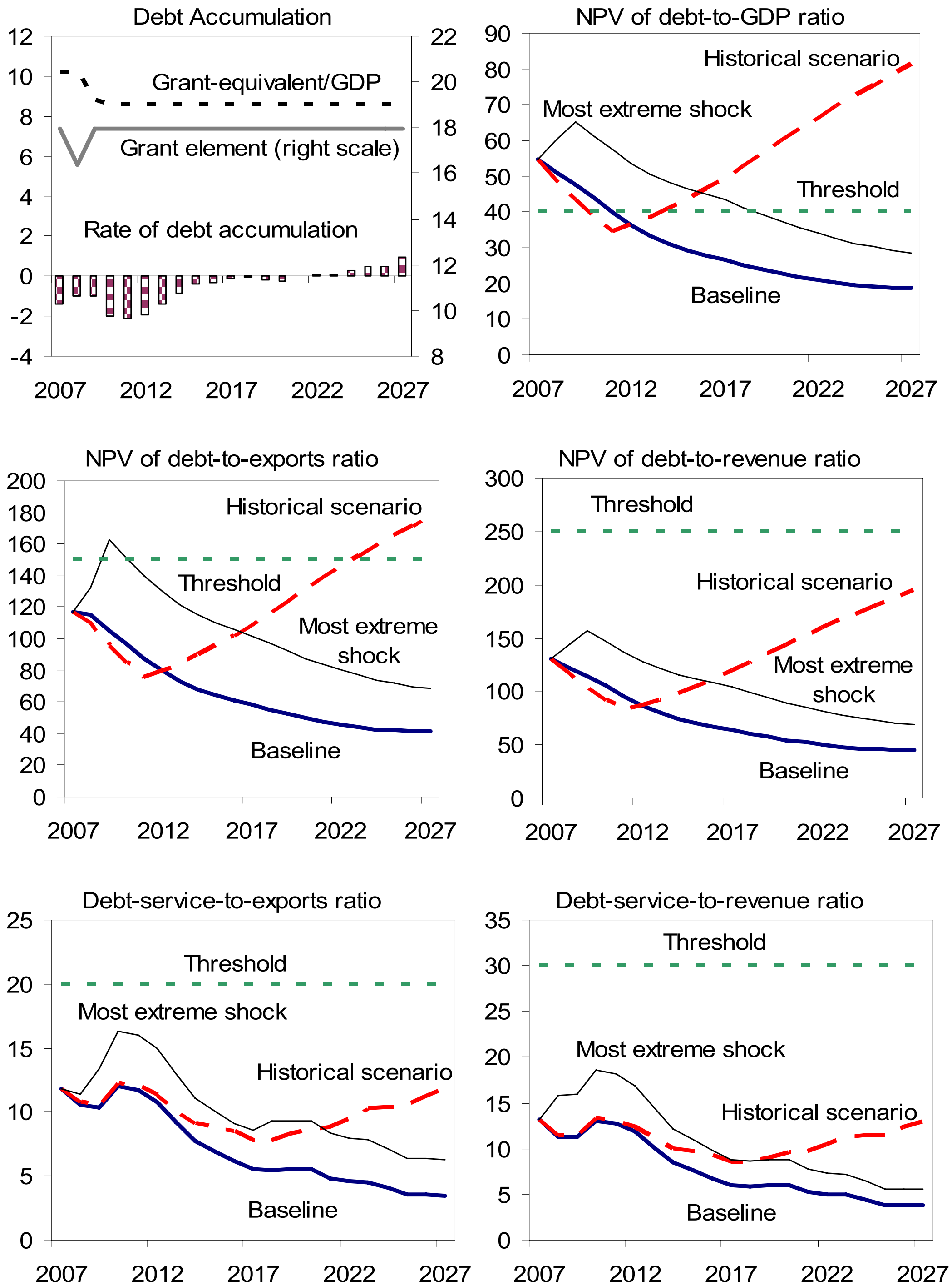
[7] Dominica—Staff Report for the 2007 Article IV Consultation, IMF Country Report No. 07/322.

22. **The policies outlined in the letter of intent will maintain the momentum of reform efforts to attain macroeconomic stability and foster private sector-led growth**. The reconstruction effort is being addressed primarily through external grants and the reallocation of public investment, in view of the large public debt. The staff supports the strategy to keep the primary surplus target of 3 percent of GDP. Staff also concurs with the authorities' view that the pursuit of sound macroeconomic policies and structural reforms offer the best prospect for sustainable growth over the medium term.

23. **The staff supports the authorities' intention to maintain the integrity and stability of the newly-introduced VAT and the strategy for implementing the personal tax cuts.** The VAT, which was introduced in March 2006, is consistent with international practices and has become a strong and stable source of revenue. Given the still fragile fiscal situation and large expenditure needs, the planned income tax cuts need to be undertaken gradually and consistent with the primary surplus target.

24. **Staff supports the authorities' request for a purchase under the Fund's policy on emergency assistance for natural disasters.** The authorities' requested purchase in the amount of 25 percent of quota which is the access limit, except in exceptional circumstances. Staff supports the authorities' request on the basis of the severe damage to the economy and associated large balance of payment needs, the authorities' past track record in meeting policy commitments under the recently expired PRGF arrangement, and the soundness of policies outlined in the letter. The large public debt and an inherent vulnerability of the small-island economy pose some risks to the Fund's resources. Nonetheless, these risks are mitigated considerably by the authorities' resolve to sustain fiscal consolidation and foster private sector-led growth, the expectation of continued support from the international community, and their commitment to work closely with the Fund in developing their reform strategy.

Figure 1. Dominica: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2007–27



Source: Fund staff projections and simulations.

Table 1. Dominica: Selected Economic and Social Indicators

	2002	2003	2004	2005	Prog. 1/ 2006	Prel. 2006	Proj. 2007	Proj. 2008
	(Annual percentage change, unless otherwise specified)							
Output and prices								
Real GDP (factor cost)	-5.1	0.1	3.0	3.3	4.1	4.0	0.9	3.5
GDP deflator (factor cost)	-0.2	0.9	2.1	1.5	1.2	1.9	2.2	1.8
Consumer prices (end of period)	0.4	2.9	0.8	2.7	2.0	1.6	3.4	2.4
Money and credit 2/								
Net foreign assets of the banking system	19.3	17.3	8.1	-8.0	5.1	17.6	7.8	-2.0
Net domestic assets of the banking system	-10.8	-16.4	-2.1	14.7	2.9	-8.0	-2.1	5.4
Of which								
Net credit to the nonfinancial public sector	-5.4	-4.3	-5.1	-1.2	-2.0	-10.8	-5.3	-0.7
Credit to the private sector	-1.3	-2.3	5.4	4.6	6.1	8.5	3.6	4.9
Liabilities to the private sector (M2)	8.5	1.0	5.9	6.7	8.0	9.6	5.7	3.3
Balance of payments								
Merchandise exports, f.o.b.	-1.8	-6.0	4.5	0.4	-1.0	-1.1	-8.0	-17.6
Merchandise imports, f.o.b.	-11.5	9.3	14.2	14.2	0.5	0.6	9.1	6.4
Real effective exchange rate								
(end of period, depreciation -)	-3.2	-1.9	-6.0	1.9	…	-2.6	…	…
	(In millions of U.S. dollars)							
Merchandise exports, f.o.b.	43.6	41.0	42.8	43.0	42.6	42.5	39.1	32.3
Merchandise imports, f.o.b.	102.4	111.8	127.8	145.9	146.6	146.8	160.1	170.3
Current account balance	-34.7	-33.6	-46.9	-83.8	-63.9	-58.3	-72.4	-87.2
Capital and financial account balance 3/	46.9	35.0	21.2	75.5	62.7	64.9	73.3	87.3
Overall balance	12.1	1.4	-25.7	-8.3	-1.2	6.6	0.9	0.2
	(In percent of GDP, unless otherwise specified)							
Central government 4/								
Savings (including grants)	-0.5	8.6	7.6	10.6	11.5	14.3	13.8	11.7
Of which								
Primary savings (before grants)	0.6	5.8	7.8	8.5	5.5	8.7	4.6	5.3
Grants 5/	4.5	8.8	5.9	7.6	8.5	8.1	11.5	8.5
Capital expenditure and net lending	5.0	10.1	8.8	9.5	10.1	10.6	13.1	10.9
Primary balance 5/	-1.6	5.4	3.5	7.3	4.0	6.6	3.0	3.0
Overall balance 5/	-5.4	-1.3	-0.9	1.2	1.6	3.8	0.8	0.9
Nonfinancial public sector debt (gross) 6/								
Total	130.8	130.8	116.0	108.1	101.4	102.5	97.6	92.3
External	79.6	84.6	80.6	74.8	70.8	70.9	66.7	62.7
Domestic	51.2	46.2	35.4	33.3	30.6	31.6	30.8	29.6
External sector								
Current account balance	-13.7	-13.0	-17.3	-29.5	-21.3	-19.4	-23.3	-26.6
External public debt service 7/	11.8	19.5	20.7	17.5	13.1	13.0	9.8	11.9
Amortization	4.6	12.8	14.0	9.1	8.4	8.3	5.2	6.9
Interest	7.1	6.8	6.7	8.4	4.7	4.7	4.5	5.1
Memorandum items:								
Nominal GDP at market prices (EC$ millions)								
Calendar year	683.5	696.1	733.7	767.5	809.5	813.6	838.8	883.8
Net international reserves								
(US$ millions; end-of-period) 8/	43.6	44.0	33.6	37.6	44.2	51.9	54.8	57.0

Sources: Dominica authorities; ECCB; and Fund staff estimates and projections.

1/ IMF Country Report No. 07/1, Seventh PRGF Review (November 2006).

2/ Percentage changes relative to the stock of M2 at the beginning of the period.

3/ Including errors and omissions.

4/ Figures shown for a given calendar year relate to the fiscal year (July–June) beginning on July 1 of that year.

5/ Does not include grants that were received but not spent, in line with IMF Country Report No. 05/384.

6/ For 2005, it includes the reallocation of part of an external bond (around 4 percent of GDP) from external to domestic.

7/ In percent of exports of goods and nonfactor services. Data are on prerestructuring terms up to 2005, and on postrestructuring terms for creditors participating in the debt restructuring and on prerestructuring terms for nonparticipating creditors .

8/ Transactions with the IMF are included as transactions of the monetary authorities.

Table 2. Dominica: Summary Accounts of the Central Government 1/

	2002/03	2003/04	2004/05	2005/06	2006/07 Prog. 2/	2006/07 Prel.	Proj. 2007/08	Proj. 2008/09
	(In millions of Eastern Caribbean dollars)							
Total revenue and grants	**224.1**	**285.9**	**292.0**	**325.0**	**320.1**	**356.8**	**378.8**	**366.9**
Current revenue	191.9	221.8	245.7	263.2	248.1	289.1	278.6	288.7
Tax revenue	167.9	193.6	213.3	239.5	227.9	261.6	256.3	265.2
Nontax revenue	23.9	28.1	32.4	23.7	20.2	27.4	22.3	23.4
Capital revenue	1.3	1.3	1.3	1.3	1.3	1.0	1.1	1.1
Grants 3/	30.9	63.2	44.3	60.3	70.5	66.7	99.2	77.1
Total expenditure	**261.3**	**295.2**	**298.7**	**315.3**	**306.8**	**325.7**	**372.3**	**359.0**
Current expenditure	226.6	223.1	232.9	240.2	223.7	238.0	259.2	260.4
Wages and salaries 4/	116.1	104.2	102.0	105.3	107.1	107.8	113.3	116.7
Interest	37.6	41.7	43.9	43.0	19.8	19.9	19.4	19.0
Domestic	17.8	18.8	20.4	20.2	7.7	7.1	8.6	8.4
External	19.8	22.9	23.5	22.8	12.1	12.7	10.8	10.6
Others	72.8	77.2	87.0	91.9	96.8	110.3	126.5	124.8
Goods and services	33.7	38.1	39.0	45.7	49.3	52.7	62.0	62.5
Transfers and subsidies	39.1	39.1	48.0	46.2	47.5	57.6	64.6	62.3
Capital expenditure and net lending	34.7	72.1	65.8	75.2	83.1	87.7	113.1	98.5
Fixed investment	35.0	75.0	69.4	78.2	85.1	90.4	115.1	100.6
Net equity, net lending, and transfers	-0.3	-2.8	-3.6	-3.0	-2.0	-2.7	-2.0	-2.1
Overall balance	**-37.2**	**-9.3**	**-6.6**	**9.6**	**13.3**	**31.1**	**6.5**	**7.9**
Statistical discrepancy 5/	-11.5	6.6	-10.6	5.1	0.0	3.9	0.0	0.0
Financing	**48.7**	**2.7**	**17.2**	**-14.8**	**-13.3**	**-35.0**	**-6.5**	**-7.9**
Net foreign financing	44.9	47.3	25.8	9.1	0.0	-10.8	-9.3	-1.6
Disbursements	47.7	78.4	26.8	7.5	12.5	2.9	5.3	13.7
Amortization	6.5	37.2	43.2	20.4	12.5	13.1	14.6	15.3
Other including rescheduling	3.8	6.1	42.3	22.0	0.0	-0.6	0.0	0.0
Net domestic financing	3.8	-44.5	-8.6	-23.9	-13.2	-24.2	-5.8	-6.3
Bank	-6.9	-41.4	-12.2	-16.6	-13.2	-16.1	-5.8	-6.3
Nonbank	10.7	-7.7	-6.6	-6.6	0.0	-5.7	0.0	0.0
Other including rescheduling	0.0	4.6	10.2	-0.7	0.0	-2.4	0.0	0.0
Emergency support							8.6	
	(In percent of GDP)							
Total revenue and grants	**32.5**	**40.0**	**38.8**	**41.1**	**38.7**	**43.2**	**44.0**	**40.6**
Current revenue	27.8	31.0	32.7	33.3	30.0	35.0	32.3	31.9
Tax revenue	24.3	27.1	28.4	30.3	27.6	31.7	29.8	29.3
Nontax revenue	3.5	3.9	4.3	3.0	2.4	3.3	2.6	2.6
Capital revenue	0.2	0.1	0.3	0.2	0.2	0.1	0.1	0.1
Grants 3/	4.5	8.8	5.9	7.6	8.5	8.1	11.5	8.5
Total expenditure	**37.9**	**41.3**	**39.7**	**39.9**	**37.1**	**39.4**	**43.2**	**39.7**
Current expenditure	32.8	31.2	31.0	30.4	27.0	28.8	30.1	28.8
Wages and salaries 4/	16.8	14.6	13.6	13.3	12.9	13.0	13.2	12.9
Interest	5.5	5.8	5.8	5.4	2.4	2.4	2.3	2.1
Domestic	2.6	2.6	2.7	2.6	0.9	0.9	1.0	0.9
External	2.9	3.2	3.1	2.9	1.5	1.5	1.2	1.2
Others	10.6	10.8	11.6	11.6	11.7	13.4	14.7	13.8
Goods and services	4.9	5.3	5.2	5.8	6.0	6.4	7.2	6.9
Transfers and subsidies	5.7	5.5	6.4	5.8	5.7	7.0	7.5	6.9
Capital expenditure and net lending	5.0	10.1	8.8	9.5	10.1	10.6	13.1	10.9
Overall balance	**-5.4**	**-1.3**	**-0.9**	**1.2**	**1.6**	**3.8**	**0.8**	**0.9**
Statistical discrepancy 5/	-1.7	0.9	-1.4	0.6	0.0	0.5	0.0	0.0
Financing	**7.1**	**0.4**	**2.3**	**-1.9**	**-1.6**	**-4.2**	**-0.8**	**-0.9**
Net foreign financing	6.5	6.6	3.4	1.2	0.0	-1.3	-1.1	-0.2
Disbursements	6.9	11.0	3.6	1.0	1.5	0.4	0.6	1.5
Amortization	0.9	5.2	5.8	2.6	1.5	1.6	1.7	1.7
Other including rescheduling	0.6	0.9	5.6	2.8	0.0	-0.1	0.0	0.0
Net domestic financing	0.5	-6.2	-1.1	-3.0	-1.6	-2.9	-0.7	-0.7
Bank	-1.0	-5.8	-1.6	-2.1	-1.6	-1.9	-0.7	-0.7
Nonbank	1.6	-1.1	-0.9	-0.8	0.0	-0.7	0.0	0.0
Other including rescheduling	0.0	0.6	1.4	-0.1	0.0	-0.3	0.0	0.0
Emergency support							1.0	0.0
Memorandum items:								
Capital expenditure less total grants	0.6	1.7	3.3	2.3	1.8	2.9	1.9	2.6
Primary balance	**-1.6**	**5.4**	**3.5**	**7.3**	**4.0**	**6.6**	**3.0**	**3.0**
Overall balance (excluding grants)	-9.9	-10.1	-6.8	-6.4	-6.9	-4.3	-10.8	-7.7
Nominal GDP at market prices (EC$ million)	689.8	714.9	750.6	790.5	827.2	826.2	861.3	903.9

Sources: Ministry of Finance; and Fund staff estimates and projections.

1/ Fiscal years beginning July 1.

2/ IM F Country Report No. 07/1, Seventh Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Financing Assurances Review (November 2006).

3/ Does not include grants that were received but not spent, in line with IMF Country Report No. 05/384.

4/ 2005/06 includes a reclassification of EC$2.3 million (0.3 percent of GDP) to other expenditure, reflecting a transfer of teachers from the government payroll to that of the State College.

5/ Difference between identified financing and overall above-the-line balance .

Table 3. Dominica: Balance of Payments
(In millions of U.S. dollars)

					Prog. 1/	Est.	Projections					
	2002	2003	2004	2005	2006		2007	2008	2009	2010	2011	2012
Current account balance	**-34.7**	**-33.6**	**-46.9**	**-83.8**	**-63.9**	**-58.3**	**-72.4**	**-87.2**	**-81.8**	**-80.2**	**-78.9**	**-77.3**
Trade balance	-58.7	-70.8	-84.9	-102.9	-104.0	-104.3	-121.0	-138.1	-136.6	-140.0	-143.6	-147.1
Exports (f.o.b.)	43.6	41.0	42.8	43.0	42.6	42.5	39.1	32.3	37.9	39.4	40.8	42.6
Of which												
Bananas	8.1	5.9	7.2	6.4	7.5	7.5	3.8	3.0	7.0	6.7	6.2	6.1
Imports (f.o.b.)	102.4	111.8	127.8	145.9	146.6	146.8	160.1	170.3	174.5	179.3	184.4	189.7
Of which												
Mineral fuels 2/	9.6	12.1	14.1	19.3	24.2	22.7	25.3	31.9	32.0	32.7	33.6	34.6
Services balance	26.0	32.8	40.0	31.5	43.7	45.5	46.2	51.7	55.1	59.3	63.6	68.2
Exports of services	79.7	77.3	86.3	83.5	96.2	97.9	105.6	112.5	117.4	123.2	129.4	135.9
Travel	45.7	52.3	60.1	55.7	66.9	68.4	75.2	80.5	83.9	88.2	92.8	97.6
Other	34.0	25.0	26.2	27.8	29.2	29.5	30.4	32.0	33.5	35.0	36.6	38.3
Imports of services	53.7	44.6	46.3	52.1	52.5	52.4	59.4	60.8	62.3	64.0	65.8	67.7
Net income	-18.4	-12.1	-21.8	-33.9	-21.5	-21.6	-22.1	-23.7	-24.2	-24.6	-25.1	-25.8
Interest payments (public sector) 3/	-8.8	-8.0	-8.6	-10.7	-6.5	-6.5	-6.5	-7.4	-7.1	-6.7	-6.4	-6.2
Net current transfers	16.4	16.6	19.8	21.5	18.0	22.1	24.4	22.9	24.0	25.0	26.2	27.4
Private	12.6	12.4	18.4	19.5	18.0	21.1	24.4	22.9	24.0	25.0	26.2	27.4
Public	3.8	4.2	1.4	1.9	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital and financial account	**32.1**	**22.4**	**22.1**	**71.0**	**62.7**	**51.2**	**73.3**	**87.3**	**80.2**	**83.3**	**82.4**	**80.9**
Capital account	20.5	18.8	26.8	20.9	25.5	42.8	43.5	32.5	30.1	33.7	35.3	36.9
Public capital transfers	17.7	15.9	23.8	17.8	22.5	39.8	40.4	29.2	26.7	30.2	31.5	33.0
Private capital transfers	2.8	2.9	3.0	3.1	3.0	3.0	3.1	3.3	3.4	3.6	3.7	3.9
Financial account	11.6	3.7	-4.7	50.2	37.2	8.4	29.8	54.8	50.1	49.6	47.1	44.0
Public sector	25.8	8.9	-0.7	-3.8	-7.1	-9.0	-2.5	-5.3	-6.8	-5.7	-4.0	-2.5
Budgetary flows (net)	25.0	8.9	-0.7	-3.8	-7.1	-9.0	-2.5	-5.3	-6.8	-5.7	-4.0	-2.5
Disbursements	30.7	24.0	17.4	7.8	4.5	2.6	5.1	4.7	5.5	5.6	5.8	5.9
Repayments 3/	5.7	15.1	18.1	11.5	11.7	11.7	7.6	9.9	12.3	11.3	9.7	8.4
Nonbudgetary flows (net)	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private sector	-14.1	-5.2	-4.0	53.9	44.3	17.4	32.3	60.1	56.9	55.2	51.1	46.5
Direct investment	11.4	19.8	18.1	18.0	24.0	24.1	24.9	26.2	27.4	28.6	29.9	31.3
Commercial banks	-24.1	-33.9	-26.9	21.4	-5.4	-26.6	-23.1	7.6	10.1	6.7	5.3	3.8
Other private flows	-1.5	8.8	4.8	14.5	25.7	19.9	30.5	26.3	19.4	20.0	15.9	11.4
Errors and omissions	**14.7**	**12.5**	**-0.9**	**4.5**	**0.0**	**13.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**12.1**	**1.4**	**-25.7**	**-8.3**	**-1.2**	**6.6**	**0.9**	**0.2**	**-1.6**	**3.1**	**3.5**	**3.6**
Overall financing	**-12.1**	**-1.4**	**25.7**	**8.3**	**1.2**	**-6.6**	**-0.9**	**-0.2**	**1.6**	**-3.1**	**-3.5**	**-3.6**
Net international reserves	-12.1	-1.4	10.3	-4.0	-6.6	-14.3	-2.9	-2.1	-2.6	-2.7	-2.8	-2.9
Gross reserves (increase = -)	-15.1	-6.2	9.4	-7.2	-8.3	-16.1	-0.5	-5.4	-1.8	-1.6	0.2	1.0
IMF reserve liabilities (purchase = +)	3.0	4.8	0.9	3.2	1.8	1.8	-2.5	3.2	-0.8	-1.1	-3.0	-4.0
Exceptional financing 4/	0.0	0.0	15.4	12.3	7.7	7.7	2.1	2.0	4.1	-0.4	-0.7	-0.6
Memorandum items:												
Current account balance	-13.7	-13.0	-17.3	-29.5	-21.3	-19.4	-23.3	-26.6	-23.9	-22.4	-21.1	-19.8
Current account balance including net capital transfers	-5.6	-5.7	-7.4	-22.2	-12.8	-5.2	-9.3	-16.7	-15.1	-13.0	-11.7	-10.3
External public debt service (as a percent of exports of goods and nonfactor services)												
External public debt service ratio 5/	11.8	19.5	20.7	17.5	13.1	13.0	9.8	11.9	12.5	11.1	9.5	8.2
Amortization	4.6	12.8	14.0	9.1	8.4	8.3	5.2	6.9	7.9	6.9	5.7	4.7
Interest	7.1	6.8	6.7	8.4	4.7	4.7	4.5	5.1	4.6	4.1	3.8	3.5
External public debt	79.6	84.6	80.6	74.8	70.8	70.9	66.7	62.7	58.4	53.4	48.5	44.1

Sources: Dominica authorities; ECCB; and Fund staff estimates and projections.

1/ IMF Country Report No. 07/1, Seventh Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Financing Assurances Review (November 2006).

2/ Projections based on WEO's baseline oil prices projections of February 2007.

3/ Data are on prerestructuring terms up to 2005, and on postrestructuring terms for creditors participating in the debt restructuring and on prerestructuring terms for nonparticipating creditors.

4/ Refers to financing associated with Dominica's debt restructuring.

5/ As a percent of exports of goods and services. For 2005 it includes the reallocation of part of an external bond (around 4 percent of GDP) from external to domestic.

Table 4. Dominica: Summary Accounts of the Banking System

	2002	2003	2004	2005	Prog. 1/ 2006	Est. 2006	Proj. 2007	Proj. 2008
(In millions of Eastern Caribbean dollars, end of period)								
I. Consolidated Banking System and Monetary Authorities								
Net foreign assets	**193.8**	**289.0**	**333.7**	**286.8**	**319.0**	**397.2**	**468.6**	**453.7**
Net domestic assets	**355.4**	**265.5**	**253.6**	**340.2**	**358.1**	**290.0**	**258.0**	**296.9**
Net credit to the nonfinancial public sector	74.8	51.1	23.0	15.8	14.0	-51.6	-87.9	-93.0
Of which								
Central government	64.2	55.9	45.6	67.3	52.6	10.7	-23.6	-25.3
Net credit to nonbank financial institutions	-46.6	-81.8	-75.9	-59.9	-62.5	-68.6	-66.9	-68.2
Credit to the private sector	433.2	420.6	450.7	477.8	516.1	531.2	555.6	591.0
Other items (net) 2/	-106.1	-124.5	-144.2	-93.6	-109.4	-121.0	-142.9	-132.9
Broad money 3/	**549.2**	**554.5**	**587.4**	**627.0**	**677.1**	**687.2**	**726.6**	**750.6**
II. Operations of the Monetary Authorities								
Imputed net international reserves	**117.8**	**118.7**	**90.8**	**101.5**	**119.3**	**140.2**	**148.1**	**153.9**
Net domestic assets	**12.1**	**7.0**	**26.0**	**20.8**	**15.4**	**7.7**	**7.2**	**12.7**
Monetary base	**129.9**	**125.7**	**116.8**	**122.3**	**134.6**	**147.9**	**155.3**	**166.6**
Currency in circulation	35.5	34.2	37.6	39.0	42.4	45.4	48.1	49.6
Commercial bank reserves	94.4	91.5	79.2	83.4	92.2	102.5	107.2	117.0
III. Commercial Banks								
Net foreign assets	**79.0**	**170.4**	**242.9**	**185.3**	**199.8**	**257.1**	**320.6**	**299.9**
Net claims on ECCB	**98.2**	**85.6**	**73.8**	**77.7**	**85.9**	**99.9**	**99.9**	**109.0**
Net domestic assets	**336.6**	**264.3**	**233.1**	**325.1**	**349.0**	**284.8**	**258.0**	**292.1**
Net credit to the nonfinancial public sector	53.4	26.3	-10.8	-23.5	-20.8	-85.6	-123.1	-134.2
Net credit to nonbank financial institutions	-46.6	-81.8	-75.9	-59.9	-62.5	-68.6	-66.9	-68.2
Credit to the private sector	433.2	420.6	450.7	477.8	516.1	531.2	555.6	591.0
Other (net)	-103.5	-100.7	-130.9	-69.4	-83.7	-92.3	-107.6	-96.5
Private sector deposits 3/	**513.7**	**520.3**	**549.8**	**588.0**	**634.7**	**641.7**	**678.5**	**701.0**
IV. Consolidated Banking System								
(Annual percentage change)								
Credit to the private sector	-1.4	-2.9	7.1	6.0	8.0	11.2	4.6	6.4
Private sector deposits	7.6	1.3	5.7	7.0	7.9	9.1	5.7	3.3
Broad money	8.5	1.0	5.9	6.7	8.0	9.6	5.7	3.3
(Contributions to liquidity growth) 4/								
Net foreign assets	**19.3**	**17.3**	**8.1**	**-8.0**	**5.1**	**17.6**	**10.4**	**-2.0**
Net domestic assets	**-10.8**	**-16.4**	**-2.1**	**14.7**	**2.9**	**-8.0**	**-4.7**	**5.4**
Net credit to the nonfinancial public sector	-5.4	-4.3	-5.1	-1.2	-2.0	-10.8	-5.3	-0.7
Net credit to nonbank financial institutions	-1.8	-6.4	1.1	3.0	-0.4	-0.9	0.0	0.0
Credit to the private sector	-1.3	-2.3	5.4	4.6	6.1	8.5	3.6	4.9
Other items (net)								
Memorandum items:								
Interest rates 5/								
Time deposit rate	5.6	6.0	4.7	4.8	5.1	5.1	…	…
Weighted average lending rate	...	11.9	9.8	10.0	9.2	9.2	…	…

Sources: ECCB; and Fund staff estimates and projections.

1/Program figures as shown in the Seventh Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Financing Assurances Review (November 2006). Transactions with the IMF are included as transacations with the monetary authorities.

2/ Includes interbank float.

3/ Including deposits denominated in U.S. dollars.

4/ Percentage changes relative to broad money at the beginning of the period.

5/ Commercial banks; end-of-period rates for local currency, percent per annum.

Table 5. Dominica: Financial and External Vulnerability Indicators

(In percent of GDP, unless otherwise indicated)

	2001	2002	2003	2004	2005	Prel. 2006	Proj. 2007
Financial indicators							
Broad money (percent change, 12-month basis)	7.4	8.5	1.0	5.9	6.7	5.7	3.3
Private sector credit (percent change, 12-month basis)	-3.2	-1.4	-2.9	7.1	6.0	4.6	6.4
Unsatisfactory assets/total loans 1/	22.6	19.2	21.7	22.5	22.0	9.3	8.4
Provision for loan losses/total loans 1/	6.8	7.0	7.6	7.3	5.9	2.4	2.2
Total capital/risk weighted assets (locally incorporated banks) 1/	35.4	34.1	28.7	23.5	26.2	20.8	16.4
Tier 1 capital/risk weighted assets (locally incorporated banks) 1/	34.1	32.9	28.1	23.0	25.8	19.1	16.4
Net profit before taxes/average assets 1/	3.0	1.3	1.4	1.2	1.2	1.5	0.6
Three-month treasury bill rate (end of period)	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Three-month treasury bill rate (real) 2/	5.3	6.0	3.5	5.6	3.7	4.8	3.0
External indicators							
Exports of goods and nonfactor services (percent change, 12-month basis in U.S. dollars)	-16.9	2.7	-4.0	9.2	-2.0	10.9	3.1
Imports of goods and nonfactor services (percent change, 12-month basis in U.S. dollars)	-9.5	-5.8	0.2	11.3	13.7	0.6	10.2
Current account balance	-18.7	-13.7	-13.0	-17.3	-29.5	-19.4	-23.3
Capital and financial account balance 3/	19.2	18.5	13.6	7.8	26.6	21.5	23.6
Net official reserves (in millions of U.S. dollars, end of period) 4/	30.4	43.6	44.0	33.6	37.6	51.9	54.8
Net official reserves to broad money (percent, end of period) 4/	16.2	21.4	21.4	15.5	16.2	20.4	20.4
Net official reserves to imports of goods and services (percent, end of period)	18.3	28.0	28.1	19.3	19.0	26.1	25.0
Net official reserves to short-term external debt (percent, end of period) 5/	533.5	288.9	242.8	291.4	322.6	685.2	552.7
Public sector external debt 6/	67.5	79.6	84.6	80.6	74.8	70.9	66.7
External debt (end of period) to exports of goods and nonfactor services (percent) 6/	147.1	163.4	184.2	169.5	168.0	152.2	143.2
External interest payments to exports of goods and nonfactor services (percent) 6/	6.4	7.1	6.8	6.7	8.4	4.7	4.5
External amortization payments to exports of goods and nonfactor services (percent) 6/	4.5	4.6	12.8	14.0	9.1	8.3	5.2
Exchange rate (per U.S. dollar, end of period)	2.7	2.7	2.7	2.7	2.7	2.7	2.7
REER appreciation (end of period; depreciation -)	0.8	-3.2	-1.9	-6.0	1.9	-2.6	...

Sources: ECCB; and Fund staff estimates and projections.

1/ Data refer to September 2007.
2/ Treasury bill rate adjusted by end-of-period inflation.
3/ Includes errors and omissions.
4/ Imputed reserves at the ECCB until 2001. From 2002, transactions with the IMF are included as transactions of the monetary authorities.
5/ Debt at remaining maturity (measured as public sector external amortization due the next year).

Table 6. Dominica: Medium-Term Macroeconomic Framework

	2002	2003	2004	2005	Prog. 1/ 2006	Est. 2006	Projections 2007	2008	2009	2010	2011	2012
	(Annual percent change)											
National income and prices												
GDP at constant (1990) prices	-5.1	0.1	3.0	3.3	4.1	4.0	0.9	3.5	3.0	3.0	3.0	3.0
Implicit GDP deflator (factor cost)	-0.2	0.9	2.1	1.5	1.2	1.9	2.2	1.8	1.5	1.5	1.5	1.5
	(In percent of GDP, unless otherwise specified)											
Savings and investment												
Gross domestic investment	**20.8**	**25.5**	**28.6**	**30.1**	**26.6**	**27.0**	**26.1**	**29.4**	**27.5**	**27.5**	**27.5**	**27.5**
Public	7.5	9.4	12.0	11.4	10.6	11.6	11.9	13.3	11.9	11.6	11.6	11.6
Of which												
Central government	5.5	7.8	9.9	9.6	10.4	10.4	10.9	12.3	10.9	10.6	10.6	10.6
Of which												
Other public sector	1.9	1.6	2.2	1.8	0.3	1.2	1.0	1.0	1.0	1.0	1.0	1.0
Private	13.4	16.1	16.6	18.8	16.0	15.3	14.2	16.1	15.6	15.9	15.9	15.9
Gross national saving 2/	**15.2**	**19.7**	**21.2**	**8.0**	**13.8**	**21.8**	**16.8**	**12.7**	**12.4**	**14.5**	**15.8**	**17.2**
Public	0.0	5.9	10.7	11.5	10.2	14.1	14.2	14.1	12.8	12.7	12.8	13.0
Of which												
Central government	-1.4	4.4	8.8	9.7	9.9	12.9	13.2	13.1	11.8	11.7	11.8	12.0
Of which												
Other public sector	1.4	1.5	2.0	1.8	0.3	1.2	1.0	1.0	1.0	1.0	1.0	1.0
Private	15.2	13.8	10.5	-3.6	3.6	7.7	2.6	-1.4	-0.4	1.8	3.0	4.2
Savings-investment balance	**-5.6**	**-5.7**	**-7.4**	**-22.2**	**-12.8**	**-5.2**	**-9.3**	**-16.7**	**-15.1**	**-13.0**	**-11.7**	**-10.3**
Public savings investment	-7.4	-3.4	-1.3	0.2	-0.4	2.5	2.3	0.8	0.9	1.1	1.2	1.4
Private savings investment	1.8	-2.3	-6.1	-22.3	-12.4	-7.6	-11.6	-17.5	-16.0	-14.1	-12.9	-11.7
Central government finances 3/												
Current revenue	27.8	31.0	32.7	33.3	30.0	35.0	32.3	31.9	31.1	31.1	31.1	31.1
Capital revenue	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Current expenditure	32.8	31.2	31.0	30.4	27.0	28.8	30.1	28.8	28.3	28.1	28.0	27.8
Overall balance (including grants) 4/	-5.4	-1.3	-0.9	1.2	1.6	3.8	0.8	0.9	1.0	1.2	1.3	1.4
Grants	4.5	8.8	5.9	7.6	8.5	8.1	11.5	8.5	8.4	8.4	8.4	8.4
Capital spending	5.1	10.5	9.3	9.9	10.3	10.9	13.4	11.1	10.6	10.6	10.6	10.6
Primary balance	-1.6	5.4	3.5	7.3	4.0	6.6	3.0	3.0	3.0	3.0	3.0	3.0
Memorandum items:												
Nonfinancial public sector debt 5/	130.8	130.8	116.0	108.1	101.4	102.5	97.6	92.3	87.8	83.5	79.4	75.4
External	79.6	84.6	80.6	74.8	70.8	70.9	66.7	62.7	58.4	53.4	48.5	44.1
Domestic	51.2	46.2	35.4	33.3	30.6	31.6	30.8	29.6	29.4	30.2	30.9	31.4

Sources: Dominica authorities; ECCB; and Fund staff estimates and projections.

1/ Program figures as shown in the Seventh Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Financing Assurances Review (November 2006).

2/ Calculated using the external current account including net external capital transfers.

3/ Calculated on a fiscal year basis, with the figure shown relating to the fiscal year beginning in July.

4/ Does not include grants that were received but not spent, in line with IMF Country Report No. 05/384.

5/ For 2005, it includes the reallocation of part of an external bond (around 4 percent of GDP) from external to domestic.

Table 7a.Dominica: Public Sector Debt Sustainability Framework, Baseline Scenario, 2004-27

(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 8/	Standard Deviation 8/	Projections									
	2004	2005	2006			2007	2008	2009	2010	2011	2012	Average 2007–12	2017	2027	Average 2013–27
Public sector debt 1/	116.0	108.1	102.5			97.6	92.3	87.8	83.5	79.4	75.4		57.4	23.4	
*Of which: F*oreign-currency denominated 2/3/	80.6	74.8	70.9			66.7	62.7	58.4	53.4	48.5	44.1		31.5	21.2	
Change in public sector debt	-14.8	-7.8	-5.7			-4.9	-5.3	-4.4	-4.3	-4.1	-4.0		-3.5	-3.4	
Identified debt-creating flows 4/	-12.0	-9.1	-8.7			-4.9	-5.3	-4.4	-4.3	-4.1	-4.0		-3.5	-3.4	
Primary deficit	-4.4	-4.5	-6.9	0.1	5.3	-5.2	-3.3	-3.2	-3.2	-3.2	-3.1	-3.5	-3.0	-3.1	-3.1
Revenue and grants	48.7	48.9	49.6			51.7	51.8	50.3	50.1	50.1	50.1		50.1	50.1	
Of which : Grants	6.0	6.8	7.8			9.9	10.0	8.5	8.3	8.3	8.3		8.3	8.3	
Primary (noninterest) expenditure	44.4	44.4	42.6			46.5	48.5	47.0	46.9	46.9	47.0		47.0	47.0	
Automatic debt dynamics	-2.1	-2.1	-2.6			0.3	-2.0	-1.2	-1.1	-1.0	-0.8		-0.4	-0.3	
Contribution from interest rate/growth differential	-2.1	-2.7	-2.6			0.4	-2.1	-1.5	-1.4	-1.2	-1.1		-0.6	-0.4	
Of which : Contribution from average real interest rate	1.8	1.0	1.5			1.3	1.2	1.2	1.2	1.2	1.2		1.2	0.3	
Of which : Contribution from real GDP growth	-3.9	-3.7	-4.1			-0.9	-3.3	-2.7	-2.6	-2.4	-2.3		-1.8	-0.8	
Contribution from real exchange rate depreciation	0.0	0.6	0.0			-0.1	0.1	0.3	0.3	0.3	0.2		...	...	
Other identified debt-creating flows	-5.6	-2.5	0.8			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	-2.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	-0.9	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-4.6	-0.6	0.8			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	-2.8	1.3	3.1			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
NPV of public sector debt		95.5	89.3			85.5	80.6	77.2	74.0	70.8	67.7		52.4	21.0	
Of which: Foreign-currency denominated		62.2	57.8			54.7	51.0	47.8	43.8	39.9	36.3		26.5	18.9	
Of which: External	...	62.2	57.8			54.7	51.0	47.8	43.8	39.9	36.3		26.5	18.9	
Gross financing need 5/	6.7	0.5	-0.4			2.1	3.0	3.3	4.4	4.4	4.2		1.0	-0.9	
NPV of public sector debt-to-revenue and grants ratio (in percent)		195.3	180.2			165.5	155.6	153.7	147.7	141.4	135.1		104.7	42.0	
NPV of public sector debt-to-revenue ratio (in percent)		227.0	213.8			204.7	192.8	184.9	177.1	169.4	162.0		125.5	50.3	
*Of which: E*xternal 6/		147.8	138.3			130.9	122.0	114.4	104.8	95.5	86.9		63.5	45.2	
Debt service-to-revenue and grants ratio (in percent) 6/	22.7	10.2	13.2			14.0	12.2	13.1	15.1	15.2	14.5		8.2	4.3	
Debt service-to-revenue ratio (in percent) 6/ 7/	25.9	11.8	15.6			17.4	15.2	15.7	18.1	18.2	17.4		9.8	5.2	
Primary deficit that stabilizes the debt-to-GDP ratio	10.5	3.4	-1.3			-0.3	2.0	1.2	1.1	1.0	0.8		0.4	0.3	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	3.0	3.3	4.0	0.9	3.1	0.9	3.5	3.0	3.0	3.0	3.0	2.7	3.0	3.0	3.0
Average nominal interest rate on forex debt (in percent)	3.9	2.0	2.7	3.6	1.1	2.6	2.6	2.5	2.5	2.4	2.4	2.5	2.4	3.0	2.5
Average real interest rate on domestic currency debt (in percent)	0.7	3.5	3.2	5.8	3.4	2.8	2.7	3.0	3.2	3.4	3.6	3.1	3.9	2.9	3.8
Real exchange rate depreciation (in percent, + indicates depreciation)	0.0	0.8	0.1	0.3	1.0	-0.2	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	2.1	1.5	1.9	1.5	0.9	2.2	1.8	1.5	1.5	1.5	1.5	1.7	1.5	1.5	1.5
Growth of real primary spending (deflated by GDP deflator, in percent)	4.3	3.2	-0.2	2.6	11.7	10.0	8.0	-0.1	2.7	3.1	3.1	4.5	3.0	3.0	3.0
Grant element of new external borrowing (in percent)	...	...	...			17.9	16.4	17.9	17.9	17.9	17.9	17.7	17.9	17.9	...

Sources: Country authorities; and Fund staff estimates and projections.

1/ Nonfinancial Public Sector (includes debt with Dominica's Social Security System). Projections are net of accumulation of assets.

2/ Refers to external debt. Assumes that nonpartcipating creditors receive the intermediate bond. Excludes external interest arrears. Arrears with participating creditors have been settled as part of the debt restructuring. Arrears with nonparticipating creditors are either in dispute or expected to be settled when an agreement is reached. Undisputed interest arrears are approximately 0.4 percent of GDP

3/ For 2005, it includes the reallocation of part of an external bond (around 4 percent of GDP) from external to domestic

4/ Fiscal year aggregates are averaged to estimate calendar year figures.

5/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

6/ Revenues including grants.

7/ Debt service is defined as the sum of interest and amortization of medium- and long-term debt.

8/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 7b. Dominica: Sensitivity Analysis for Key Indicators of Public Debt 2007–27

	Projections							
	2007	2008	2009	2010	2011	2012	2017	2027
NPV of Debt-to-GDP Ratio								
Baseline	85.5	80.6	77.2	74.0	70.8	67.7	52.4	21.0
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	85.5	85.6	86.8	87.9	89.1	90.3	96.5	106.2
A2. Primary balance is unchanged from 2007	85.5	78.9	73.9	69.1	64.2	59.4	35.7	-11.7
A3. Permanently lower GDP growth 1/	85.5	81.4	79.0	77.0	75.2	73.7	69.6	76.7
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008–09	85.5	87.4	92.4	92.7	93.1	93.5	95.6	96.9
B2. Primary balance is at historical average minus one standard deviations in 2008–09	85.5	88.1	91.9	88.2	84.8	81.6	66.1	33.5
B3. Combination of B1-B2 using one half standard deviation shocks	85.5	89.3	94.1	89.9	86.0	82.2	63.9	25.9
B4. One-time 30 percent real depreciation in 2008	85.5	103.8	100.3	96.8	93.4	89.9	72.7	37.6
B5. 10 percent of GDP increase in other debt-creating flows in 2008	85.5	89.3	85.5	82.1	78.9	75.7	60.3	28.2
NPV of Debt-to-Revenue Ratio 2/								
Baseline	165.5	155.6	153.7	147.7	141.4	135.1	104.7	42.0
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	165.5	164.7	171.3	173.6	175.3	177.0	185.7	195.7
A2. Primary balance is unchanged from 2007	165.5	152.4	147.1	137.9	128.2	118.7	71.3	-23.4
A3. Permanently lower GDP growth 1/	165.5	157.0	156.9	153.2	149.5	146.3	137.4	149.6
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008–09	165.5	167.0	180.4	181.7	182.4	183.2	187.4	189.9
B2. Primary balance is at historical average minus one standard deviations in 2008–09	165.5	170.3	182.9	176.1	169.3	162.9	132.0	66.9
B3. Combination of B1-B2 using one half standard deviation shocks	165.5	171.2	184.8	177.1	169.4	162.0	125.9	51.0
B4. One-time 30 percent real depreciation in 2008	165.5	200.6	199.6	193.4	186.4	179.6	145.1	75.1
B5. 10 percent of GDP increase in other debt-creating flows in 2008	165.5	172.5	170.2	164.0	157.5	151.2	120.5	56.3
Debt Service-to-Revenue Ratio 2/								
Baseline	14.0	12.2	13.1	15.1	15.2	14.5	8.2	4.3
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	14.0	12.5	15.8	19.0	19.9	19.8	15.5	19.7
A2. Primary balance is unchanged from 2007	14.0	12.2	11.9	13.4	13.2	12.3	4.9	-2.2
A3. Permanently lower GDP growth 1/	14.0	12.3	13.4	15.8	16.3	16.0	11.7	15.3
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008–09	14.0	12.8	15.9	20.1	21.1	20.9	16.0	19.1
B2. Primary balance is at historical average minus one standard deviations in 2008–09	14.0	12.2	18.5	22.6	18.4	16.6	9.6	7.0
B3. Combination of B1-B2 using one half standard deviation shocks	14.0	12.7	17.9	21.5	18.3	16.6	9.2	5.4
B4. One-time 30 percent real depreciation in 2008	14.0	12.9	14.6	16.8	16.8	16.1	9.4	5.9
B5. 10 percent of GDP increase in other debt-creating flows in 2008	14.0	12.2	19.3	17.5	16.5	15.5	9.0	5.9

Sources: Country authorities; and Fund staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of 20 (i.e., the length of the projection period).

2/ Revenues are defined inclusive of grants.

Table 7c. Dominica: External Debt Sustainability Framework, Baseline Scenario, 2004–27 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 7/	Standard Deviation 7/	Projections									
	2004	2005	2006			2007	2008	2009	2010	2011	2012	2007-12 Average	2017	2027	2013-27 Average
External debt (nominal) 1/	**80.6**	**74.8**	**70.9**			**66.7**	**62.7**	**58.4**	**53.4**	**48.5**	**44.1**		**31.5**	**21.2**	
Of which: Public and publicly guaranteed (PPG)	80.6	74.8	70.9			66.7	62.7	58.4	53.4	48.5	44.1		31.5	21.2	
Change in external debt	-4.0	-5.8	-3.9			-4.2	-4.0	-4.3	-5.0	-4.9	-4.4		-1.7	-0.4	
Identified net debt-creating flows	0.3	12.8	-0.7			4.8	6.4	5.6	4.4	3.3	-3.6		-1.9	-0.8	
Noninterest current account deficit	**14.1**	**27.9**	**17.4**	**14.9**	**6.0**	**21.5**	**25.0**	**22.4**	**21.0**	**19.9**	**13.0**		**14.6**	**15.5**	14.7
Deficit in balance of goods and services	16.5	25.1	19.5			24.1	26.4	23.8	22.6	21.4	20.2		16.6	17.5	
Exports	47.5	44.5	46.6			46.6	44.2	45.4	45.4	45.5	45.6		45.6	45.6	
Imports	64.1	69.7	66.1			70.7	70.6	69.2	68.0	66.9	65.8		62.2	63.1	
Net current transfers (negative = inflow)	-7.3	-7.6	-7.3	-6.3	1.1	-7.9	-7.0	-7.0	-7.0	-7.0	-7.0		-7.0	-7.0	-7.0
Of which: Official	-0.5	-0.7	-0.3			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other current account flows (negative = net inflow)	4.9	10.4	5.2			5.3	5.6	5.6	5.5	5.5	-0.2		5.0	5.0	
Net FDI and capital grants (negative = inflow)	**-12.7**	**-13.2**	**-15.8**	**-12.4**	**4.0**	**-17.9**	**-18.0**	**-16.5**	**-16.3**	**-16.3**	**-16.3**		**-16.3**	**-16.3**	-16.3
Endogenous debt dynamics 2/	**-1.2**	**-2.0**	**-2.3**			**1.2**	**-0.6**	**-0.3**	**-0.3**	**-0.3**	**-0.3**		**-0.2**	**0.0**	
Contribution from nominal interest rate	3.2	1.5	1.9			1.8	1.7	1.5	1.4	1.2	1.1		0.7	0.6	
Contribution from real GDP growth	-2.4	-2.6	-2.8			-0.6	-2.2	-1.8	-1.7	-1.5	-1.4		-1.0	-0.6	
Contribution from price and exchange rate changes	-1.9	-1.0	-1.4			…	…	…	…	…	…		…	…	
Residual (3-4) 3/ 4/	**-4.2**	**-18.5**	**-3.2**			**-9.0**	**-10.4**	**-9.9**	**-9.5**	**-8.1**	**-0.8**		**0.2**	**0.4**	
Of which: Exceptional financing	-4.6	-0.6	0.8			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
NPV of external debt 5/	…	…	57.8			54.7	51.0	47.8	43.8	39.9	36.3		26.5	18.9	
In percent of exports	…	…	124.0			117.3	115.2	105.3	96.4	87.7	79.6		58.2	41.4	
NPV of PPG external debt	**…**	**…**	**57.8**			**54.7**	**51.0**	**47.8**	**43.8**	**39.9**	**36.3**		**26.5**	**18.9**	
In percent of exports	**…**	**…**	**124.0**			**117.3**	**115.2**	**105.3**	**96.4**	**87.7**	**79.6**		**58.2**	**41.4**	
In percent of government revenues	**…**	**…**	**138.3**			**130.9**	**122.0**	**114.4**	**104.8**	**95.5**	**86.9**		**63.5**	**45.2**	
Debt service-to-exports ratio (in percent)	**3.0**	**43.1**	**9.8**			**11.8**	**10.6**	**10.3**	**12.0**	**11.7**	**10.8**		**5.5**	**3.5**	
PPG debt service-to-exports ratio (in percent)	**3.0**	**43.1**	**9.8**			**11.8**	**10.6**	**10.3**	**12.0**	**11.7**	**10.8**		**5.5**	**3.5**	
PPG debt service-to-revenue ratio (in percent)	**3.4**	**45.6**	**10.9**			**13.2**	**11.2**	**11.2**	**13.0**	**12.7**	**11.8**		**6.1**	**3.8**	
Total gross financing need (billions of U.S. dollars)	7.8	96.6	18.6			28.3	38.2	36.3	36.5	33.2	6.3		3.9	6.1	
Noninterest current account deficit that stabilizes debt ratio	18.1	33.7	21.3			25.7	29.0	26.7	26.1	24.7	17.4		16.3	15.9	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.0	3.3	4.0	0.9	3.1	0.9	3.5	3.0	3.0	3.0	3.0	2.7	3.0	3.0	3.0
GDP deflator in U.S. dollar terms (change in percent)	2.3	1.2	1.9	1.6	0.8	2.2	1.8	1.5	1.5	1.5	1.5	1.7	1.5	1.5	1.5
Effective interest rate (percent) 6/	3.9	2.0	2.7	3.6	1.1	2.6	2.6	2.5	2.5	2.4	2.4	2.5	2.4	3.0	2.5
Growth of exports of goods and services (U.S. dollar terms, in percent)	9.2	-2.0	10.9	2.3	10.1	3.1	0.0	7.3	4.7	4.7	4.8	4.1	4.5	4.5	4.5
Growth of imports of goods and services (U.S. dollar terms, in percent)	11.3	13.7	0.6	2.5	7.3	10.2	5.3	2.5	2.7	2.8	2.9	4.4	5.0	4.6	4.3
Grant element of new public sector borrowing (in percent)	…	…	…	…	…	17.9	16.4	17.9	17.9	17.9	17.9	17.7	17.9	17.9	17.9
Aid flows (in billions of U.S. dollars) 8/	75.4	57.0	64.2			86.1	91.4	81.8	83.8	87.6	93.5		116.8	182.1	
Of which: Grants	16.4	19.4	23.5			30.7	32.6	29.0	29.7	31.0	32.5		40.5	63.2	
Of which: Concessional loans	18.4	3.1	3.0			3.1	3.3	3.4	3.6	3.7	5.9		7.3	11.4	
Grant-equivalent financing (in percent of GDP) 9/	…	…	…			10.2	10.2	8.8	8.6	8.6	8.6		8.6	8.6	8.6
Grant-equivalent financing (in percent of external financing) 9/	…	…	…			88.4	89.6	87.0	86.9	87.2	87.4		87.4	87.4	87.4
Memorandum items:															
Nominal GDP (billions of U.S. dollars)	271.7	284.3	301.3			310.6	327.3	342.2	357.8	374.0	391.0		488.3	761.6	
(NPVt-NPVt-1)/GDPt-1 (in percent)						-1.4	-1.0	-1.0	-2.0	-2.1	-1.9	-1.6	-0.1	1.0	-0.1

Source: Fund staff simulations.

1/ Only includes public sector external debt.

2/ Derived as [r - g - r(1+g)]/(1+g+r+gr) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and r = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ In 2005, it includes the reallocation of part of an external bond (around 4 percent of GDP) from external to domestic. It also includes a negative FDI flow reflecting extraordinary dividends paid by a foreign company (5 percent og GDP), which were made out of an account in a foreign bank.

5/ Assumes that NPV of private sector debt is equivalent to its face value.

6/ Current-year interest payments divided by previous period debt stock.

7/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

8/ Defined as grants, concessional loans, and debt relief.

9/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the NPV of new debt).

Table 7d. Dominica: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2007–27
(In percent)

	Projections							
	2007	2008	2009	2010	2011	2012	**2017**	2027
NPV of debt-to-GDP ratio								
Baseline	55	51	48	44	40	36	**27**	19
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008–27 1/	55	49	44	39	34	36	**50**	81
A2. New public sector loans on less favorable terms in 2008–27 2/	55	51	49	45	41	38	**30**	27
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	55	54	53	49	44	40	**30**	21
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	55	54	58	54	50	47	**37**	25
B3. US dollar GDP deflator at historical average minus one standard deviation in 2008–09	55	51	49	45	41	37	**27**	19
B4. Net non-debt creating flows at historical average minus one standard deviation in 2008–09 4/	55	60	65	61	57	54	**43**	29
B5. Combination of B1–B4 using one-half standard deviation shocks	55	56	61	57	52	48	**38**	26
B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/	55	72	68	62	57	51	**38**	27
NPV of debt-to-exports ratio								
Baseline	117	115	105	96	88	80	**58**	41
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2007–26 1/	117	110	96	85	76	79	**109**	179
A2. New public sector loans on less favorable terms in 2007–26 2/	117	116	107	99	91	84	**66**	58
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	117	115	105	96	88	80	**58**	41
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	117	132	162	151	140	130	**102**	69
B3. U.S. dollar GDP deflator at historical average minus one standard deviation in 2008–09	117	115	105	96	88	80	**58**	41
B4. Net nondebt creating flows at historical average minus one standard deviation in 2008–09 4/	117	136	144	135	126	118	**95**	63
B5. Combination of B1–B4 using one-half standard deviation shocks	117	124	140	130	120	110	**86**	58
B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/	117	115	105	96	88	80	**58**	41
Debt service-to-exports ratio								
Baseline	12	11	10	12	12	11	**6**	3
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008–27 1/	12	11	10	12	12	11	**8**	12
A2. New public sector loans on less favorable terms in 2008–27 2/	12	11	10	12	12	11	**6**	5
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	12	11	10	12	12	11	**6**	4
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	12	11	13	16	16	15	**9**	6
B3. U.S. dollar GDP deflator at historical average minus one standard deviation in 2008–09	12	11	10	12	12	11	**6**	4
B4. Net nondebt creating flows at historical average minus one standard deviation in 2008–09 4/	12	11	11	14	13	12	**8**	6
B5. Combination of B1–B4 using one-half standard deviation shocks	12	11	12	14	14	13	**7**	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2008 5/	12	11	10	12	12	11	**6**	4

Source: Fund staff projections and simulations.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), noninterest current account in percent of GDP, and nondebt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

Table 8. Dominica: Indicators of Capacity to Repay the Fund, 2004–12
(Under obligation schedule)

					Projections				
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Obligations from existing drawings									
(In millions of SDRs)									
Principal	0.0	0.3	1.1	1.6	0.0	0.5	0.7	1.1	1.5
Charges/interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Obligations from existing and prospective drawings 1/									
(In millions of SDRs)									
Principal	0.0	0.3	1.1	1.6	0.0	0.5	0.7	1.8	2.6
Charges/interest	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1
Total outstanding and prospective obligations	0.1	0.4	1.2	1.7	0.2	0.7	0.9	2.0	2.6
In millions of U.S. dollars	0.1	0.6	1.8	2.6	0.3	1.0	1.4	3.2	4.3
In percent of exports of goods and services	0.1	0.4	1.3	1.8	0.2	0.7	0.9	1.9	2.4
In percent of debt service 2/	0.5	2.5	9.3	15.5	1.6	5.1	7.4	16.8	22.8
In percent of quota	1.1	4.7	15.2	20.4	2.2	7.9	10.6	24.1	32.2
In percent of net international reserves 3/	0.4	1.5	3.5	4.7	0.5	1.7	2.3	5.0	6.3
Fund credit outstanding 1/									
In millions of SDRs	5.9	8.1	9.3	7.7	9.7	9.2	8.5	6.7	4.1
In millions of U.S. dollars	8.8	11.9	13.7	11.8	15.5	14.7	13.9	10.9	6.7
In percent of exports of goods and services	6.8	9.4	9.7	8.2	10.7	9.5	8.5	6.4	3.7
In percent of debt service 2/	33.0	52.9	69.1	71.5	89.1	72.8	72.4	56.8	35.5
In percent of quota	72.5	98.6	113.4	94.3	118.8	112.7	103.9	81.5	50.1
In percent of net international reserves 3/	26.2	31.8	26.4	21.6	27.2	24.7	22.3	16.7	9.8
Memorandum items:									
Exports of goods and services (millions of U.S. dollars)	129.2	126.6	140.4	144.7	144.8	155.3	162.6	170.2	178.4
Debt service (millions of U.S. dollars) 2/	26.7	22.6	19.8	16.5	17.4	20.2	19.1	19.1	18.8
Quota (millions of SDRs)	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2
Net international reserves (millions of U.S. dollars) 3/	33.6	37.6	51.9	54.8	57.0	59.5	62.2	65.0	67.9
GDP (millions of U.S. dollars)	271.7	284.3	301.3	310.6	327.3	342.2	357.8	374.0	391.0

Sources: Dominica authorities; Eastern Caribbean Central Bank (ECCB); and Fund staff estimates and projections.

1/ Including assumed future disbursements of SDR 2.05 million under ENDA. No subsidization of ENDA purchase is incorporated in projections.

2/ Including IMF repurchases in total debt service.

3/ Net international reserves of the monetary authorities; net imputed reserves of the ECCB and transactions with the Fund.

ATTACHMENT I

January 17, 2008

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. Strauss-Kahn,

Dominica has been badly affected by Hurricane Dean, which passed the region over the period of August 16–17, 2007. The high levels of precipitation have resulted in landslides, causing human causalities and severe damage to the island's roads. High winds and flash flooding have damaged the agricultural sector (banana, in particular), commercial and residential buildings and other key physical infrastructure while, fortunately, the important tourism sector has been largely unaffected. The initial estimate of the overall damage is about EC$162 million, nearly 20 percent of GDP, including earnings forgone in the agriculture sector of some EC$46 million, 5 percent of GDP. Our preliminary estimates suggest that the economy could stall or contract somewhat this year, after three consecutive years of strong above-trend growth under a reform program supported by a recently expired PRGF Arrangement of the IMF. The external current account deficit will likely widen considerably as agricultural exports plunge and rehabilitation imports surge.

Efforts are already underway to provide immediate relief to those affected by the natural disaster, and undertake repair and reconstruction work. While many donors, in particular the Government of Trinidad and Tobago through the CARICOM Petroleum Fund and the Government of the Bolivarian Republic of Venezuela, have responded immediately to help meet these priorities, the process will require a considerable amount of time and resources. Accordingly, the Government of Dominica requests a purchase equivalent to SDR 2.05 million (25 percent of quota) under the Fund's policy on Emergency Assistance for Natural Disaster and further requests a subsidy on the rate of charge on such purchase. The purchase will help meet the immediate foreign exchange needs stemming from the disaster, thereby easing pressure on our external reserves and maintaining confidence in the external position.

The government's overall strategy for dealing with the crisis is two-pronged. First, the immediate priorities being undertaken—with the assistance of donors—are to repair critical infrastructure (roads, bridges, and seawalls) and to provide assistance to those who suffered abrupt losses in earnings. Second, the government, with the help of donor countries and multilateral agencies, will shortly develop a comprehensive home-grown program aimed at reactivating the economy and addressing the large social needs, drawing extensively on the existing Growth and Social Protection Strategy (GSPS) of the government that was developed alongside the PRGF-supported program.

In the short run, some emergency measures have been introduced to ease the economic burden stemming from the crisis. In the fiscal area, the government has redirected expenditure to emergency needs, including repairing and rebuilding critical infrastructure and humanitarian assistance for the displaced and other severely affected groups. It is government's intention to limit the total net increase in spending compared with the FY 2007/08 budget to EC$20 million or 2½ percent of GDP in order to adhere to the primary surplus target of 3 percent of GDP.

As regards fiscal revenues, the government will closely monitor the revenue developments and ensure maintaining the integrity of the newly introduced VAT. In any case, the increased spending will be financed primarily by external grants and where necessary, with concessional or near-concessional loans, but without any external commercial borrowing, in order to ensure debt sustainability over the long term. All cash disbursements received from donors will be channeled through the consolidated fund to ensure adequate accounting and use of these resources. The government will stay current in all debt-service payments to creditors and will continue to make good-faith efforts toward collaborative debt restructuring agreements with remaining holdout creditors as proposed by the Government of Dominica in 2004.

The government attaches great importance to implementing its agenda of structural reforms aimed at faster economic growth and lower poverty. As soon as the immediate priorities have been addressed, the government is determined to refocus its attention on developing the policies and reforms that could be supported in the context of a new PRGF arrangement. The government believes that the existing GSPS is a good starting point and that a home-grown reform program, supported by the IMF, could play a key role in achieving our policy objectives. The main priorities for reform will remain (i) maintaining prudent fiscal policies to reduce Dominica's still high public debt; (ii) enhancing the investment climate for private sector development; (iii) and strengthening oversight of, and resilience in, the financial sector.

It is hoped that the international financial community will support generously our efforts to repair and rehabilitate our severely damaged economy and the country's social structure. We look forward to an early approval by the Fund of the emergency assistance, and to accelerated and increased financial and technical assistance from other donors, in particular the EU, the World Bank, and governments.

The government will continue to cooperate with the Fund in an effort to strengthen Dominica’s balance of payments situation and maintain economic stabilization. The government does not intend to impose or intensify restrictions on the making of payments and transfers for current international transactions, introduce multiple currency practices, impose or intensify import restrictions for balance of payments purposes, or conclude bilateral payments agreements that are inconsistent with Article VIII.

Sincerely yours,

/s/

HON. ROOSEVELT SKERRIT
PRIME MINISTER AND MINISTER
FOR FINANCE AND PLANNING

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No. 08/19
FOR IMMEDIATE RELEASE
February 5, 2008

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$3.3 Million in Emergency Assistance for Dominica

The Executive Board of the International Monetary Fund (IMF) approved on February 4, 2008, SDR 2.05 million (about US$3.3 million) in emergency assistance for Dominica. This amount is available immediately to help the government deal with the effects of Hurricane Dean, which struck Dominica in August 2007.

The damage caused by Hurricane Dean is estimated at almost 20 percent of GDP. The agriculture sector, one of the major sources of foreign exchange earnings, took the brunt of the damage. Economic growth is estimated to have slowed to around 1 percent in 2007 from a pre-hurricane forecast of 3 percent growth, while the loss in export earnings in 2007 and 2008 is estimated at 4 percent of GDP. The donor community has responded by providing disaster relief grants to help address the immediate needs of those affected by the hurricane, and to undertake repair and reconstruction of essential infrastructure. However, given the severity of structural damage, the reconstruction process will require a considerable amount of time and resources, and is likely to be limited by implementation capacity.

The IMF provides emergency assistance to member countries affected by natural disasters to help them meet immediate balance of payments financing needs, and maintain or restore macroeconomic stability. The emergency loan, has a subsidized interest rate of 0.5 percent per year, and will be repaid in eight equal quarterly installments over 3.25 to 5 years from the disbursement date

At the conclusion of the Executive Board's discussion on Dominica, Murilo Portugal, Deputy Managing Director and Acting Chair, said:

"The IMF extends its deepest sympathy to the people of Dominica at this difficult time. The extensive damage caused by Hurricane Dean has resulted in great hardship for many Dominicans, and constitutes a serious setback to recent economic progress. Prior to the hurricane, Dominica had significantly reduced fiscal imbalances under an economic program supported by the Poverty Reduction and Growth Facility (PRGF), which had helped reduce the external current account deficit and placed the public debt on a downward path. However, with foreign exchange earnings impaired by the hurricane and significantly expanded imports of reconstruction materials, Dominica now faces large balance of payments financing needs.

"The government has responded swiftly, reallocating resources to the pressing needs of rehabilitation and reconstruction. Generous support from the international community, together with emergency assistance from the IMF, will help address near-term priorities. The authorities are committed to pursuing a comprehensive medium-term economic strategy to support the reconstruction effort and foster economic growth. This approach, based on the country's Growth and Social Protection Strategy, aims at maintaining macroeconomic stability and promoting structural reforms, and includes measures to strengthen further the financial sector.

"The authorities plan to maintain the primary surplus target of 3 percent of GDP, financing reconstruction expenditure primarily through external grants. They intend to continue with the planned multiyear income tax reform at a pace consistent with their fiscal targets, while maintaining the integrity of the recently-implemented VAT.

"The authorities' continued implementation of prudent policies, together with support from the international community, should help Dominica recover from the setbacks caused by the hurricane." Mr. Portugal said.